Annual Report 2013

FOR EVERY ONE

Contents

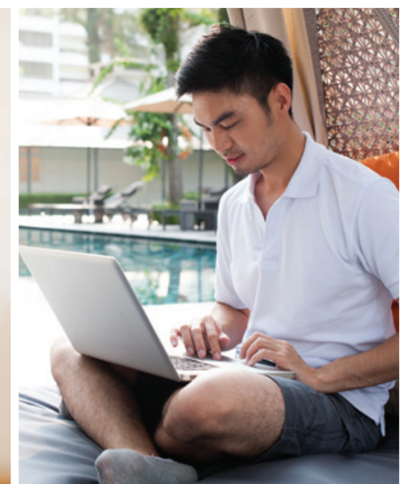
At A Glance

MOBILE CUSTOMERS (END-2013)

2.11m

FIBRE CUSTOMERS (END-2013)

85,000



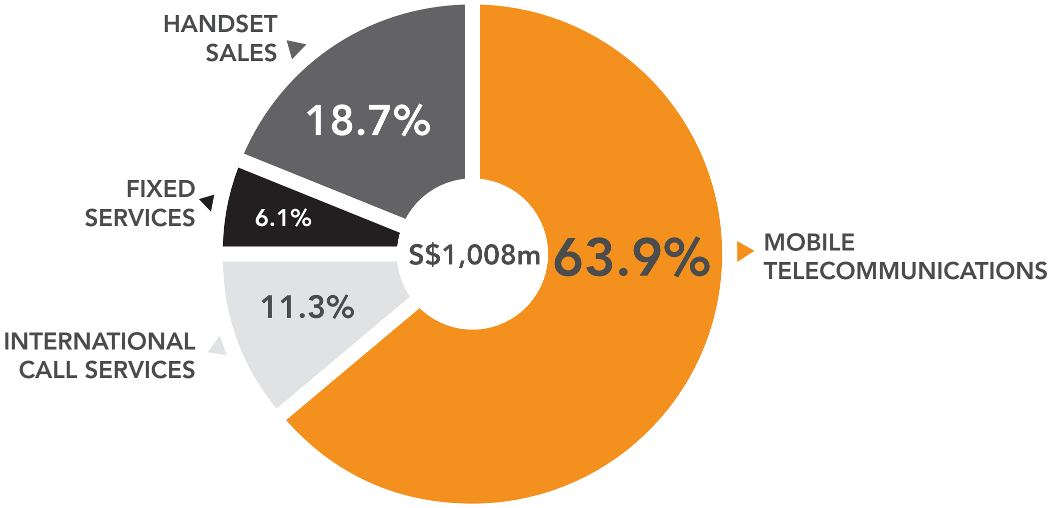
TOTAL SHAREHOLDERS' RETURN (2013)

26.1%

M1 is Singapore's most vibrant and dynamic communications company, providing mobile and fixed services to over 2 million customers. Established in 1997, M1 achieved many firsts, including the first operator to offer nationwide 4G service, as well as ultra high-speed fixed broadband, fixed voice and other services on the Next Generation Nationwide Broadband Network (NGNBN). With a continual focus on network quality, customer service, value and innovation, M1 links anyone and anything; anytime, anywhere.

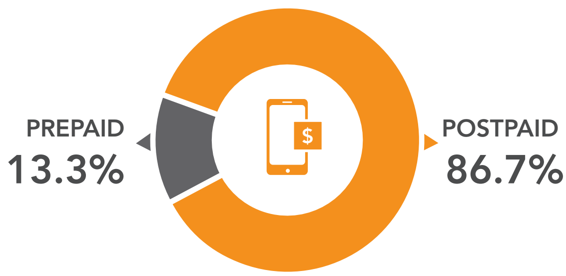
For more information, visit www.m1.com.sg

2013
Operating Revenue Mix



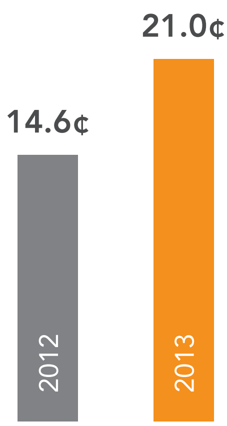
2013
Mobile Customer Mix

2013
Mobile Telecommunications Revenue Mix

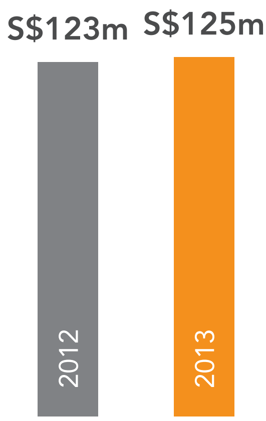


Mobile Data as a % of Service Revenue

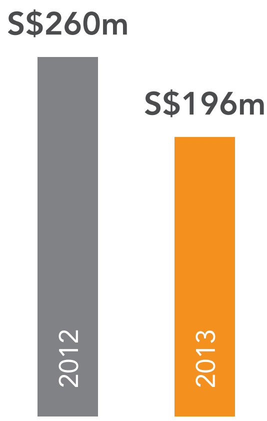
Cash Distribution Per Share (Declared)



Capital Expenditure



Net Debt



For
EVERY
Where

To stay ahead is to stay connected. We are committed to helping our customers keep up with changing times by linking them with the right solutions to meet their communication needs. Be it the first to introduce Singapore to nationwide 4G service or bring forth compelling service offerings to suit different lifestyles, M1 is ready to make life mobile anytime, anywhere.

For EVERY Want

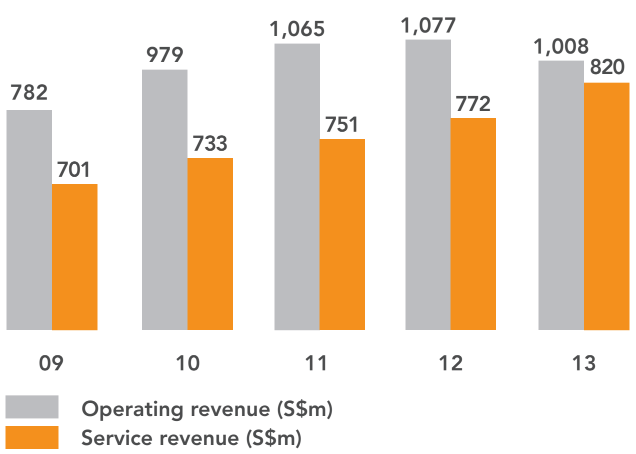
At M1, we leverage on our experience, technical expertise and highly advanced networks to offer a better experience and greater value to both consumers and businesses. As a full-service provider, we have grown our suite of products and services, from mobile to fibre broadband and Internet TV, to give our customers everything they want under the sun.

For EVERY One

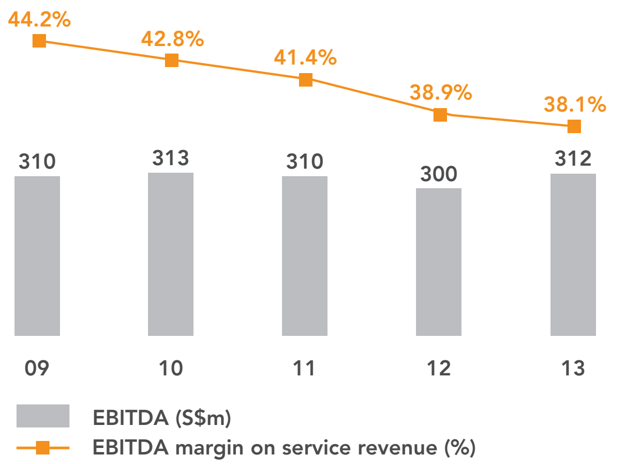
Our people are our greatest asset. We believe in bringing out the best of every individual by providing a dynamic and fulfilling work environment. An engaging corporate culture that motivates our staff to achieve their best and exemplifies our service philosophy – to create a great M1 experience for everyone, always.

Performance Highlights

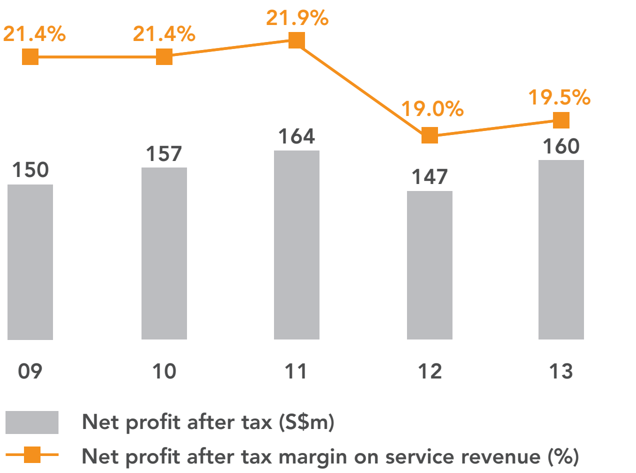
Operating Revenue and Service Revenue



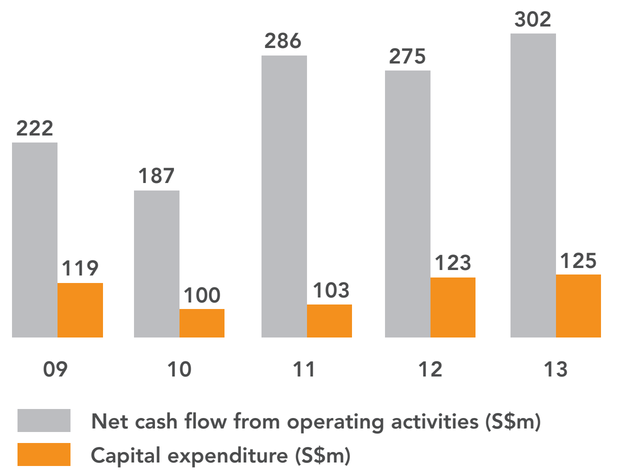
EBITDA



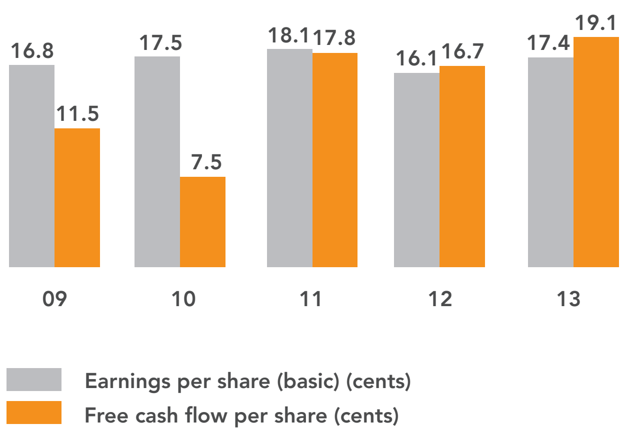
Net Profit After Tax



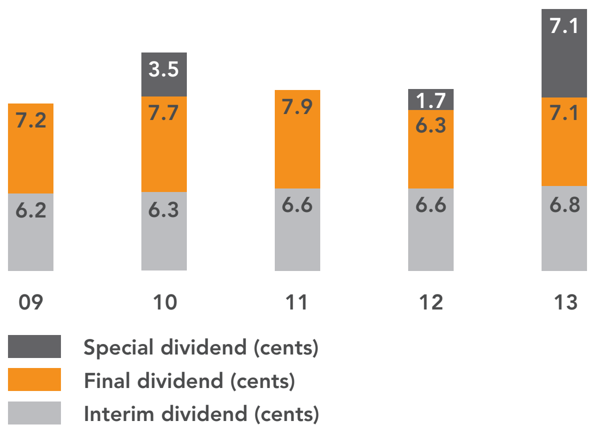
Cash Flow and Capital Expenditure



Earnings and Free Cash Flow Per Share



Cash Distribution Per Share (Declared)



Operating Highlights

	2013	2012	Change (%)
Mobile Telecommunications			
Number of mobile customers ('000)			
Postpaid	**1,130**	1,095	3.2
Prepaid	**979**	1,014	-3.4
Total	**2,109**	2,109	0.0
Market share[1] (%)			
Postpaid	**25.0**	25.7	–
Prepaid	**25.6**	26.7	–
Overall	**25.3**	26.1	–
Singapore mobile penetration rate[1] (%)	**156.0**	151.8	–
Average revenue per user (ARPU, S$ per month)			
Postpaid	**61.8**	62.7	-1.4
Postpaid (adjusted)[2]	**53.4**	52.8	1.1
Data plan	**20.8**	23.2	-10.3
Prepaid	**14.8**	15.4	-3.9
Non-voice services as a % of service revenue	**41.6**	37.6	–
Average monthly churn rate (%)	**1.1**	1.3	–
Acquisition cost per postpaid customer (S$)	**346**	371	-6.7
Fixed Services			
Number of fibre customers ('000)	**85**	52	63.9
ARPU (Fibre, S$ per month)	**46.1**	50.8	-9.3

[1] *Based on IDA statistics as at December 2013*
[2] *After adjustment for ARPU allocated to handset sales*

Financial Highlights

	2013	2012	Change (%)
Operating revenue (S$m)	**1,007.9**	1,076.8	-6.4
Mobile telecommunications	**644.2**	607.0	6.1
International call services	**114.0**	116.5	-2.1
Fixed services	**61.6**	48.1	28.0
Handset sales	**188.1**	305.2	-38.4
EBITDA (S$m)	**312.3**	299.9	4.1
Net profit after tax (S$m)	**160.2**	146.5	9.4
Free cash flow (S$m)	**176.0**	152.3	15.5
Net assets (S$m)	**395.1**	347.9	13.6
Net debt (S$m)	**195.5**	260.4	-24.9
Financial ratios			
Net debt/equity (x)	**0.5**	0.7	-33.9
Net debt/EBITDA (x)	**0.6**	0.9	-27.9
EBITDA/interest (x)	**70.1**	54.4	28.9
ROE (%)	**43.1**	43.7	–
ROCE (%)	**26.0**	24.4	–

Note: Figures may not add up due to rounding

Letter to Shareholders

M1 is well-positioned to meet the challenges of tomorrow in this fast-evolving landscape and continues to be a service provider of choice for customers.

Net Profit After Tax

+9.4% to

S$160.2m

The info-communications sector has become more exciting than it had ever been before. Today, consumer behaviour and business strategies are increasingly shaped by innovations in info-communications technology. These innovations have opened up new avenues for consumers to communicate and share life moments, and for businesses to be more productive and serve customers more effectively and securely. Faster delivery networks, both mobile and fixed, and smart end-user devices have engendered an ecosystem of products and services that empower consumers and businesses to connect anywhere, anytime on multiple platforms and devices.

Singapore is one of a few developed markets experiencing this socio-technological wave, with strong adoption of 4G mobile and fibre networks, and pervasive use of data services on smart devices. M1 has contributed to this through our relentless drive to bring to market innovative and relevant products and services for our customers.

In so doing, we have consistently led the industry – for example, in being the first in Singapore to launch fibre broadband service on the Next Generation Nationwide Broadband Network in September 2010, the first in Southeast Asia to launch a nationwide 4G service in September 2012, and the first in Singapore to offer 4G prepaid broadband service in March 2013. Making all these possible is our continual investment to upgrade and modernise our networks and support systems. This will ensure that M1 remains well-positioned to meet the challenges of tomorrow in this fast-evolving landscape and continues to be a service provider of choice for customers.

Financial Highlights

We are pleased to report a strong set of financial results for FY2013.

Net profit after tax for the full year grew 9.4% to S$160.2 million, driven by higher service revenues across both mobile and fixed segments. FY2013 service revenue grew 6.3% year-on-year to S$819.8 million. Operating revenue declined 6.4% to S$1,007.9 million due to lower handset sales.

Revenue from non-voice services for FY2013 grew 4.0 percentage points year-on-year to 41.6% of service revenue, driven by growth in mobile data usage. Fixed service revenue increased 28.0% to S$61.6 million, driven by a larger customer base. Free cash flow for the full year grew 15.5% to S$176.0 million.

Net debt-to-EBITDA was lower year-on-year at 0.6 times, with net debt at S$195.5 million compared to S$260.4 million in 2012.

Performance Highlights

M1's mobile customer base remained stable in 2013. In the year, the postpaid customer base grew by 35,000 to 1.13 million. Customers have also been progressively upgrading to the new tiered data plans that were introduced in September 2012. As at 31 December 2013, 49% of our postpaid mobile customers were on these plans. Our prepaid customer base declined marginally by 35,000 to 979,000, due to higher termination of expired cards. Our fibre customer base grew by 33,000 to 85,000 during the year, driven by expanded coverage of the nationwide fibre network and our attractive fibre broadband plans.

During the year, we introduced several innovative products and services, including Singapore's first 4G prepaid mobile broadband service in March, and Singapore's first symmetric upload and download residential fibre broadband service in May. In July, we unveiled our enhanced Internet TV service MiBox, which offers an enriched library of entertainment and e-learning content to customers who prefer on-demand à la carte content. We also entered into an exclusive partnership with global music streaming service Deezer in December to offer our postpaid mobile customers unlimited access to more than 30 million songs.

M1 committed S$120 million to upgrade our networks in 2013, in addition to our earlier capital commitment of S$280 million for 4G deployment. The core infrastructure was upgraded to an all-IP network, with pooling of mobile switching centres and media gateways for enhanced network performance and high service availability.

These upgrades have already benefited customers through the industry's highest call success and the lowest call drop rates, and ongoing upgrades including our 3G radio network in the 900MHz radio frequency spectrum band and small cell (femtocell) solutions will further enhance our coverage.

M1's network upgrades utilise global solutions based on industry specifications, and they are rigorously tested on vendors' R&D labs, as well as our own testbeds, before being deployed onto our live networks. In addition, our networks are built with geo-redundancy and high availability. While we took all possible actions to prevent any disruption during these upgrades, unforeseen circumstances did occur. Such occurrences are taken very seriously, with every incident thoroughly investigated and corrective measures taken to prevent any recurrence.

Customer service has always been one of M1's core values. To that end, we invest in developing our employees' service skills and product knowledge. In recognition of our push for service excellence at the retail shopfront, M1 Shop received the Singapore Service Class (S-Class) certification from SPRING Singapore in March 2013. In addition, we won the Frost & Sullivan Singapore Best Customer Experience in Telecommunications award, with M1 being rated highly for our service offerings, in-store experience and customer support channels. Supplementing our drive to deliver a higher standard of customer service, we revamped three of our M1 Shop outlets at Change Alley, NEX, and Suntec City to create a warmer, more personal retail experience for customers, reduce waiting times and enhance employee productivity. Completion of revamp of the entire network of M1 Shop outlets is expected by end-2014.

The new brand campaign for the year was themed 'M1. For Every One.', emphasising our commitment to deliver solutions that truly meet customers' needs and give them the best experience. The campaign was honoured with the Silver Award for Film Advertising Craft (Best Editing) at the prestigious GONG 2013 Creative Circle Awards.

Letter to Shareholders

Faster networks, smarter devices and data-intensive applications will continue to drive mobile data usage and revenue.

Total Dividends Declared

+43.8% to
21.0 cents
per share

Outlook

The global economy ended 2013 on an optimistic note with renewed growth in key markets such as the United States and China. Should the growth momentum be sustained, it will augur well for the telecommunications industry, as it will lead to increased business activity and consumer spending.

In the mobile segment, faster networks, smarter devices and data-intensive applications will continue to drive mobile data usage and revenue. Smart devices are an integral part of our customers' lives today, and we will continue to offer products and services that bring value to them.

Household fibre penetration grew from 23% last year to about 40% today. With increasing fibre adoption in both the consumer and enterprise segments, there are opportunities for M1 to grow our base. We will continue to enhance our product and service offerings to deliver attractive and effective solutions to our customers.

The completion of a purpose-built data centre, in the second quarter of 2014, as part of our existing building extension at 9 International Business Park, will enable us to further meet the needs of enterprise customers in areas such as managed cloud services, co-location and hosting services, and disaster recovery services.

Corporate Social Responsibility

M1 has a longstanding commitment to contributing to the Singapore community that we are part of. We believe that as we grow our business, we have a responsibility to contribute to the betterment of social causes and preservation of the environment.

Through our M1 Charity Golf and M1 Charity Carnival events, we raised a record S$355,000 for Beyond Social Services, Children-At-Risk Empowerment Association, Children's Cancer Foundation, Singapore Children's Society and Cerebral Palsy Alliance Singapore.

During the year, we continued to champion the Singapore arts scene. In July, we received our 13th consecutive Distinguished Patron of the Arts Award from the National Arts Council, in recognition for our efforts. In partnership with Netball Singapore, we held the inaugural M1 Corporate Challenge in November. The one-day friendly netball competition, held at Kallang Netball Centre, enjoyed enthusiastic participation from Singapore corporations.

M1 constantly enhances our business operations to further the cause of environmental sustainability, including deploying solar panels to power our offshore base station at St. John's Island and replacing plastic bags with environmentally-friendly reusable bags at our shops.

We are also pleased to share that our upcoming building extension will incorporate environmentally-friendly features including energy-efficient lighting and air-conditioning systems, water-efficient toilet fittings and rainwater storage for irrigation.

Distribution to Shareholders

M1 has a track record of providing attractive capital returns to shareholders. We are committed to maintain a sustainable dividend policy that will enhance long-term shareholder value. Apart from the normal dividend payment, we review our funding requirements and capital structure regularly and, as and when appropriate, return cash in excess of current and foreseeable business requirements to shareholders.

In line with this policy, the Board of Directors has proposed a special dividend of 7.1 cents, in addition to the final dividend of 7.1 cents. Taken together with the interim dividend, the total dividends declared for FY2013, at 21.0 cents, represents a 43.8% increase in dividend per share over the previous year.

M1's share price performed relatively well in 2013. When combined with the dividend received by shareholders in the year, total shareholders' return was a healthy 26.1%.

A Note of Thanks

In closing, we would like to thank M1's customers, shareholders and business partners for their continued support of the Company in 2013.

The Board of Directors' stewardship and unstinting support have made an important difference to M1 in the charting of our strategic directions in this exciting and challenging business. We would like to extend our appreciation to Mr Reggie Thein, who stepped down from the Board on 1 September 2013. Mr Thein joined as an Independent Director in November 2002 and contributed significantly to the Board, particularly in the areas of finance, audit and risk management. We wish him all the best.

Our employees' hard work, passion and dedication have been the enduring hallmarks of our success. Once again, we would like to express our thanks to them and we look forward to their continued contributions to bring M1 to the next level of success.

Teo Soon Hoe
Chairman

Karen Kooi Lee Wah
Chief Executive Officer

Operating and Financial Review

M1 continually invests in upgrading and modernising our networks to deliver reliable mobile and fixed services to our customers. In 2013, we committed $120 million to enhance and upgrade our mobile networks.

Service Revenue

+6.3% to S$819.8m

Company Overview

M1 is Singapore's most vibrant and dynamic communications company, providing mobile and fixed services to over 2 million customers. Established in 1997, M1 achieved many firsts, including the first operator to offer nationwide 4G service, as well as ultra high-speed fixed broadband, fixed voice and other services on the Next Generation Nationwide Broadband Network (NGNBN). With a continual focus on network quality, customer service, value and innovation, M1's mission is to link anyone and anything; anytime, anywhere.

The Group holds Facilities-Based Operator and Services-Based Operator licences issued by the Infocomm Development Authority of Singapore (IDA), for the provision of telecommunication systems and services. M1 also has a Telecommunication Dealer's Class Licence, for the import and sale of telecommunication equipment. M1 also has Internet Access Service Provider and IPTV licences issued by the Media Development Authority, for the provision of our fixed broadband and MiBox Internet TV services.

M1 operates nationwide 4G, 3G/High Speed Packet Access (HSPA) and 2G mobile networks, capable of download speeds of up to 150Mbps and upload speeds of up to 50Mbps. Through these networks, we provide customers with a wide range of voice, data and value-added postpaid and prepaid mobile services. To cater to our customers' varied needs, we offer service plans with a choice of voice, SMS and data bundles.

M1 makes available to our mobile and fixed-line customers International Direct Dial (IDD) services through the 002 and 021 prefixes, as well as a International Calling Card service using prefix 1818. We also trade wholesale voice minutes

with other international and local service providers, as well as provide dark fibre services to carriers and data centres. Since September 2010, M1 has been offering residential customers a range of fibre broadband services with speeds of up to 1Gbps, including fixed voice and other value-added services.

In the enterprise segment, we offer an extensive suite of mobile and fixed services, managed services and data centre services. We also offer enterprise Software as a Service (SaaS) solutions to meet our customers' business needs in areas such as storage, accounting, and human resources. M1 maintains a dedicated team of enterprise account managers to service the needs of customers, as well as a technical team that provides support on provisioning and technical-related matters.

In the course of our history, M1 has achieved the following milestones:

- Commercial launch of mobile services in April 1997;
- Achieved 10% mobile market share within one month of launch, and profitability in the first full year of operations in 1998;
- Listed on the Singapore Exchange in December 2002; and
- First operator in Singapore to launch:
  - 3G mobile services commercially in February 2005;
  - Nationwide mobile broadband services in December 2006;
  - Fibre broadband services on the NGNBN commercially in September 2010;
  - Mobile broadband service on our 4G network in June 2011;
  - Nationwide 4G service in September 2012.

For FY2013, service revenue grew 6.3% year-on-year to S$819.8 million, driven by growth in postpaid and fixed customers, as well as higher revenue from increased mobile data usage. Contribution from mobile data continued to grow, and revenue from non-voice services rose 4.0 percentage points year-on-year to 41.6% of service revenue. Net profit after tax increased 9.4% year-on-year to S$160.2 million, and margin on service revenue increased 0.5 percentage point to 19.5%. Free cash flow for the full year was S$176.0 million, a 15.5% increase from S$152.3 million the year before.

Our mobile customer base was stable at 2.11 million as at end-2013. During the year, we added 33,000 fibre customers to bring our fibre customer base to 85,000 as at end-2013.

Market Developments

According to published statistics from IDA, Singapore's mobile penetration rate was 156.0% as at end-2013, a 4.2 percentage point increase compared to a year ago. Out of a total of 8,420,700 mobile subscriptions, 53.8% were postpaid customers and 46.2% were prepaid customers.

For the fixed broadband market, the residential broadband penetration rate, comprising fibre, cable and digital subscriber line subscriptions, increased 1.2 percentage points over the year to 106.0% as at end-2013. Household fibre penetration increased from 23% in 2012 to about 40% as at end-2013. Over the same period, the number of residential and corporate fibre broadband subscriptions grew by 77.6% to 505,600, and the number of cable and digital subscriber line subscriptions fell by 12.7% to 557,400 and 26.8% to 324,500 respectively.

Operating and Financial Review

Fibre services continued to gain traction with customers in 2013. M1 continued to champion fibre, and our sustained efforts to drive take-up of fibre broadband services enabled us to add 33,000 customers in 2013 to bring our fibre customer base to 85,000.

Postpaid Mobile

The postpaid mobile segment, which made up 53.6% of our mobile customer base as at end-2013, contributed 86.7% to mobile telecommunications revenue in FY2013. During the year, we added 35,000 postpaid customers to bring our postpaid base to 1.13 million, for a 25.0% market share.

Driven by the growth in adoption of smartphones, faster networks and proliferation of data-centric applications, mobile data revenue continued to grow. Mobile data revenue accounted for 28.9% of mobile service revenue in 2013, compared to 24.1% in 2012. As at end-2013, 49% of our postpaid customers had migrated to our tiered mobile data bundles for mobile broadband and smartphone plans launched in September 2012.

Following a tariff review in 2013, voice call charging was revised to a minimum one-minute charge, followed by per-second billing thereafter, with calling rates remaining unchanged. Excess data charges were also revised to S$10.70 per GB from S$5.35 per GB previously, capped at S$188.32 per month, and the cap for customers using pay-per-use local mobile data was revised to S$295.32 per month, applicable to new and re-contracting customers. The tariff changes came into effect on 1 January 2014.

We continue to work closely with device manufacturers to make available their new phones, tablets and mobile accessories to our customers in a timely manner. Key models launched in early 2013 included the iPad with Retina Display (128GB) in February 2013, and the Samsung Galaxy S4 (LTE) and HTC One in April 2013. The second half of the year saw the launch of the iPhone 5S and 5C, Samsung Note 3, and the Sony Xperia Z Ultra, in September 2013, and the LG G Flex in December 2013.

We also worked with our content and services partners to further enhance our suite of fixed products and services. These include the extension of the Mobiroo mobile gaming service to mobile customers in November 2013, and the launch of the Deezer Premium+ music service in December 2013.



Prepaid Mobile

As at end-2013, we had 979,000 prepaid customers. This was a marginal decline of 35,000 year-on-year, due to higher termination of expired cards.

Migrant workers form a major segment of our prepaid customer base, as M1's prepaid service meets their communications needs. Our prepaid service is also used by resident customers such as parents who want to manage their children's mobile usage, and transient visitors to Singapore such as business travellers and tourists.

To expand our market reach, we conduct regular roadshows at high-traffic areas such as heartland estates, shopping malls, and at migrant worker dormitories. We also organised festive celebrations that cater to our migrant worker customers such as Deepavali and the Bangladeshi New Year.

The segment's interest in mobile data services has grown, and we make available a range of SunSurf prepaid data plans to enable our prepaid customers to enjoy the full mobile Internet experience, with access to instant messaging applications, social media networks, web surfing, email, and music and video streaming service.

Fixed Services

Fibre services continued to gain traction with customers in 2013. M1 continued to champion fibre, and our sustained efforts to drive take-up of fibre broadband services enabled us to add 33,000 customers in 2013 to bring our fibre customer base to 85,000.

In May 2013, we launched Singapore's first residential fibre broadband service with symmetric upload and download speeds. This allows customers to enjoy a superior usage experience, such as uploading and sharing large files, play games, and stream HD videos, all at the same time.

We introduced MiBox, an exciting new Internet TV service that offers affordably-priced video-on-demand entertainment and educational titles, games, e-books and applications, in July 2013. The service is targeted at customers who prefer an on-demand, a-la-carte model of TV content consumption. Take-up of the service has been encouraging, and we will continue to add content to the service.

Our suite of fixed services such as fibre broadband, virtual private network, server co-location continued to gain traction with corporate customers during the year. M1 also expanded Wireless@SG coverage to additional public spaces such as schools, hospitals and government ministries.

New Products and Services

We launched a number of innovative and exciting products and services in 2013. These include:

- **DBS One Tap:** In partnership with DBS, we launched Singapore's first virtual credit card on a Near Field Communications-enabled (NFC) mobile phone in March 2013. The DBS One Tap, M1's third NFC service, allows customers to pay for purchases by tapping their NFC-enabled phones at over 30,000 MasterCard® retail acceptance points in Singapore;
- **Prepaid 4G:** To address the needs of prepaid customers who want high-speed mobile Internet access, M1 launched Singapore's first prepaid 4G mobile broadband service in March 2013, followed by Singapore's first prepaid 4G smartphone plans in April 2013;
- **Software as a service (SaaS):** M1's cloud-based business SaaS offering was made available in April 2013, delivering access to human resource, accounting, website creation and maintenance applications to customers conveniently via a PC or smartphone. This solution allows business customers to enjoy easily-scalable enterprise-grade solutions at an affordable monthly cost;
- **Wi-Fi roaming:** Singapore's first Wi-Fi roaming application was launched in April 2013. The application allows our postpaid mobile customers to access Wi-Fi hotspots in more than 120 countries and territories from S$12 per day using iOS and Android smartphones and tablets;
- **MiBox:** The MiBox Internet TV service, launched in July 2013, offers customers access to thousands of video-on-demand entertainment and educational titles, games, e-books and applications;
- **M1 Mobile Security:** The increased use of smartphones for accessing the Internet has heightened the importance of mobile security. The M1 Mobile Security solution was made available in August 2013 to address the needs of security-conscious customers on Android devices;
- **Future Lab:** The M1 Future Lab, located at our Regional Operating Centre in Aljunied, was opened in October 2013. The laboratory showcases innovative technologies such as cloud services, sensors, surveillance and fleet management, offering our small and medium enterprise (SME) customers a convenient platform to test-bed products and services before going to market;
- **Deezer Premium+:** Launched in December 2013, our exclusive partnership with global music streaming service Deezer delivers unlimited access to more than 30 million songs from international, Asian and local artistes, to our postpaid customers.

Operating and Financial Review

A new brand campaign, with the theme "M1. For Every One.", was launched in August 2013. The campaign emphasised our commitment to deliver solutions that truly meet our customers' needs, and give them the best experience.

Sales and Distribution

As at end-2013, we had 15 M1 Shop outlets located islandwide, which provide customers convenient access to our products and services. To further enhance our reach and accessibility, M1's products and services are also distributed through a number of exclusive distributor outlets. We also conduct regular roadshows in high-traffic locations, such as shopping malls and migrant worker dormitories, and actively participate in major computer and consumer electronics roadshows.

In April 2013, we commenced revamping our M1 Shop outlets to deliver a refreshed, more personable shopping experience to customers. The revamp also sought to improve staff productivity and reduce customer waiting time. As at end-2013, our Change Alley, Suntec City and NEX outlets had been revamped, and we target to complete revamping the remaining outlets by end-2014.

A new M1 website, which leverages on the latest technologies and capabilities to deliver an enhanced online shopping experience to the increasing number of consumers who access the Internet via smartphones and tablets, was launched in November 2013. The new website sports a clean and clear interface, streamlined to help customers navigate and find that information easily. A new section featuring business solutions that cater to the needs of enterprise customers has also been included.

Brand

A new brand campaign, with the theme "M1. For Every One.", was launched in August 2013. The campaign emphasised our commitment to deliver solutions that truly meet our customers' needs, and give them the best experience. The campaign, which won the Silver Award for Film Advertising Craft (Best Editing) at the GONG 2013 Creative Circle Awards, was carried on TV, newspapers, outdoor and new media such as online and social media. Facebook and Instagram were also used to engage customers and showcase the positive experiences they had with M1.

Customer Experience

M1 continued to focus on customer service excellence in 2013.

In recognition of our adoption of a holistic and systematic approach to provide service excellence, M1 Shop achieved the Singapore Service Class (S-Class) certification from SPRING Singapore in March 2013. In January 2013, our Changi Airport Terminal 3 M1 Shop received the Changi Airport Group's Outstanding Outlet Award for exemplary customer service.

We also won the Frost & Sullivan Singapore Best Customer Experience in Telecommunications award, with M1 being rated highly for our service offerings, in-store experience and customer support channels.

At the EXSA (Excellent Service) Awards in October 2013, M1 staff received one Star, eight Gold and 32 Silver awards, for delivering outstanding service to our customers. The EXSA is a national award managed by seven industry organisations including the Association of Singapore Attractions and the Singapore Retailers Association.

Network

M1 continually invests in upgrading and modernising our networks to further enhance the performance and reliability of mobile and fixed services delivered to customers. In 2013, we committed $120 million to upgrade our networks including:

- **Microwave radio backhaul links:** Expansion work on the Ericsson microwave radio backhaul links was started in first quarter of 2013 and is expected to be completed by first quarter of 2014;
- **900MHz nationwide 3G radio network:** Nokia Solutions and Networks was selected in April 2013 to deploy an additional 3G radio network, complementing our existing 3G network on the 2100MHz frequency band. Work on this additional network began in May 2013 and is expected to be completed by first quarter of 2014;
- **Network modernisation:** A contract was also awarded to Nokia Solutions and Networks in April 2013 to upgrade M1's core infrastructure to an all-IP network with mobile switching centre and media gateway pooling, to enable dynamic allocation of network resources. With its completion in December 2013, M1 now has the most advanced core network in Singapore;
- **Small cell solution:** Alcatel Lucent was appointed in May 2013 to deploy a small cell solution to further enhance our 3G radio coverage and capacity in indoor premises. This solution is being progressively deployed;
- **3G network expansion:** Huawei was appointed to expand and upgrade M1's existing 3G network on the 2100MHz frequency band in May 2013. The contract delivered additional base stations and further optimised our 3G network to improve call connectivity and support data usage growth;
- **4G small cell trials:** In collaboration with Alcatel-Lucent, we conducted two successful trials of 4G small cell technology in 2013. The trials, at the Singapore Grand Prix in September 2013 and at the Marina Bay area during the New Year countdown, delivered enhanced mobile data coverage to our customers in those sites.




Operating and Financial Review

Financial Review

Operating revenue

	Year ended 31 December		
	2013 S$'m	2012 S$'m	YoY Change
Operating revenue			
Mobile telecommunications	644.2	607.0	6.1%
International call services	114.0	116.5	-2.1%
Fixed services	61.6	48.1	28.0%
Total service revenue	**819.8**	**771.6**	**6.3%**
Handset sales	188.1	305.2	-38.4%
Total	**1,007.9**	**1,076.8**	**-6.4%**

For 2013, operating revenue decreased 6.4% to S$1,007.9 million due to lower handset sales. Service revenue increased 6.3% to S$819.8 million, driven by growth in postpaid and fixed customers.

Mobile telecommunications revenue

	Year ended 31 December		
	2013 S$'m	2012 S$'m	YoY Change
Mobile telecommunications revenue			
Postpaid	558.4	529.5	5.4%
Prepaid	85.8	77.4	10.9%
Total	**644.2**	**607.0**	**6.1%**
Average revenue per user (ARPU, S$ per month)			
Postpaid	61.8	62.7	-1.4%
Postpaid (adjusted)[1]	53.4	52.8	1.1%
Data plan	20.8	23.2	-10.3%
Prepaid	14.8	15.4	-3.9%
Non-voice services as a % of service revenue	41.6	37.6	

[1] *After adjustment for ARPU offset against handset subsidy*

Mobile telecommunications revenue increased 6.1% to S$644.2 million driven by higher postpaid revenue. Segmentally, postpaid revenue was 5.4% higher at S$558.4 million due to an enlarged customer base. Prepaid revenue at S$85.8 million was 10.9% higher YoY.

Non-voice services as a percentage of service revenue increased 4.0% points to 41.6%, driven by higher mobile data revenue.

International call services revenue

	Year ended 31 December 2013 S$'m	2012 S$'m	YoY Change
International call services revenue			
Retail revenue	93.8	103.9	-9.8%
Wholesale and bilateral revenue	20.2	12.5	61.3%
Total	**114.0**	**116.5**	**-2.1%**
Total international retail minutes (million)	1,303	1,186	9.8%

International call services revenue decreased 2.1% to S$114.0 million due to lower retail revenue. International retail minutes increased 9.8% to 1,303 million minutes driven by higher traffic to lower rated destinations.

Handset sales

Handset sales decreased 38.4% to S$188.1 million due to lower sales volume.

Operating expenses

	Year ended 31 December 2013 S$'m	2012 S$'m	YoY Change
Cost of sales	424.1	515.1	-17.7%
Staff costs	108.7	97.4	11.5%
Advertising and promotion expenses	24.7	22.3	10.5%
Depreciation and amortisation	115.1	111.0	3.6%
Allowance for doubtful debts	12.7	12.9	-0.9%
Facilities expenses	78.0	76.1	2.4%
Leased circuit costs	25.0	31.5	-20.7%
General and administrative expenses	24.2	22.2	8.9%
Total	**812.4**	**888.6**	**-8.6%**

The increase in staff costs and depreciation and amortisation was more than offset by the decline in cost of sales and leased circuit costs. As a result, operating expenses decreased 8.6% to S$812.4 million.

Cost of sales

	Year ended 31 December 2013 S$'m	2012 S$'m	YoY Change
Handset costs	284.4	384.8	-26.1%
Traffic expenses	69.7	64.0	8.9%
Wholesale costs of fixed services	30.9	25.0	23.4%
Other costs	39.2	41.3	-5.1%
Total	**424.1**	**515.1**	**-17.7%**

Cost of sales decreased 17.7% to S$424.1 million mainly due to lower handset costs. Handset costs decreased 26.1% to S$284.4 million due to lower sales volume. Wholesale costs of fixed services increased 23.4% to S$30.9 million due to higher customer base.

Operating and Financial Review

Staff costs
Staff costs increased 11.5% to S$108.7 million due to higher performance-linked incentives paid.

Advertising and promotion expenses
Advertising and promotion expenses increased 10.5% to S$24.7 million due to higher level of marketing activities.

Depreciation and amortisation
Depreciation and amortisation expenses increased 3.6% to S$115.1 million, as a result of a higher asset base.

Allowance for doubtful debts
Doubtful debts allowance decreased marginally by 0.9% to S$12.7 million.

Facilities expenses
Facilities expenses increased 2.4% to S$78.0 million mainly attributed to higher repair and maintenance expenses.

Leased circuit costs
Leased circuit costs decreased 20.7% to S$25.0 million due to previous overprovision.

General and administrative expenses
General and administrative expenses increased 8.9% to S$24.2 million as previous year benefited from higher foreign exchange gain.

Finance costs
Finance costs decreased 19.2% to S$4.5 million due to lower borrowings and lower interest rate.

Taxation
Provision for taxation decreased 11.7% to S$32.6 million due to overprovision in respect of prior period.

Net profit after tax

	Year ended 31 December		
	2013 S$'m	2012 S$'m	YoY Change
Net profit after tax	160.2	146.5	9.4%
Net profit after tax margin (on service evenue)	19.5%	19.0%	

Net profit after tax grew 9.4% to S$160.2 million and net profit margin improved marginally to 19.5%.

EBITDA

	Year ended 31 December		
	2013 S$'m	2012 S$'m	YoY Change
EBITDA	312.3	299.9	4.1%
EBITDA margin (on service revenue)	38.1%	38.9%	

EBITDA increased 4.1% to S$312.3 million.
EBITDA margin, as a percentage of service revenue, was lower at 38.1%.

Capital expenditure and commitments

Capital expenditure incurred for 2013 was marginally higher at S$125.3 million. This was mainly for network capacity expansion and coverage enhancement.

Capital commitment as at 31 December 2013 was S$157.2 million and included S$104.0 million commitment for the 4G spectrum rights.

Liquidity and capital resources

	Year ended 31 December		
	2013 S$'m	2012 S$'m	YoY Change
Profit before tax	192.8	183.4	5.1%
Non-cash item and net interest expense adjustments	85.7	83.8	2.2%
Net change in working capital	23.5	7.7	206.5%
Net cash provided by operating activities	302.0	274.9	9.9%
Net cash used in investing activities	(122.4)	(121.5)	0.7%
Net cash used in financing activities	(136.8)	(153.6)	-11.0%
Net change in cash and cash equivalents	42.8	(0.2)	@
Cash and cash equivalents at beginning of financial period	11.6	11.8	-1.9%
Cash and cash equivalents at end of financial period	54.5	11.6	@
Free cash flow[1]	176.0	152.3	15.5%

@ Denotes more than -/+300%

[1] Free cash flow refers to net cash provided by operating activities less current year capital expenditure

Operating cash flow increased 9.9% to S$302.0 million for 2013 and free cash flow was 15.5% higher at S$176.0 million.

Financial leverage

As at 31 December 2013, gearing ratio was 49.5% compared to 74.8% as at 31 December 2012. Interest coverage ratio (EBITDA/Interest) was 70.1x for 2013, higher than 54.4x for 2012.

Board of Directors

TEO SOON HOE, 64

Chairman

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

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

KAREN KOOI LEE WAH, 59

Chief Executive Officer

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

Ms Kooi joined M1 as Chief Financial Officer in August 1995. She was a key member of the senior management team responsible for the planning, development and launch of M1's commercial operations. Prior to joining M1, Ms Kooi held various senior financial positions in large public listed companies, including Singapore Press Holdings Limited and City Developments Limited. She has over 30 years of experience in general and financial management.

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

ROGER BARLOW, 64

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 Hong Kong-based telecommunications consultancy company operating in Asia and with a focus on Southeast Asia. Mr Barlow is also an independent director of Planet, a wireless broadband service provider in Laos.

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

CHOW KOK KEE, 62

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

Mr Chow has more than 15 years of extensive experience in the financial services industry. He worked in the government Administrative Service for six years from 1976, holding management positions in the Ministries of Defence and Education before joining DBS Bank in 1982. He was Senior Vice President of International and Correspondent Banking at DBS Bank.

A Colombo Plan Scholar, he holds a First Class honours Bachelor of Engineering degree and a Bachelor of Commerce degree from the University of Newcastle, Australia, and an MBA from the National University of Singapore. Mr Chow is a fellow of the Singapore Institute of Directors, member of the Institute of Engineers, Australia and an associate of the Institute of Chartered Secretaries and Administrators, UK.

Board of Directors

JAMALUDIN IBRAHIM, 54

Dato' Sri Jamaludin Ibrahim was appointed to M1's Board of Directors on 21 August 2008. He is President and Group Chief Executive Officer of Axiata Group Berhad, which he joined in March 2008. He is also a board member of Axiata Group Berhad, the Chairman of Celcom Axiata Berhad (Malaysia's premier mobile telecommunications company), and sits on the boards of PT XL Axiata Tbk (Indonesia) and Dialog Axiata PLC (Sri Lanka). He is also the Deputy Chairman of the GSM Association.

He has about 32 years experience in the ICT and telecommunications industry, holding management positions at IBM and Digital Equipment Malaysia. In 1997, Dato' Sri Jamaludin Ibrahim joined Maxis Communications Berhad, and was appointed Chief Executive Officer in 1998. In 2006, he was re-designated Group Chief Executive Officer. He joined Axiata, then called TM International Berhad, a month before the demerger with Telekom Malaysia Berhad, in 2008.

Dato' Sri Jamaludin Ibrahim graduated from California State University in 1978 with a B.Sc. in Business Administration and minor in Mathematics. He obtained his MBA from Portland State University, Oregon in 1980.

KANNAN RAMESH, 48

Mr Ramesh was appointed to M1's Board of Directors on 11 February 2011. He is the Managing Partner of a law firm, Tan Kok Quan Partnership, where he heads the Litigation and Dispute Resolution, and Insolvency and Restructuring practice groups. Mr Ramesh is a Director of Singapore Aerospace Manufacturing Pte Ltd, which is a member company of the Singapore Technologies Group.

Mr Ramesh obtained his LLB from the National University of Singapore and was called to the bar in 1991. He was appointed Senior Counsel on 6 January 2012 by the Senior Counsel Selection Committee of the Singapore Academy of Law. He is also a Fellow of the Insolvency Practitioners Association of Singapore, as a nominee of the Law Society of Singapore. Besides being a founder member of the International Insolvency Institute, which is based in New York, Mr Ramesh is also a member of INSOL International.

LOW HUAN PING, 57

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

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

Mr Low holds a Bachelor of Arts (Honours) and Master of Arts from Cambridge University, where he read Engineering and a Master of Science from the National University of Singapore. He also graduated from Harvard Business School's Advanced Management Program.

ALAN OW SOON SIAN, 67

Mr Ow was appointed to M1's Board of Directors on 16 February 2009.

Mr Ow has extensive years of experience in the tax industry. He was the Senior Deputy Commissioner of IRAS and Chief Executive Officer of the Tax Academy of Singapore until 30 November 2007.

He holds a Bachelor of Social Sciences Degree (Honours) from the University of Singapore. He also attended the International Tax Program in Harvard Law School and the Advanced Management Program in Harvard Business School.

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

Senior Management

KAREN KOOI LEE WAH

Chief Executive Officer

Please see Ms Kooi's profile on page 24.

PATRICK MICHAEL SCODELLER

Chief Operating Officer and Chief Technical Officer

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

He has more than 34 years of experience in the telecommunications industry, including various positions held with Telkom in South Africa, Cable and Wireless plc in the United Kingdom, Hong Kong (with Hong Kong Telecom CSL Limited) and in Malaysia.

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

LEE KOK CHEW

Chief Commercial Officer

Mr Lee joined M1 in August 2007 as Director, Business Development and Strategic Planning. He assumed responsibility as Head of Finance in April 2009 and was Chief Financial Officer from May 2010 to Feb 2014.

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

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

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

RAYMOND YEO
Chief Financial Officer

Mr Yeo joined M1 in September 2013 as Director, Finance and was appointed Chief Financial Officer in March 2014. He has more than 22 years' work experience in auditing, local and regional financial management.

Mr Yeo began his career with Price-waterhouseCoopers and has since held various senior financial positions in public listed companies and multinational corporations in telecommunications, Internet and technologies sectors where he was involved in several initial public offering exercises. Prior to joining M1, Mr Yeo's last appointment was Vice President, Finance and Administration, Asia Pacific of TomTom Asia Pacific Pte Ltd.

Mr Yeo holds a Bachelor of Accountancy Degree from the National University of Singapore and is a member of the Institute of Singapore Chartered Accountants.

POOPALASINGAM SUBRAMANIAM
Chief Marketing Officer

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

With more than 30 years of local and regional sales and marketing experience in telecommunications, media and fast moving consumer goods, Mr Subramaniam began his career at the Telecommunications Authority of Singapore and worked at New Zealand Milk Products (S) Pte Ltd and Singapore Press Holdings Limited before joining M1.

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

ALAN GOH
Chief Information Officer

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

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

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

Senior Management

TERENCE TEO HOON BENG
Director, Customer Service

Mr Teo joined M1 in March 1998 and heads the Customer Service department. He has more than 30 years of experience in service and operations management.

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

LIM SOCK LENG
Director, Human Resource, Regulatory and Enterprise Risk Management

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

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

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

ANIL SACHDEV
Director, Legal Services

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

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

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

WILLIS SIM

Director, Product Development and Enterprise Services

Mr Sim joined M1 in October 2009 and is in charge of Product Development and Enterprise Services.

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

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

IVAN LIM

Director, Corporate Communications and Investor Relations

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

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

CHAN WENG KEONG

Director, Management Assurance Services

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

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

Particulars of Directors

As at 31 December 2013

Name of Director/Age	Academic & Professional Qualifications	Date first appointed	Length of Service	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
				Title	Company
Teo Soon Hoe 64 yrs	Bachelor of Business Administration, University of Singapore Member, Wharton Society of Fellows, University of Pennsylvania	07.05.1996	17 years 7 months	***Present Appointments***	
				Listed Companies	
				Senior Executive Director	Keppel Corporation Limited
				Chairman	Keppel Telecommunications & Transportation Ltd
				Chairman	Keppel Philippines Holdings Inc
				Director	k1 Ventures Limited
				Director	Keppel Infrastructure Fund Management Pte Ltd (the Trustee-Manager of K-Green Trust)
				Principal or Other Directorships	
				Director	Keppel Offshore & Marine Ltd
				Director	Keppel Infrastructure Holdings Pte Ltd
				Director	Singapore Tianjin Eco-City Investment Holdings Pte. Ltd
				Major Appointments (other than directorships)	
				Nil	
				Past Directorships	
				Director	Keppel Land Limited
				Director	Keppel Land China Limited
				Director	Keppel Energy Pte Ltd
Karen Kooi Lee Wah 59 yrs	Fellow, Association of Chartered Certified Accountants (UK) Master of Business Administration degree in Investment and Finance (Distinction) University of Hull, UK	22.04.2009	4 years 8 months	***Present Appointments***	
				Listed Companies	
				Nil	
				Principal or Other Directorships	
				Director	M1 Net Ltd.
				Director	M1 Connect Pte. Ltd.
				Director	M1 Shop Pte Ltd
				Director	Wireless Intellect Labs Pte Ltd
				Director	Kliq Pte. Ltd.
				Major Appointments (other than directorships)	
				Nil	
				Past Directorships	
				Nil	
Roger Barlow 64 yrs	Bachelor of Science (Economics), University of London Master of Arts, University of Essex	22.05.2002	11 years 7 months	***Present Appointments***	
				Listed Companies	
				Nil	
				Principal or Other Directorships	
				Director	M1 Net Ltd.
				Director	M1 Shop Pte Ltd
				Chairman & Director	RJB Consultants Limited - Hong Kong
				Director	RJB Consultants Limited - British Virgin Islands
				Director	Planet Pty Limited
				Director	Planet Computers Company Limited
				Major Appointments (other than directorships)	
				Nil	
				Past Directorships	
				Director	Badabu Media Hong Kong Limited
				Director	Viettel Hong Kong Limited

Name of Director/Age	Academic & Professional Qualifications	Date first appointed	Length of Service	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years: Title	Company
Chow Kok Kee 62 yrs	Bachelor of Engineering 1st class Hons, University of Newcastle, Australia Bachelor of Commerce University of Newcastle, Australia Master of Business Administration National University of Singapore Fellow of the Singapore Institute of Directors Member of Institute of Engineers, Australia Associate of Institute of Chartered Secretaries and Administrators, UK	16.02.2009	4 years 10 months	***Present Appointments*** ***Listed Companies*** Director Director Director ***Principal or Other Directorships*** Director Director ***Major Appointments (other than directorships)*** Nil ***Past Directorships*** Director Director Director	 Chosen Holdings Ltd Tuan Sing Holdings Ltd Valuetronics Holdings Ltd ACTA Investment & Services Pte Ltd Transwater Services Pte Ltd Innovalues Ltd Meiban Group Ltd Thai Village Holdings Ltd
Jamaludin Ibrahim 54 yrs	Master of Business Administration (Specialising in Quantitative Methods) from Portland State University, Oregon, USA Bachelor of Science in Business Administration and a minor in Mathematics from California State University, USA	21.08.2008	5 years 4 months	***Present Appointments*** ***Listed Companies*** Director/GCEO Director Director ***Other Principal Directorships*** Director/Chairman Director Director Director Director Director ***Major Appointments (other than directorships)*** Deputy Chairman Member ***Past Directorships*** Director Director Director Director Member Member	 Axiata Group Berhad Dialog Axiata PLC PT XL Axiata Tbk Celcom Axiata Berhad Axiata SPV2 Berhad Axiata Foundation edotco Group Sdn Bhd (formerly known as Axiata SPV3 Sdn Bhd) edotco Malaysia Sdn Bhd (formerly known as Celcom Services Sdn Bhd) Escape Axiata Sdn Bhd GSM Association Capital Raising Advisory Group, Security Commission Axiata Investments (Indonesia) Sdn Bhd Axiata Investments (Singapore) Limited Universiti Tun Abdul Razak Sdn Bhd Multimedia Development Corporation Malaysia National Visual Arts Gallery of Malaysia Academy of Science Malaysia (ASM) Science Education Committee

Particulars of Directors

As at 31 December 2013

Name of Director/Age	Academic & Professional Qualifications	Date first appointed	Length of Service	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years – Title	Company
Kannan Ramesh 48 yrs	Bachelor of Law (Hons), National University of Singapore	11.02.2011	2 years 10 months	***Present Appointments***	
				Listed Companies	
				Nil	
				Principal or Other Directorships	
				Director & Executive Committee Member	Singapore Aerospace Manufacturing Pte Ltd
				Major Appointments (other than directorships)	
				Managing Partner	Tan Kok Quan Partnership
				Past Directorships	
				Nil	
Low Huan Ping 57 yrs	Bachelor of Arts (Hons), Master of Arts, Cambridge University Master of Science, National University of Singapore Advanced Management Program, Harvard Business School	01.09.1994	19 years 3 months	***Present Appointments***	
				Listed Companies	
				Nil	
				Principal or Other Directorships	
				Director	SPH Multimedia Private Limited
				Director	SPH AsiaOne Ltd
				Director	Zaobao.com Ltd
				Director	iFast Corporation Pte Ltd
				Director	MediaCorp Press Ltd
				Director	Shareinvestor.com Holdings Ltd
				Director	SI.com (Thailand) Co Ltd
				Director	ClickTRUE Pte Ltd
				Director	Kyosei Ventures Pte Ltd
				Director	Invest Media Pte Ltd
				Alternate Director	MediaCorp TV Holdings Pte Ltd
				Alternate Director	701Search Pte Ltd
				Major Appointments (other than directorships)	
				Nil	
				Past Directorships	
				Director	BuzzCity Pte Ltd
Alan Ow Soon Sian 67 yrs	Bachelor, Social Sciences (Hons), University of Singapore Special Agent in Tax Fraud Training IRS, USA International Tax Program Harvard Law School Advanced Management Program Harvard Business School	16.02.2009	4 years 10 months	***Present Appointments***	
				Listed Companies	
				Director	Keppel Infrastructure Fund Management Pte Ltd (the Trustee-Manager of K-Green Trust)
				Principal or Other Directorships	
				Nil	
				Major Appointments (other than directorships)	
				Vice President	Morning Star Community Services
				Past Directorships	
				Nil	

Particulars of Senior Management

As at 31 December 2013

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
Patrick Michael Scodeller	Wireless Intellect Labs Pte Ltd Singapore Internet Exchange Limited	None
Lee Kok Chew	Kliq Pte. Ltd. M1 Connect Pte. Ltd. M1 Net Ltd. M1 Shop Pte Ltd Wireless Intellect Labs Pte Ltd	None
Poopalasingam Subramaniam	None	None
Alan Goh	None	None
Terence Teo Hoon Beng	None	None
Lim Sock Leng	M1 Net Ltd. M1 Shop Pte Ltd Wireless Intellect Labs Pte Ltd Kliq Pte. Ltd.	None
Anil Sachdev	None	None
Willis Sim	Astiv Pte Ltd M1 Connect Pte. Ltd. Cinenow Singapore Pte. Ltd.	QMax Comunications Pte. Ltd. QMax Singapore Pte. Ltd. QMax Pte. Ltd. Valas Pte. Ltd.
Ivan Lim	None	None
Chan Weng Keong	None	None
Raymond Yeo	None	TomTom Asia Pacific Pte Ltd TomTom Asia Pacific Pte Ltd (Korea Branch) TomTom India Pvt Ltd TomTom Navigation (Thailand) Co Ltd TomTom Navigation Malaysia Sdn Bhd PT TomTom Indonesia Beijing GoldenTom Information Technology Co Ltd

Corporate Governance

M1 Limited is committed to maintaining a high standard of corporate governance within the Group to protect the interests of its shareholders and enhance long-term shareholder value. This report describes the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (Code) established by the Singapore Corporate Governance Committee and relevant sections of the Listing Manual issued by the Singapore Exchange Securities Trading Limited (SGX-ST).

1 Board of Directors

(Code of Corporate Governance Principles 1, 2, 4, 6, 10 & 11)

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 providing entrepreneurial leadership, 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; reviewing management performance 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 eight Directors, all of whom are non-executive except for the Chief Executive Officer (CEO), and four of whom are independent. The independent Directors now make up 50% of the Board. 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 32 to 34 of the Annual Report.

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

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

N: Non-independent
I: Independent
1 Mr Chow Kok Kee was appointed to the Audit Committee with effect from 1 September 2013
2 Mr Kannan Ramesh was appointed to the Nominating Committee with effect from 1 September 2013
3 Mr Alan Ow Soon Sian was appointed as the Chairman of the Audit Committee with effect from 1 September 2013
4 Mr Alan Ow Soon Sian was appointed to the Risk Committee with effect from 16 April 2013

1 Board of Directors (cont'd)

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

Name	Age	Position	Date of Initial Appointment	Date of Last Re-election or Re-appointment
Teo Soon Hoe	64	Chairman & Director	01.03.2009 07.05.1996	05.04.2013
Karen Kooi Lee Wah	59	Executive Director	22.04.2009	05.04.2012
Roger Barlow	64	Director	22.05.2002	05.04.2013
Chow Kok Kee	62	Director	16.02.2009	05.04.2013
Jamaludin Ibrahim	54	Director	21.08.2008	07.04.2011
Kannan Ramesh	48	Director	11.02.2011	07.04.2011
Low Huan Ping	57	Director	01.09.1994	05.04.2012
Alan Ow Soon Sian	67	Director	16.02.2009	05.04.2012

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

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

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

Corporate Governance

1 Board of Directors (cont'd)

Regular quarterly Board meetings are scheduled yearly in advance. Additional meetings are scheduled in between to provide technical updates and to facilitate discussion or deliberate on strategic or compliance issues where necessary. The non-executive Directors meet without the presence of management from time to time. During the year, six Board meetings were held. The Company's Articles of Association provide for telephonic and videoconference meetings. The number of applicable Board meetings held in 2013, as well as the attendance of every Board member at those meetings applicable to them are as follows:

Director	Number of Applicable Board Meetings Held in 2013	Number of Applicable Board Meetings Attended
Teo Soon Hoe	6	6
Karen Kooi Lee Wah	6	6
Roger Barlow	6	6
Chow Kok Kee	6	6
Jamaludin Ibrahim	6	3
Kannan Ramesh	6	4
Low Huan Ping	6	6
Alan Ow Soon Sian	6	6
Reggie Thein[1]	4	0

1 *Mr Reggie Thein retired as a Director with effect from 1 September 2013*

For newly-appointed Directors, the Company will send a formal letter of appointment to explain their duties and responsibilities as Directors. All newly-appointed Directors undergo a comprehensive orientation programme including management presentations on the businesses, strategic plans and objectives of the Company and its Group, and site visits.

2 Chairman and Chief Executive Officer

(Code of Corporate Governance Principle 3)

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

3 Nominating Committee (NC)

(Code of Corporate Governance Principles 2, 4 & 5)

The NC comprises entirely independent Directors, namely Mr Chow Kok Kee as Chairman, Mr Roger Barlow and Mr Kannan Ramesh.

The NC, which has written terms of reference approved by the Board, performs the following functions taking into account the relevant principles in the Code and other salient factors:

(a) Ensure a strong and independent element on the Board, with independent Directors making up at least one-half of the Board;

3 Nominating Committee (NC) (cont'd)

(b) Determine the size of the Board which facilitates effective decision-making, taking into account the scope and nature of the operations of the Company;

(c) Determine the composition of the Board to comprise Directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge;

(d) Implement and disclose a formal and transparent process for the appointment of new Directors to the Board;

(e) Consider, review and recommend to the Board any new Board appointment or re-appointment, whether of executive or non-executive Directors, having regard to the Director's contribution and performance, including, if applicable, as an independent Director;

(f) Determine annually if a Director is independent; and review the independence of any independent Director who has served on the Board beyond nine years from the date of first appointment, and making the appropriate recommendations to the Board on such Director's independence;

(g) Decide if a Director is able to and has been adequately carrying out his duties as a Director of the Company, including recommending to the Board the maximum number of listed company board representations and principal commitments which any Director may hold;

(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;

(j) Reviewing and recommending to the Board appropriate training and development programmes for the Directors; and

(k) Other matters (if any) that the NC should consider, review or approve or in respect of which it should take any other action, as set out in the Code.

The number of applicable NC meetings held in 2013 and the attendance of each member at those meetings are as follows:

NC Member	Number of Applicable NC Meetings Held in 2013	Number of Applicable NC Meetings Attended
Chow Kok Kee	3	3
Roger Barlow	3	3
Kannan Ramesh[1]	1	1
Reggie Thein[2]	2	0

1 Mr Kannan Ramesh was appointed to the Nominating Committee with effect from 1 September 2013
2 Mr Reggie Thein retired as a Director with effect from 1 September 2013

Corporate Governance

3 Nominating Committee (NC) (cont'd)

The NC determines on an annual basis the independence of a Director taking guidance from the Code on the definition of an "independent" Director and existence of relevant relationships or circumstances. The NC reviewed the independence of the Directors and arrived at its conclusions regarding each Director as set out in Section 1.

The NC noted that under the Code, the independence of a Director who has served for more than nine years since date of first appointment should be subject to rigorous review, and that Mr Roger Barlow (who was first appointed to the Board on 22 May 2002) has been with the Board for over nine years. The Board concurred with the NC that Mr Barlow had retained strong independent-mindedness in Board and Board Committee functions, notwithstanding his tenure of service, and that Mr Barlow had consistently exercised independent judgement in the best interests of the Company in the discharge of his Director's duties and should be deemed independent.

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

For this purpose, an independent consultant was appointed to conduct the evaluation process. The evaluation of the Board as a whole and evaluation of individual Directors were based on the framework established and used in the previous years and as updated by the NC. The consultant provided summarised findings, interpretation of findings and preliminary recommendations for the Board's consideration. In addition, the Company also appointed an independent advisor to provide valuable insight to the Chairman and the Board on the results of the evaluation. The consultant and the advisor do not have any other direct connection with the Company or any of its Directors.

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

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

3 Nominating Committee (NC) (cont'd)

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

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

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

The Board accepted, as a guide, the NC's recommendation that a Director of the Company should not have more than six listed company board representations and other principal commitments, taking into consideration the definition of "principal commitments" in the Code. After considering the competing time commitments faced by Directors who serve on multiple boards and who have other principal commitments, the Board, in concurrence with the NC, determined that in fact, all the Directors have six or less listed company board representations and other principal commitments, and that the Directors were able to and have been adequately carrying their respective duties and responsibilities as Directors of the Company.

Directors are provided with continuing education or briefings in areas such as changes in financial reporting standards, corporate governance, changes in laws and regulations, risks identification, as well as industry trends and updates, so as to update the Directors on relevant matters. In addition, Directors are invited from time to time to attend professional programmes for Directors conducted by the Singapore Institute of Directors, and other relevant bodies.

4 Remuneration Committee (RC)

(Code of Corporate Governance Principles 7 & 8)

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

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

Corporate Governance

4 Remuneration Committee (RC) (cont'd)

The RC, which has written terms of reference approved by the Board, performs the following functions taking into account the relevant principles in the Code and other salient factors:

(a) Recommend to the Board a framework of remuneration for the Board of Directors and key executives;

(b) Recommend to the Board the specific remuneration packages for all executive and non-executive Directors and the CEO or executive of similar rank, if the CEO is not an executive Director;

(c) Recommend to the Chairman of the Board for endorsement of the remuneration of the CEO;

(d) Review the remuneration of senior management;

(e) Decide on long-term incentive benefits, including the Company's Share Option Scheme and the scope of eligibility for such long-term incentive;

(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.

The number of applicable RC meetings held in 2013 and the attendance of each member at those meetings are as follows:

RC Member	Number of Applicable RC Meetings Held in 2013	Number of Applicable RC Meetings Attended
Roger Barlow	5	5
Chow Kok Kee	5	5
Low Huan Ping	5	5
Teo Soon Hoe	5	5
Alan Ow Soon Sian	5	5

5 Disclosure on Remuneration

(Code of Corporate Governance Principles 8 & 9)

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

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

5 Disclosure on Remuneration (cont'd)

Directors' fees are subject to shareholder approval at the Annual General Meeting. Each non-executive Director is paid a fixed fee, the amount of which takes into account the level of responsibilities held. The framework for determining fees payable to each non-executive Director for 2013 is as follows:

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

The annual remuneration of non-executive Directors payable for 2013 is as follows:

Non-Executive Director	Position Held	Director's Fee
Teo Soon Hoe	Board Chairman RC member	S$55,000
Roger Barlow	Board member RC Chairman NC member	S$60,000
Chow Kok Kee	Board member NC Chairman AC member RC member	S$65,014
Jamaludin Ibrahim	Board member Risk Committee member	S$50,000
Kannan Ramesh	Board member Risk Committee Chairman AC member NC member	S$73,342
Low Huan Ping	Board member RC member Risk Committee member	S$60,000
Alan Ow Soon Sian	Board member AC Chairman RC member Risk Committee member	S$66,685
Reggie Thein[1]	Board member AC Chairman NC member Risk Committee member	S$53,260

1 *With effect from 1 September 2013, Mr Reggie Thein retired as an independent Director of the Company, and stepped down as Chairman of the Audit Committee and member of the Nominating and Risk Committees*

Corporate Governance

5 Disclosure on Remuneration (cont'd)

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

In setting the remuneration packages of the CEO and senior management, performance-related elements are incorporated in order to align interests with those of shareholders and link rewards to corporate and individual performance. In view of the competitive pressures in the talent market, the remuneration paid to the CEO and the top five key management personnel are disclosed in bands. In 2013, the level and mix of the annual remuneration of the CEO / 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	Provident Fund	Benefits-in-kind	Share Options	Number of Share Options Granted
Above S$1,000,000 to S$1,250,000						
Karen Kooi Lee Wah	40%	35%	1%	6%	18%	800,000
Above S$750,000 to S$1,000,000						
Patrick Michael Scodeller	42%	22%	1%	20%	15%	500,000
Above S$500,000 to S$750,000						
Poopalasingam Subramaniam	57%	21%	2%	6%	14%	300,000
Above S$250,000 to S$500,000						
Lee Kok Chew	53%	20%	3%	7%	17%	300,000
Alan Goh	59%	22%	3%	6%	10%	200,000
Terence Teo Hoon Beng	66%	16%	2%	6%	10%	200,000

In 2013, options were granted to the above members of the senior management team as part of the Company's Share Option Schemes, further details of which can be found on pages 78 to 80 of the Annual Report.

6 Audit Committee (AC)

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

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

The AC, which has written terms of reference approved by the Board, performs the following functions taking into account the relevant principles set out in the Code and other salient factors:

(a) Review with the external auditor the audit plan including the nature and scope of the audit before its commencement, their evaluation of the systems of internal controls, their annual reports and their management letters and management's response;

(b) 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;

(c) Review the assistance given by management to the external auditor;

(d) Review the independence and objectivity of the external auditor;

(e) Review the nature and extent of non-audit services performed by the external auditor;

(f) Examine the scope of internal audit procedures and the results of the internal audit;

(g) Review the adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls, policies and systems established by management and reporting on any pertinent aspects of risks thereto (collectively, internal controls), and ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually and such a review can be carried out by the internal and/or external 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;

Corporate Governance

6 Audit Committee (AC) (cont'd)

(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 the external auditor, and approve the audit fees and terms of engagement of the external auditor; and

(m) Review arrangement by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

The number of applicable AC meetings held in 2013 and the attendance of each member at those meetings were as follows:

AC Member	Number of Applicable AC Meetings Held in 2013	Number of Applicable AC Meetings Attended
Alan Ow Soon Sian[1]	4	4
Kannan Ramesh	4	4
Chow Kok Kee[2]	1	1
Reggie Thein[3]	3	0

1 *Mr Alan Ow Soon Sian was appointed as the Chairman of the Audit Committee with effect from 1 September 2013*
2 *Mr Chow Kok Kee was appointed to the Audit Committee with effect from 1 September 2013*
3 *Mr Reggie Thein retired as a Director with effect from 1 September 2013*

During the year, the AC had full access to and cooperation from the Company's management, and internal and external auditors. The CEO, Chief Financial Officer (CFO) and Director 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.

The AC reviewed the financial statements of the Group 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, and the effectiveness of the Group's system of accounting and internal controls.

The AC considered the volume of non-audit services provided by the external auditor to the Group, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor, confirmed their re-nomination. The aggregate amount of fees paid to the external auditor in FY 2013 and a breakdown of the fees paid in respect of audit and non-audit services is stated in the notes to the financial statements.

7 Risk Committee

(Code of Corporate Governance Principle 11)

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

The Risk Committee, which has written terms of reference approved by the Board, performs the following functions taking into account the principles set out in the Code and other salient factors:

(a) Advise the Board on the Company's overall risk exposure and strategy;

(b) Review the effectiveness of the Company's risk management system and policies;

(c) If deemed necessary by the Board, before a decision to proceed on a significant transaction is taken by the Board, advise the Board on the proposed actions thereto, if any, on the risk aspects and implications of risk exposures thereto;

(d) Report to the Board on material matters, finding and recommendations, on the financial, operational and compliance risks and any other material risks applicable to the Company;

(e) Obtain regular updates from management on key enterprise wide risks faced by the Company, so as to enable the Risk Committee to clearly define its oversight responsibilities and review the process available to manage these risks;

(f) Set up process for the accurate and timely monitoring of significant exposures and risk types of critical importance;

(g) Review the Company's overall risk profile; and

(h) Review the risk policies and processes, where applicable and ensure that a review of the robustness and effectiveness of the risk policies and processes is conducted at least annually, which review may be facilitated by the external auditor or advisors.

Corporate Governance

7 Risk Committee (cont'd)

The number of Risk Committee meetings held in 2013 and the attendance of each member at those meetings are as follows:

Risk Committee Member	Number of Applicable Risk Committee Meetings Held in 2013	Number of Risk Committee Meetings Attended
Kannan Ramesh	3	3
Jamaludin Ibrahim	3	1
Low Huan Ping	3	3
Alan Ow Soon Sian[1]	2	2
Reggie Thein[2]	2	0

1 *Mr Alan Ow Soon Sian was appointed to the Risk Committee with effect from 16 April 2013*
2 *Mr Reggie Thein retired as a Director with effect from 1 September 2013*

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

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

8 Risk Management

(Code of Corporate Governance Principle 11; Listing Manual Rule 1207(4)(b)(iv))

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

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

The internal controls, including financial, operational, compliance and information technology controls, and risk management systems are continually reviewed by the Board to improve consistency and effectiveness of risk identification and assessment across the Company.

Overall, the Board considers that the Company in its risk management system adopts a prudent and proactive approach to achieve an optimal balance between risks and returns, mitigating key risks and maximising opportunities, thereby enhancing the Company's decision-making capabilities and organisational resilience.

9 Internal Controls

(Code of Corporate Governance Principle 11)

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

9 Internal Controls (cont'd)

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.

The Board receives assurance from the CEO and CFO during the meetings of the Board, Audit and Risk Committees:

(1) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(2) regarding the effectiveness of the Company's risk management and internal control systems.

10 Internal Audit

(Code of Corporate Governance Principle 13)

The Group has an internal audit function that is independent of the activities it audits, and the Internal Auditor has access to the relevant records of the Company.

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

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

11 Communication with Shareholders

(Code of Corporate Governance Principles 14, 15 & 16)

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

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

Corporate Governance

11 Communication with Shareholders (cont'd)

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

The Group views the AGM as an important platform for shareholders to engage in interactive and open dialogue with the Board and senior management. As such, all Board members and senior management of the Group make their best effort to attend each AGM. The Annual Report and notice of the AGM were sent to all shareholders two weeks prior to the AGM which was held on 5 April 2013. This gave shareholders sufficient time to review the information. 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 the Company's senior management.

All resolutions were put to vote by electronic polling at the AGM on 5 April 2013, and announcements of the detailed results showing the number of votes for and against each resolution and the respective percentages were also made at that AGM. Minutes of the AGM that include substantial and relevant comments and queries from shareholders relating to the agenda of the meeting, and responses from the Board and members of senior management, was promptly prepared by the Company post-AGM and made available to shareholders upon request.

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

M1 is committed to creating long-term value for shareholders. This is exhibited through our long-standing policy of maintaining a sustainable dividend payout ratio and returning excess cash to shareholders in the absence of value-enhancing opportunities. For FY2014, our dividend policy will be maintained at 80% of net profit after tax, a payout ratio that has been in place since FY2005.

12 Securities Transactions

(Listing Manual Rule 1207(19))

The Group has issued a Code for Dealings in M1 Shares (M1 Code) for the guidance of Directors, management and other officers. The M1 Code, which is based on the SGX-ST Listing Rule 1207(19) with respect to dealings in securities, stipulates that Directors, management and other officers of the Group who have access to price-sensitive and confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before the announcement of the Group's first and third quarter results and one month before the announcement of the Group's half and full year results and ending on the date of the announcement of such results; and when they are in possession of price-sensitive and confidential information, in accordance with the laws of insider trading.

The M1 Code also includes the prohibition that an officer should not deal in the Company's shares on short-term considerations. The M1 Code is incorporated as part of the Group's Human Resources Manual and is available on the Intranet accessible by all staff. A reminder is also circulated to Directors, management and other officers every quarter before the commencement of the period during which dealings in shares are prohibited and to those with access to price-sensitive and confidential information.

13 Interested Person Transactions and Material Contracts

(Listing Manual Rule 907 & 1207(8))

Interested person transactions carried out during the financial year ended 31 December 2013 by the Group were as follows:

	Aggregate Value of All Interested Person Transactions during the Financial Year under Review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate Value of all Interested Person Transactions conducted under a Shareholders' Mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S$100,000)
	2013	**2013**
	S$'000	S$'000
Transactions for the Purchase of Goods and Services[1]		
Singapore Telecommunications Limited & its associates	–	3,746
Telekom Malaysia Berhad	–	15,144
Axiata Group Berhad	–	715
Keppel Logistics Pte Ltd	–	971
Keppel FMO Pte Ltd	–	1,035
CapitaMall Trust	–	1,313
Starhub Ltd	–	2,243
Temasek Holdings (Private) Limited & its associates	–	8,436
Transactions for the Sale of Goods and Services		
Telekom Malaysia Berhad	–	14,799
Axiata Group Berhad	–	283
Temasek Holdings (Private) Limited & its associates	–	328
Total Interested Person Transactions	–	49,013

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

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

Investor Relations

M1 is committed to maintaining active engagement with the investment community, shareholders and other interested parties, through a planned programme of investor relations (IR) activities. With best-practice corporate governance, timely and open communication as our guiding principles, we have provided our stakeholders with relevant and timely updates throughout the year, to facilitate their having an informed opinion of M1 and the industry which we operate in.

In 2013, we continued to publicly release quarterly, interim and full-year results within one month of period end. All materials relating to the Company's results, including presentation slides, were made available immediately on our website, after posting with the Singapore Exchange (SGX). Analysts, investors and the media were invited to join our conference calls, which were accompanied by question-and-answer sessions with senior management, on the same day of every results announcement. Audio webcasts and transcripts of these events were also made available on the M1 website.

Key developments for M1 in 2013 included the successful securing of 40MHz of paired spectrum in the 1800MHz and 2.5GHz bands at the reserve price, and the launch of MiBox – an exciting new Internet TV service. The IR team continued to ensure all interested parties are kept abreast of these developments, through timely distribution of press releases and a proactive approach in answering related queries.

During the year, senior management was directly accessible to analysts and investors, providing them with updates of the Company's developments and outlook through various avenues, such as one-on-one and group meetings, teleconferences, non-deal roadshows (NDRs) and investor conferences, both locally and abroad. These first-hand interactions between senior management and the investment community signified M1's commitment to regularly engage the community and allowed us to understand analysts and investors' views on the Company's performance and strategy.

As at 25 February 2014, the free float[1] of M1 shares was 38.4%, with the majority shares held by institutional investors across Asia, the UK and the USA. To maintain our engagement with current and potential institutional investors in these regions, we undertook NDRs in 2013 to Hong Kong, Japan, the UK and the USA. Locally, we participated in six investor conferences, namely Bank of America Merrill Lynch ASEAN Stars Conference, Daiwa ASEAN TMT Conference, HSBC 3rd Annual ASEAN Conference, Citi ASEAN Investor Conference, Macquarie ASEAN Conference and Deutsche Bank Singapore & Malaysia Day Conference.

The IR team is easily accessible to analysts, current and potential investors who may need to seek clarification or provide feedback with regard to the Company. The team welcomes all email queries, which can be addressed to ir@m1.com.sg. We strive to always respond to all received queries promptly and effectively. Shareholders and interested parties are also encouraged to access the M1 corporate website at www.m1.com.sg for the latest updates.

The Annual General Meeting (AGM) is an important platform for shareholders to communicate directly with the Board and members of the senior management team. We continue to host our AGMs at a central and accessible location for shareholders' convenience. Board members and members of the senior management team make the best effort to attend the AGM. Our eleventh AGM, held on 5 April 2013 at The Fullerton Hotel, was well attended by shareholders. The minutes of the AGM included substantial and relevant comments and queries from shareholders relating to the agenda of the meeting, and responses from the Board and members of senior management. The minutes were promptly prepared after the AGM and made available to shareholders upon request.

M1 is committed to creating long-term value for shareholders. This is exemplified in our long-standing practice of maintaining a sustainable dividend payout ratio and returning excess cash to shareholders in the absence of value-enhancing opportunities. For FY2013, we announced a special dividend of 7.1 cents per share in addition to the interim and final dividends of 6.8 cents and 7.1 cents per share respectively, bringing the total dividends declared to 21.0 cents per share. M1's total shareholder return (comprising capital gains and cash distributions received) for 2013 was 26.1% on the amount invested at the start of the year. For FY2014, our dividend policy will be maintained at 80% of net profit after tax, a payout ratio that has been in place since FY2005.

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

Historical Capital Distributions

Year	Interim dividend (cents)	Final dividend (cents)	Special dividend (cents)	Other distributions (cents)[2]
2013	6.8	7.1[1]	7.1[1]	–
2012	6.6	6.3	1.7	–
2011	6.6	7.9	–	–
2010	6.3	7.7	3.5	–
2009	6.2	7.2	–	–
2008	6.2	7.2	–	–
2007	2.5	8.3	–	4.6
2006	5.8	7.5	–	22.2
2005	5.0	8.1	12.2	–
2004	4.9	5.8	–	11.0
2003	3.9	5.5	–	–

Note: On per share and declared basis
[1] *Subject to shareholders' approval at the forthcoming AGM*
[2] *M1 undertook capital reduction exercises in 2004, 2006 and 2007*

Financial Calendar For 2014

Date	Event/Announcement
20 January 2014	Release of FY2013 full year results
7 April 2014	Annual General Meeting
25 April 2014	Payment of FY2013 final and special dividends (subject to shareholders' approval at the AGM)
April 2014[1]	Release of FY2014 first quarter results
July 2014[1]	Release of FY2014 half year results
August 2014[1]	Payment of FY2014 interim dividend (if applicable)
October 2014[1]	Release of FY2014 third quarter results

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

Sustainability Report

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

Introduction

This is M1's third annual sustainability report, covering our economic, environmental, social and governance (ESG) performance for the period 1 January to 31 December 2013.

This report has been prepared in accordance with the Global Reporting Initiative's (GRI) G3.1 guidelines. We have used internationally accepted measurement units in the reporting of performance data covered in this report, and no previously reported sustainability data has been restated. A list of our standard disclosures and indicators can be found in the GRI Content Index section, on pages 72 to 75 of the Annual Report.

M1 is committed to continually improving the reporting process, data collection and monitoring of our sustainability performance, and we welcome feedback on this report and possible areas of improvement. Please send your comments to corpcomms@m1.com.sg

Scope of Report

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

Sustainability Reporting Process

We have reported on our economic performance, corporate governance performance and corporate social responsibility efforts in our Annual Reports. For our 2011 Annual Report, we began disclosing additional sustainability information, including our efforts to minimise our environmental footprint.

In 2012, we worked with an external Corporate Social Responsibility (CSR) consultant to help us map out our key stakeholder groups, their concerns, and the impact of M1's business operations on them. Through this exercise we were able to identify the issues most material to M1 and our stakeholders, and prioritise our efforts to address them.

We continued to build on our sustainability efforts in 2013, details of which are disclosed over the following pages. We have also enhanced our reporting with additional information such as key elements of our employee Code of Conduct, to improve our disclosure to this report's audience – our customers, shareholders, business partners, employees, regulators, analysts and the media, as well as the community whose lives we may impact.

Sustainability Report

Introduction

Stakeholder Engagement

M1 engages with all our stakeholders on a regular basis so that we can better understand their concerns and expectations, and address them appropriately and effectively. The table below summarises our stakeholders, their key areas of concern, and our efforts to engage them.

Stakeholder	Main engagement channels	Stakeholder's materials issues and expectations	How M1 addresses concerns
Consumer and enterprise customers	• 24-hour contact centre • M1 Shop outlets • Mobile sales team • Enterprise sales team • Technical support team • M1 website and Facebook page feedback forms	• Reliable, quality network access • Affordable, extensive selection of relevant products and services • Effective customer service • Data protection	• Continual investment in our networks to further enhance the customer experience • Clear disclosure of all information relevant to customers in our marketing materials • Procedures to ensure our customers' privacy
Institutional and retail shareholders	• Access to our Investor Relations team and senior management through: ◦ Emails ◦ Teleconferences ◦ Meetings ◦ Investor conferences ◦ Investor roadshows ◦ Annual General Meeting (AGM) • Annual reports	• Sustainable business growth • Ability to generate expected returns on their investment in M1 • Good corporate governance • Relevant CSR initiatives • Transparency in business strategy and operations • Protection for minority shareholders' interest	• M1's Investor Relations team is committed to responding to investors' concerns in a timely manner • Our quarterly financial results briefing and Q&A sessions are conducted within a month of period end • Senior management is present and responsive in investor meetings, teleconferences, roadshows and AGMs
Business partners and suppliers	• Meetings • Emails • Telephone	• Transparent and fair procurement and other business practices • Compliance with terms and conditions of business contracts	• Communicating M1's policy on corruption to all our staff • Transparent business processes in the selection of winning tenders • Avenues to report incidents of abuse and corruption • Whistleblower policy
Employees	• Staff feedback sessions • On-site and off-site team-building • Annual staff appraisal • Townhall events • Quarterly CEO messages • Grievance handling channel through Human Resource Department • Union representation	• Safe working environment • Fair remuneration and benefits • Non-discriminatory employment practices • Career growth • Relevant staff training	• Maintaining a safe and pleasant working environment • Performance, merit-based recruitment and promotion policy • Continual investment in our human capital
Regulators	• Regular formal and informal discussions • Teleconferences • Active participation, including written submissions, in industry consultation sessions	• Compliance with regulations and service requirements • Deliver continued socio-economic benefits to community • To work with industry to maintain consistent technological standards	• Policies to ensure compliance with regulations and laws • Swift remedial action in case of any regulatory or legislative violation

Stakeholder	Main engagement channels	Stakeholder's materials issues and expectations	How M1 addresses concerns
Analysts and the media	• Access to our Corporate Communications and Investor Relations teams through: ◦ Emails ◦ Teleconferences ◦ Meetings ◦ Media briefings ◦ Organised visits and industry events ◦ Quarterly results conferences and teleconferences	• Timely and transparent disclosure of corporate information • Access to senior management where relevant • Prompt response to queries	• Our Corporate Communications and Investor Relations teams engage with these stakeholders to ensure they have access to the information they need, and to respond to their queries in a timely manner
Trade associations	• Engagement with trade bodies and associations, such as the Singapore National Employer Federation	• Deliver our products and services in line with industry-approved technological, product health and safety, and other relevant standards • Adoption of industry best practices	• Participation in industry events and dialogue sessions • Harmonising our networks with globally accepted technologies and standards
Non-governmental organisations and community partners	• Discussions with community groups • Participation in key relevant industry events • Reporting on our sustainability strategy and performance	• To minimise any negative social, public health or environmental impact • To support deserving community efforts and underprivileged groups	• Continuing support for our community causes and conservation efforts • Extending M1's products and services to serve the underprivileged and underserved communities • Sustainability reporting

M1's Sustainability Approach and Materiality Analysis

As a socially-responsible corporate entity, we strive to achieve a sustainable balance between business objectives and obligations to our customers, employees, as well as the community and the environment we operate in.

Being a full-service provider of mobile and fixed communications services in Singapore, we have more than two million customers who depend on us for their personal and business communications needs. To address these stakeholders' concerns, we continually invest in our networks and customer service. We also strive to make available an extensive and fairly priced range of products and services, comply with all relevant legislation and regulation, and embrace responsible business practices, to enable us to achieve our goal of a successful and sustainable business. Details of our corporate practices can be found in the **Our Business** section.

Alongside the pursuit of business objectives, we are committed to providing an inclusive and collaborative workplace for our passionate and hardworking employees who are critical to the success of our business. Our human resource practices and policies, from recruitment to retention, are designed to help our talents grow professionally and personally. A detailed description of our efforts to further enhance M1's standing as an employer of choice is available in the **Our People** section.

Our contributions to the betterment of our society and environment are important to us, and we invest significant resources to further these causes. Details of the programmes and initiatives that we have embarked on are elaborated in the respective **Our Community** and **Our Environment** sections.

Sustainability Report

Our Business

Connectivity is an important tool in today's society, and we constantly review how we can further extend the benefits of our networks and services to more people, especially those from underprivileged or underserved communities.

M1 is committed to fair, transparent and responsible business practices in our dealings with customers, suppliers and business partners. We strive to comply with regulatory requirements, and meet or surpass the expectations of our customers.

Financial Performance

A summary of our key financial indicators:

Financial indicators	2013 (S$m)	2012 (S$m)
Operating revenue	1,007.9	1,076.8
Net profit after tax	160.2	146.5
Operating expenses	812.4	888.6
Staff costs	108.7	97.4
Dividends paid to shareholders	136.3	132.2

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

Enhancing our Networks

M1 continually enhances the performance and reliability of mobile and fixed services delivered to customers, and we committed S$120 million to modernise and upgrade our networks in 2013.

These investments include deploying a nationwide 3G radio network on the 900MHz spectrum band, and upgrading our core infrastructure to pool mobile switching centres and media gateways to enhance network performance and resiliency. We also expanded and upgraded the 3G network with additional base stations and a nationwide optimisation programme to improve call connectivity. A small cell solution

was also deployed to further enhance indoor 3G radio coverage and capacity.

A full list of our 2013 network upgrades and enhancements can be found in our Operating and Financial Review section of this Annual Report.

Delivering Quality Products and Services

Connectivity is an important tool in today's society, and we constantly review how we can further extend the benefits of our networks and services to more people, especially those from underprivileged or underserved communities.

To address the needs of prepaid customers who want high-speed mobile Internet access, we launched Singapore's first prepaid 4G mobile broadband service in March 2013, followed by Singapore's first prepaid 4G smartphone plans in April 2013.

In July 2013, we introduced MiBox, an exciting new Internet TV service that offers affordably-priced video-on-demand entertainment and educational titles, games, e-books and applications. The service is targeted at customers who prefer an on-demand, a-la-carte model of TV content consumption. Take-up of the service has been encouraging, and we will continue to add content and features to the service.

M1 also offers mobile service plans specially designed to meet the needs of the deaf and hard-of-hearing community. These plans, available to members of the Singapore Association for the Deaf, offer additional SMS and MMS messages, well as a higher mobile data bundle, in recognition of the different needs of the deaf and hard-of hearing community.

Compliance with the Law

M1 strives to conduct our business in compliance with all applicable laws and codes, as well as supporting voluntary codes and best practice guidelines.

These include the Telecommunications Act which governs our core telecommunications business, as well as the Telecoms Competition Code 2012 which sets down quality of service (QoS) delivery standards and service obligations to our customers. We operate our media-related services in accordance with the Broadcasting Act, and websites on the Media Development Authority's list of prohibited websites are blocked as directed.

To protect vulnerable customers, we worked with the other mobile operators to create the Voluntary Code of Self-Regulation of Mobile Content in Singapore, to protect minors from accessing prohibited content via mobile phones.

In addition, M1 abides by all applicable business, health, manpower, consumer protection, data protection and marketing-related laws and codes.

Fines and Sanctions

M1 was fined S$1.5 million in September 2013 by the IDA, in relation to our network incident on 15 January 2013. We did not face any sanctions in 2013 on anti-competition, anti-trust, or monopolistic grounds.

Sustainability Report
Our Business

Customer Privacy
We respect our customers' privacy and do not share their personal data with third-parties other than as permitted or required under applicable laws and/or regulations, or with the customers' consent. We have not been censured by our regulator, IDA, for any relevant privacy-related violations during 2013.

In anticipation of the enforcement of the personal data protection provisions under the Personal Data Protection Act in July 2014, we briefed our relevant employees on the key obligations concerning personal data protection under the Act.

In addition, we have appointed two senior executives of the Company as Data Protection Officers to oversee compliance with the Act in relation to both customer and employee personal data respectively.

Responsible Marketing
M1 clearly labels all our products and services in our advertisements and marketing collaterals. The following relevant details are included in our customers' contracts and our employees will strive to explain these clearly prior to processing any customer transaction:

- Prices;
- Product specifications;
- Network access speed;
- Excess charges;
- Value-added services offered on a promotional or trial basis; and
- Early termination charges.

Telecommunications and Public Health
We recognise the public's interest and concern regarding the possible impact of electromagnetic energy produced by cellular devices and equipment, such as mobile devices and base stations.

To date, the World Health Organisation has found no substantiated link between exposure to electromagnetic field (EMF) radiation and adverse impact on human health. In Singapore, the IDA exercises strict control over the installation and transmitter power limits of our radio base station equipment, and conducts random site visits to ensure compliance with reference levels set by the International Commission on Non-Ionising Radiation Protection (ICNIRP).

Nevertheless, we would like to assure stakeholders of our commitment to public health and safety. In 2013, we continued to work with the National Environment Agency (NEA) to measure radiation levels at our base stations to ensure they meet all relevant guidelines. Going forward, we will continue to work with agencies, such as the NEA's Centre for Radiation Protection and Nuclear Science and the IDA to address areas of public health concern.

Ensuring a Positive Customer Experience
Providing excellent customer service is one of M1's core values, and we invest in our employees' service skills and product knowledge to ensure we constantly deliver a positive customer experience across all touch points of our business operations.

The M1 staff orientation programme includes a strong emphasis on customer service, and incorporates an attachment to our customer contact centre and retail outlets. This helps our employees to better understand our customers, and enables them to experience and appreciate the requirements in achieving excellence in customer service. Our senior management also participate in the attachment programme, to ensure they are in touch with our customers' changing needs and expectations.

Customer feedback is important to us and we obtain such information through our 24-hour contact centre, retail outlets, letters to the media, mystery shopping surveys, and from social media networks such as Facebook. Our customers' feedback is reviewed and used to help identify areas for improvement.

M1 Shop Revamp

In 2013, we revamped three of our M1 Shop outlets at Change Alley, NEX, and Suntec City to create a warmer, more personal retail experience for customers, and reduce their waiting times by up to 40% through swifter and more convenient transactions. The revamp of our first outlet was completed in April 2013, and we expect to complete revamp of the entire chain of outlets by this year.

Web Channel Revamp

A revamped M1 website was launched in November 2013 to deliver an enhanced surfing experience to the increasing number of customers who access our web channel via smart devices such as smartphones and tablets. Sporting a clean and clear interface, the website allows customers to navigate and search for information easily.

Code of Conduct and Internal Controls

M1 is committed to a high standard of corporate governance and we have a zero tolerance policy with regard to unethical or corrupt conduct.

We have in place layers of policies and processes that manage risk, deter fraud and ensure accountability and integrity. Employees are encouraged to report suspicious or irregular behaviour they encounter in the course of work, and we will ensure the confidentiality of any whistleblowing.

Acts that violate our Policy for Disclosure of Reportable Conduct include:

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

M1 will investigate allegations raised, and firm action will be taken to deal with corrupt behaviour or illegal acts. Significant cases will be escalated to members of senior management and the Board of Directors, and/or referred to the appropriate authorities, such as the Singapore Police Force, Commercial Affairs Department or Corrupt Practices Investigation Bureau.

Individuals who make a report under this Policy will be protected from reprisal if he/she:

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

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

For a fuller description of our corporate governance practices, please refer to our Corporate Governance section in this Annual Report.

Employee Code of Conduct

M1 has a Code of Conduct which all employees are required to adhere to. The key tenets of this Code, which is available on our company's intranet, include the following:

- Employees are prohibited from activities that may lead to conflicts of interest when dealing with suppliers, customers and other business partners. If a conflict of interest arises, they must inform their line manager immediately;
- Employees and their family members are prohibited from soliciting or accepting any gifts or favours from any suppliers or clients. If refusal is difficult, the employee must report the gift to his/her line manager. The gift should be handed to M1's Human Resource department, and management will decide how to dispose of the gift;
- Employees are not allowed to download hacking tools or file-sharing programmes for the purpose of downloading pirated and other illegal materials;
- Employees should not distribute content disparaging colleagues, customers or business partners;
- Employees are expected to maintain appropriate relationships with other employees. Employees should disclose family or close personal relationships to their managers, with such employees strictly prohibited from being in a supervisory-subordinate relationship.

Sustainability Report

Our People

M1 is committed to practices that foster diversity and equality in the workplace, and our recruitment, appraisal and promotion policies reflect this commitment.

M1 recognises the contributions of our passionate and hardworking employees to our continued success, and in turn strive to offer an inclusive and collaborative environment that supports their professional and personal growth.

In line with this commitment, our human resource strategy, policies and practices are designed to create a workplace that embraces equality, diversity, respect for the individual and work-life effectiveness as core values.

Ensuring Equality and Diversity

M1 is committed to practices that foster diversity and equality in the workplace, and our recruitment, appraisal and promotion policies reflect this commitment. In addition, we are also a signatory to the Tripartite Alliance for Fair Employment Practices (TAFEP), which promotes the adoption of fair, responsible and merit-based employment practices.

In our recruitment process, all job candidates are evaluated and hired based on their qualifications and merit, regardless of gender, age or ethnicity, and our recruitment advertisements reflect this practice.

Each year, our employees undertake a transparent appraisal exercise with their supervisor. The employee's performance assessment for that year and the performance targets set for the following year are mutually agreed upon between the employee and supervisor, and subsequently made available to the employee.

In 2013, M1 did not receive any employee complaint on discriminatory grounds.

Gender Diversity

M1 values the contribution of our female employees. They comprise 52% of our workforce, and enjoy similar starting salaries as male hires. As at end-2013, women comprised 27.5% of senior management, including the office of Chief Executive Officer (CEO).

2013	Male %	Female %
Senior Management	72.5%	27.5%
Mid-Management	55.2%	44.8%
Executive	53.4%	46.6%
Non-Executive	41.6%	58.4%
Total	**48.0%**	**52.0%**

2012	Male %	Female %
Senior Management	76.6%	23.4%
Mid-Management	51.6%	48.4%
Executive	54.0%	46.0%
Non-Executive	42.5%	57.5%
Total	**48.0%**	**52.0%**

Open and Transparent Communications

We recognise the importance of transparent and open communications with our employees.

Through our monthly newsletter Voice and regular company-wide email updates, employees are apprised of new developments in the company. The CEO also sends out a quarterly message to all employees on the company's financial performance and pertinent developments in the quarter. In addition, townhall-style discussion sessions are conducted twice a year to enable employees to interact with senior management and share views on company-related matters.

Delivering Fair Compensation and Benefits

We offer employees competitive remuneration packages commensurate with their experience, performance and job responsibilities, complemented with a performance-based variable bonus. Senior employees are eligible for the M1 employee Share Option Schemes, with options vesting over a three-year period. This enables M1 to retain talent and align their interests with the company's long-term performance.

In addition, our flexible benefits programme allows employees to tailor their benefits portfolio according to their needs. Employees can choose to use their annual benefits on a variety of products and services, such as dental treatments, optical purchases, personal insurance, childcare fees and books. Our employees enjoy subsidised meals at our on-site canteen. We also make available a shuttle bus service for employees to commute between major township hubs, MRT stations and the M1 office at a highly subsidised rate per month. An extensive range of mobile and fixed products, accessories, and services is also made available to employees at discounted rates.

Sustainability Report
Our People

Every full-time employee is entitled to a host of medical benefits, including outpatient and inpatient medical coverage, and all employees are provided with regular health screening and group insurance coverage.

Caring for our Employees

M1 is committed to our employees' physical and mental health and well-being.

Every full-time employee is entitled to a host of medical benefits, including outpatient and inpatient medical coverage, and all employees are provided with regular health screening and group insurance coverage.

A new initiative, Fun!@M1, was launched in 2013 to champion employee health and wellness. During the year, Fun!@M1 organised lunch talks on topics such as stress management, parenting and financial planning, sporting events like futsal, basketball and bowling, as well as skills such as finger painting. The response to Fun!@M1 has been very encouraging and most programmes, held over lunch time or after office hours, experienced high participation rates.

M1's fully-equipped on-site gymnasium is open 24 hours a day for use by employees. In addition, employees are encouraged to participate in inter-company games, such as the M1 Corporate Challenge and the Keppel Games, and subject to work exigencies, enjoy official time-off for participation.

Workplace safety is of key importance to M1. We have in place safety procedures that employees, contractors and visitors must comply with within our office, retail outlet and base station premises. We also conduct regular workshops to familiarise employees with workplace safety and health regulations.

Automated external defibrillators (AEDs), portable electronic devices used to treat emergency cardiac arrest, are available at conveniently accessible public areas within our office buildings and also at some of our M1 Shop outlets. We have

Type of employment

	2013	%	2012	%
Full-time	1,439	95.1	1,380	90.3
Part-time	35	2.3	68	4.5
Contract	40	2.6	80	5.2
Total	**1,514**	**100.0**	**1,528**	**100.0**

Length of service

	2013	%	2012	%
< 5 years	831	54.9	844	55.2
5 - 10 years	210	13.9	215	14.1
> 10 years	473	31.2	469	30.7
Total	**1,514**	**100.0**	**1,528**	**100.0**

30 fire wardens trained in the use of these life-saving devices and in cardio-pulmonary resuscitation (CPR) techniques, in case of emergency.

A Pro-family and Work-life Integrated Organisation

M1 believes in and supports pro-family initiatives. We began offering employees paternity leave and shared parental leave schemes, ahead of legislative requirement. We also accommodate flexible work arrangements where possible and provide on-site nursing facilities. Parents are entitled to childcare leave which they may utilise on an urgent or flexible basis, and M1 employees' dependents enjoy extended medical coverage. We also provide an on-site childcare centre managed by a leading pre-school provider, Modern Montessori International, at highly-attractive subsidised rates.

As a strong advocate of family values, M1 participates in the annual nationwide "Eat With Your Family Day" initiative, allowing employees to leave work earlier to dine with family members and strengthen family bonds. Our annual "Bring Your Kids To Work" day further reinforces our pro-family values.

Additional pro-family measures we have adopted include complimentary passes for employees to the Singapore Zoological Gardens, River Safari, Night Safari, and Jurong Bird Park, and chalet rentals at subsidised rates, which employees and their families may enjoy throughout the year.

To encourage work-life balance, every department is granted an annual teambuilding and de-stress budget they can use to organise sports, games, and meals and at the same time, foster camaraderie. The annual company Dinner & Dance is the key highlight of our company's social calendar.

Sustainability Report

Our People

In 2013, the average number of training hours clocked per employee was 43.4 hours, compared to 40.3 hours in 2012.

Continued Learning and Development

We continually invest in employee learning and development to enhance their professional knowledge and skills, as well as support their personal growth. This enables them to be more motivated and productive in their roles.

M1's in-house Learning and Development team offers various programmes to cater to the needs of employees, such as customer service and communication skills, and our employees are also given opportunities to attend external courses and conferences relevant to their work. In addition, to enable employees to pursue longer-term professional or certification courses, examination leave is granted as required.

In 2013, the average number of training hours clocked per employee was 43.4 hours, compared to 40.3 hours in 2012.

Respect for Human Rights

M1 complies with the Singapore Employment Act, governing the employment of children and youth under the age of 16, and we do not support the use of child labour.

We do not employ forced labour, and our employees are free to join or leave the company upon completion of their contractual notice period or upon making payment in lieu of serving the notice. M1 does not evaluate our suppliers and vendors for human rights risks.

Building a Harmonious Labour Management Union

M1 strongly supports the union movement's efforts to promote industrial harmony and improve worker welfare. We are also supportive of the NTUC Women Development Secretariat's Back-to-Work with U Programme, which aims to help women remain in and re-enter the workforce.

During the year, we fostered a stronger relationship with the Singapore Industrial & Services Employees' Union (SISEU) through continued dialogue with its representatives. In recognition of this, we received a Certificate of Commendation Award from SISEU in November 2013.

In 2012, we signed a two-year Collective Agreement with the SISEU, covering employment matters such as working hours and overtime pay, and we continue to work with SISEU to manage employment-related issues that impact their members within the company. Our employees are free to join SISEU, and as at end-2013, 41% of eligible M1 employees are SISEU members.

M1 female workforce 2013

Age	Chinese	Indian	Malay	Others	Total
< 20	–	–	–	–	**–**
20 - 29	165	7	13	37	**222**
30 - 39	240	16	23	89	**368**
40 - 49	123	7	12	20	**162**
50 - 59	30	1	1	1	**33**
≥ 60	2	1	–	–	**3**
Total	**560**	**32**	**49**	**147**	**788**
%	**71.1**	**4.1**	**6.2**	**18.7**	**100.0**

M1 male workforce 2013

Age	Chinese	Indian	Malay	Others	Total
< 20	–	–	1	–	**1**
20 - 29	150	9	9	30	**198**
30 - 39	224	7	12	56	**299**
40 - 49	152	5	10	6	**173**
50 - 59	41	2	7	2	**52**
≥ 60	2	–	1	–	**3**
Total	**569**	**23**	**40**	**94**	**726**
%	**78.4**	**3.2**	**5.5**	**13.0**	**100.0**

M1 female workforce 2012

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

M1 male workforce 2012

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

Sustainability Report
Our Community

M1 is committed to making long-term contributions to the arts, sports and youth causes, and we continued to invest resources in support of these causes in 2013.

Our employees' enthusiastic support for our adopted charities and participation in events, such as the inaugural M1 Corporate Challenge, has been invaluable. In addition, we raised a record amount for our adopted charities in our fund-raising drives in 2013.

Elevating the Arts

The arts is an area M1 has passionately supported since our inception in 1997. We aim to build a more vibrant, creative and enriching environment for the arts in Singapore. We believe that a thriving arts scene is key to enriching our quality of life, as well as strengthening social bonds and sense of community and nationhood in Singapore's multi-racial society.

While M1 supports a variety of works, we appreciate the challenges faced by start-up arts groups, and we focus on helping groups in this development stage where our contribution can make a greater difference. In recognition of M1's support for Singapore's arts scene, we were honoured with our 13th consecutive Patron of the Arts Award in 2013.

In 2013, we continued our collaboration with The Necessary Stage to present the 9th annual edition of the M1 Singapore Fringe Festival, with the theme Art and Entertainment. Held in January, the 12-day event featured dance, music, visual arts and mixed media performances by local and international artistes. Show highlights included Tao Te by Hungarian choreographer Ferenc Fehér's all-male dance cast, Hideaki Hamada's Haru & Mina, a fascinating collection of photographs of two young children exploring the world, and the world premiere of Best Of, a monologue featuring award-winning actress Siti Khalijah Zainal. We also continued our support for two of Singapore's leading contemporary dance schools, T.H.E Dance Company and Frontier Danceland, and are heartened that their talented dancers have continued to win accolades from critics and audiences with their passionate and graceful performances.

As a passionate champion of the arts, we were encouraged by the Cultural Matching Fund set up by the Ministry of Culture, Community and Youth in November 2013, to provide dollar-for-dollar matching grants for private cash donations to arts and heritage charities. We will look at how the Fund can further enhance our contributions to the arts in 2014 and beyond.

Driving the Sports Scene Forward

We appreciate the ability of sports to inspire and energise people, and this motivates our support for a variety of sports causes.

In 2013, we continued our support for Netball Singapore's initiatives, such as the M1 Talent Identification Programme and the M1 Schools Challenge League. We further extended our support with the organisation of Singapore's biggest corporate netball competition, the M1 Corporate Challenge. The one-day event in November 2013 saw the enthusiastic participation of 48 teams from companies including Barclays Bank, Deloitte & Touche LLP, HDB, Keppel Corporation and Nestle, at the Kallang Netball Centre. M1 fielded five

teams, including a team comprising our senior management who played an exhibition friendly match against a sporting team of Members of Parliament including Acting Minister for Culture, Community and Youth Lawrence Wong, Senior Minister of State for Trade and Industry Lee Yi Shyan, Minister of State for Trade and Industry Teo Ser Luck, Deputy Speaker of Parliament and MP for Marine Parade GRC Seah Kian Peng and MP of East Coast GRC and President of Netball Singapore Jessica Tan.

In addition to netball, M1 also sponsored the Li-Ning Singapore Open 2013 badminton championship.

Supporting our Youth

We are pleased to note that M1, with the generous support of our business partners and staff, successfully raised a record S$355,000 through our annual M1 Charity Golf and M1 Charity Carnival fund-raising events, for our five adopted charities - Beyond Social Services, Children-At-Risk-Empowerment Association, Children's Cancer Foundation, Singapore Children's Society and Cerebral Palsy Alliance Singapore.

The annual M1 Charity Golf tournament is one of our signature charity fund-raising events. Our 10th Charity Golf, held at the Sentosa Golf Club on August 2013, saw M1's senior management tee off with our business partners for charity.

M1's other main fund-raising activity is our annual M1 Charity Carnival. Named Mini-Cirque Pour La Charité in 2013, the carnival was held in November at M1's corporate headquarters in conjunction with our annual "Bring Your Kids To Work" day, and our staff's enthusiastic support and contributions for this event enabled us to further enrich the lives of the beneficiaries of our adopted charities.

Throughout the year, M1 employees also volunteered their time and effort to organise interesting and educational activities for the beneficiaries of our adopted charities, including excursions to the River Safari and the S.E.A. Aquarium Marine Life Park.

In October 2013, M1 opened Future Lab, a facility for application development and test-bedding, located at M1's Regional Operating Centre in Aljunied. With this facility, we tied up with Ngee Ann Polytechnic to launch the school's first app development competition, the M1 Future Lab School Challenge. Future Lab was also made available to the polytechnic's Electronic & Computer Engineering students, to nurture their interest in creating mobile applications as part of their school curriculum, and enable them to develop skills and knowledge in this area.

Giving to our Nation

In maintaining our commitment to the nation, M1 is proud to be the principal partner sponsor of the National Day Parade (NDP) 2013. Held at The Float at Marina Bay against the striking cityscape, the 48th NDP featured "Many Stories… One Singapore" as its theme and showcased heart-warming performances and spectacular displays to unite all Singaporeans and celebrate what makes them Singapore.

During the year, we also worked with the Singapore Red Cross Society to organise two on-site blood donation drives at our Jurong office. A total of 132 people donated and 98 units of blood were collected for the blood bank, which in turn will benefit almost 300 patients.

Sustainability Report

Our Environment

Several initiatives were launched during the year to reinforce our conservation efforts.

M1 strives to conduct our business operations efficiently, to minimise our environmental impact and usage of limited resources. We are committed to adhering to all applicable environmental regulations, and have never been fined or otherwise penalised for environment-related violations.

Our Environmental Footprint

M1's mobile networks, office buildings and data centre operations used 54,740,425 kWh of electrical power in 2013. This was 6.2% higher than the 51,546,565 kWh used in 2012, due to growth in business operations and to support 100 additional base station sites.

In 2013, our overall vehicle fleet fuel consumption declined by 7.1% to 34,626 litres of petrol and diesel, compared to the year before. Segmentally, diesel consumption by our 12 diesel vehicles decreased 15.9% to 19,671 litres, and consumption for our nine petrol vehicles increased 7.5% to 14,955 litres.

Diesel is also used by our offshore base stations located on the islands of Pulau Satumu, Pulau Tekong and St. John's Island, to power on-site generators as those sites are not connected to Singapore's power grid. The diesel consumption at our three offshore base stations was 67,936 litres in 2013. This was 11.1% lower compared to 2012, primarily due to reduced diesel usage at Pulau Satumu following the installation of solar panels to enable the use of renewable energy.

Water consumption in 2013 was 54,974 m^3, and this was 4.7% higher compared to 52,500 m^3 in 2012. The water, which comes from the utilities company, is primarily used for drinking, cleaning and equipment cooling. The increase in usage was mainly for the construction of our new building extension at MiWorld building.


Artist's Impression

Our Conservations Efforts

Several initiatives were launched during the year to reinforce our conservation efforts.

As part of the revamp of our M1 Shop retail outlets, we have done away with print brochures. The sales transaction process has also become fully electronic and paperless, but with an option for a paper printout if customers require so. Three M1 Shop outlets, located at Change Alley, Suntec City and NEX, were revamped in 2013, and we plan to convert all remaining outlets to the new environmentally-friendly paperless concept by 2014.

M1 also worked with industry peers to organise Singapore's first telecommunications sector environmental collaboration, in support of the World Wildlife Fund's Earth Hour Challenge 2013. As part of this initiative, we invited our customers to decline plastic bags at our outlets over a one-week period and our staff volunteers cleaned up a stretch of East Coast Beach. In addition, M1 has since replaced all plastic bags at our retail shop outlets with fabric ones made from recycled materials.

As part of our continued efforts to optimise our lighting fixtures, we are currently replacing all fluorescent lights at our office buildings in Jurong and Aljunied with energy-efficient light-emitting diode (LED) lights. A partial replacement exercise saw 550 lights replaced in 2013, and we expect to replace all remaining 3,800 fluorescent lights by the second quarter of 2014.

Together with the 2,300 fluorescent lights that were replaced with LED lights at our MiWorld building in 2012, the whole lighting optimisation exercise will enable M1 to reduce our power consumption for lighting by an estimated 450,000 kWh every year.

Last year, we began construction of a new building extension, sited next to our MiWorld building. Scheduled to be completed in the second quarter of 2014, the new building extension will incorporate environmentally-friendly features, such as LED lighting, rainwater harvesting tanks, as well as bicycle lots and shower facilities to encourage employees to cycle to work.

Following the successful installation of solar panels at our Raffles Lighthouse base station on Pulau Satumu in 2012, we conducted a review of our other offshore sites to evaluate the feasibility of switching to renewable energy. We have since begun the process of installing solar panels at St. John's Island. When completed in the third quarter of this year, these panels will enable a 45% reduction of diesel consumption of our St. John's Island base station.

Our 2G base station modernisation programme to replace 1,200 base stations with multi-radio ones that do not require air-conditioning was completed in 2011 and continues to yield power savings of 6,876,600 kWh a year.

Energy consumption

	2013 (kWh)	2012 (kWh)
M1 buildings and data centre operations	28,819,931	27,156,707
Mobile networks	25,532,962	23,984,962
Retail outlets[1]	387,532	404,896
Total	54,740,425	51,546,565

[1] *Estimated based on utility bills*

Fuel consumption

	2013 (in litres)	2012 (in litres)
Diesel (offshore base stations)	67,936	76,424
Diesel (fleet)	19,671	23,378
Petrol (fleet)	14,955	13,905

Water consumption

	2013 (m^3)	2012 (m^3)
Total usage	54,974	52,500

Sustainability Report

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Standard Disclosures Part III: Performance Indicators (cont'd)

Social: Labour practices and decent work (cont'd)

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Social: Product responsibility (cont'd)

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Financial Statements

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Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of M1 Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in shareholders' equity of the Company for the financial year ended 31 December 2013.

1. Directors

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

Teo Soon Hoe	Chairman
Karen Kooi Lee Wah	Chief Executive Officer
Roger Barlow	
Chow Kok Kee	
Jamaludin Ibrahim	
Low Huan Ping	
Alan Ow Soon Sian	
Kannan Ramesh	

2. Arrangements to enable directors to acquire shares and debentures

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

3. Directors' interests in shares and debentures

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

	Ordinary shares Held in the name of directors		
Name of director	**At beginning of financial year**	**At end of financial year**	**As at 21 January 2014**
M1 Limited			
Teo Soon Hoe	41,850	41,850	41,850
Karen Kooi Lee Wah	616,000	600,000	1,100,000

	Options to subscribe for ordinary shares Held in the name of directors		
Name of director	**At beginning of financial year**	**At end of financial year**	**As at 21 January 2014**
M1 Limited			
Karen Kooi Lee Wah	4,625,700	3,880,700	3,380,700

Directors' Report

3. Directors' interests in shares and debentures (cont'd)

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

4. Directors' contractual benefits

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

5. Share options

The Company has 2 employee share option schemes for granting of non-transferable options to employees (including executive director) and non-executive directors of the Company and its subsidiaries.

(i) M1 Share Option Scheme 2002 (the "2002 Scheme") which was approved by Shareholders on 8 November 2002. The 2002 Scheme had expired on 7 November 2012. Options already granted under the 2002 Scheme remain valid and exercisable until the end of the relevant exercise period; and

(ii) M1 Share Option Scheme 2013 (the "2013 Scheme"), for granting of non-transferable share options to employees (including executive director) and non-executive directors of the Company and its subsidiaries, was adopted and approved by Shareholders in general meeting on 5 April 2013.

The Remuneration Committee ("Committee") is responsible for administering the 2002 Scheme and 2013 Scheme (collectively, the "Schemes"). The Remuneration Committee members are Mr Roger Barlow (Chairman), Mr Chow Kok Kee, Mr Low Huan Ping, Mr Alan Ow Soon Sian and Mr Teo Soon Hoe. The majority of the Committee comprises of independent directors, including the Committee Chairman.

Under the Schemes, options granted have a term of 5 or 10 years from the date of grant for non-executive directors and employees (including executive director) respectively.

The subscription price for each ordinary share in respect of which an option is exercisable shall be determined by the Committee in its absolute discretion, on the date of grant to be either:

(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 Committee; or

(ii) at a price, which is set at a discount to the Market Price provided that the maximum discount for any option shall not exceed 20% of the Market Price in respect of that option.

Directors' Report

5. Share options (cont'd)

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

Date of grant	Balance as at 1 January 2013 or date of grant	Exercised	Cancelled*	Balance as at 31 December 2013	Subscription price
2002 Scheme					
3 February 2005	796,700	(696,000)	–	100,700	S$1.81
2 February 2006	2,270,000	(1,170,000)	–	1,100,000	S$2.21
6 February 2007	2,387,500	(855,500)	–	1,532,000	S$2.17
11 February 2008	1,407,000	(718,000)	–	689,000	S$1.90
2 February 2009	1,439,500	(1,083,500)	–	356,000	S$1.60
4 June 2009	128,000	(128,000)	–	–	S$1.60
3 February 2010	4,394,000	(2,527,000)	–	1,867,000	S$2.04
15 June 2010	100,000	(60,000)	–	40,000	S$2.04
7 February 2011	7,541,500	(1,919,000)	(120,000)	5,502,500	S$2.44
30 January 2012	8,525,000	(1,062,000)	(245,000)	7,218,000	S$2.43
2013 Scheme					
2 May 2013	8,810,000	–	(390,000)	8,420,000	S$3.24
	37,799,200	(10,219,000)	(755,000)	26,825,200	

* *Cancelled when staff resigned from the Company*

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

Information on relevant participants under the Schemes is as follows:

Name of employee	Options granted during financial year	Aggregate options granted since commencement of Schemes to end of financial year	Aggregate options exercised since commencement of Schemes to end of financial year	Aggregate options outstanding at end of financial year	Subscription price
Karen Kooi Lee Wah (Chief Executive Officer)	800,000	7,715,000	3,834,300	3,880,700	S$1.25 - S$3.24
Patrick Michael Scodeller	500,000	4,460,000	3,365,000	1,095,000	S$1.25 - S$3.24

Directors' Report

5. Share options (cont'd)

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

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

The 2013 Scheme was approved by shareholders on 5 April 2013.

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 auditor the audit plan including the nature and scope of the audit before commencement, auditor's 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 auditor;
- Review the independence and objectivity of the external auditor;
- Review the nature and extent of non-audit services performed by external auditor;
- Examine the scope of internal audit procedures and the results of the internal audit;
- Review the adequacy of the Company's financial, operational, compliance and information technology controls, policies and system established by management (collectively "internal controls") and reporting on any pertinent aspects of risks thereto, and ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually and such a review can be carried out by the internal auditor;
- 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 person transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;

Directors' Report

6. Audit committee (cont'd)

- Make recommendation to the Board on the appointment/re-appointment/removal of external auditor, and approve the audit fees and terms of engagement of external auditor; 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.

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

7. Auditor

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

On behalf of the board of directors:

Teo Soon Hoe
Chairman

Karen Kooi Lee Wah
Director

Singapore
28 February 2014

Statement by Directors

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

(a) the accompanying statements of financial position, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Teo Soon Hoe
Chairman

Karen Kooi Lee Wah
Director

Singapore
28 February 2014

Independent Auditor's Report to the Members of M1 Limited

For the financial year ended 31 December 2013

Report on the financial statements

We have audited the accompanying financial statements of M1 Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 84 to 132, which comprise the statements of financial position of the Group and the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 February 2014

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2013

	Notes	2013 S$'000	2012 S$'000
Operating revenue	4	1,007,888	1,076,812
Operating expenses	5	(812,391)	(888,618)
Other income	6	1,754	708
Operating profit		197,251	188,902
Finance costs	7	(4,455)	(5,512)
Profit before tax		192,796	183,390
Taxation	8	(32,586)	(36,911)
Net profit for the year		160,210	146,479
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Net fair value changes on interest rate swap		196	535
Total comprehensive income for the year		160,406	147,014
Earnings per share (cents)	9		
Basic		17.4	16.1
Diluted		17.4	16.1
EBITDA (S$'000)	10	312,304	299,916

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

Statements of Financial Position

As at 31 December 2013

	Notes	Group		Company	
		2013	2012	2013	2012
		S$'000	S$'000	S$'000	S$'000
Non-current assets:					
Fixed assets	11	649,445	629,857	640,573	621,431
Licences and spectrum rights	12	73,772	85,558	73,772	85,558
Other intangibles	13	13,916	13,242	125	65
Staff loans	14	201	269	201	269
Interests in subsidiaries	15	–	–	7,000	7,000
Due from a subsidiary	16	–	–	16,930	16,930
		737,334	728,926	738,601	731,253
Current assets:					
Inventories	17	29,055	33,110	308	451
Trade debtors	18	144,785	179,960	142,479	177,807
Other debtors and deposits	19	11,824	13,179	8,833	12,709
Prepayments		8,826	7,718	8,508	7,469
Due from related parties and subsidiaries	16	183	635	2,613	4,498
Cash and cash equivalents	20	54,450	11,607	54,265	10,175
		249,123	246,209	217,006	213,109
Current liabilities:					
Creditors and accruals	21	(180,951)	(187,794)	(155,450)	(166,858)
Unearned revenue		(24,718)	(34,933)	(23,254)	(33,860)
Due to related parties and subsidiaries	16	(584)	(125)	(11,512)	(36,127)
Borrowings	22	–	(272,000)	–	(272,000)
Derivative liability	30	–	(236)	–	(236)
Income tax payable		(28,547)	(29,285)	(28,483)	(27,255)
		(234,800)	(524,373)	(218,699)	(536,336)
Net current assets/(liabilities)		14,323	(278,164)	(1,693)	(323,227)
Non-current liabilities:					
Borrowings	22	(250,000)	–	(250,000)	–
Deferred tax liabilities	8	(106,561)	(102,848)	(105,682)	(101,895)
Net assets		395,096	347,914	381,226	306,131
Represented by:					
Share capital	23	179,840	155,886	179,840	155,886
Hedging reserve	24	–	(196)	–	(196)
Share option reserve		5,035	5,896	5,035	5,896
Retained profits		210,221	186,328	196,351	144,545
Total equity		395,096	347,914	381,226	306,131

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

Statements of Changes in Equity

For the financial year ended 31 December 2013

	Attributable to equity holders of the Company				
	Share capital (Note 23) S$'000	**Hedging reserve (Note 24)** S$'000	**Share option reserve** S$'000	**Retained profits** S$'000	**Total** S$'000
2013 Group					
As at 1 January 2013	155,886	(196)	5,896	186,328	347,914
Net profit	–	–	–	160,210	160,210
Other comprehensive income for the year	–	196	–	–	196
Total comprehensive income for the year	–	196	–	160,210	160,406
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	23,954	–	(2,409)	–	21,545
Grant of share options	–	–	1,548	–	1,548
Dividends (Note 33)	–	–	–	(136,317)	(136,317)
Total contributions by and distributions to owners	23,954	–	(861)	(136,317)	(113,224)
As at 31 December 2013	179,840	–	5,035	210,221	395,096
2012 Group					
As at 1 January 2012	144,738	(731)	6,538	172,002	322,547
Net profit	–	–	–	146,479	146,479
Other comprehensive income for the year	–	535	–	–	535
Total comprehensive income for the year	–	535	–	146,479	147,014
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	11,148	–	(1,288)	–	9,860
Grant of share options	–	–	646	–	646
Dividends (Note 33)	–	–	–	(132,153)	(132,153)
Total contributions by and distributions to owners	11,148	–	(642)	(132,153)	(121,647)
As at 31 December 2012	155,886	(196)	5,896	186,328	347,914

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

Statements of Changes in Equity

For the financial year ended 31 December 2013

	Attributable to equity holders of the Company				
	Share capital (Note 23) S$'000	Hedging reserve (Note 24) S$'000	Share option reserve S$'000	Retained profits S$'000	Total S$'000
2013 Company					
As at 1 January 2013	155,886	(196)	5,896	144,545	306,131
Net profit	–	–	–	188,123	188,123
Other comprehensive income for the year	–	196	–	–	196
Total comprehensive income for the year	–	196	–	188,123	188,319
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	23,954	–	(2,409)	–	21,545
Grant of share options	–	–	1,548	–	1,548
Dividends (Note 33)	–	–	–	(136,317)	(136,317)
Total contributions by and distributions to owners	23,954	–	(861)	(136,317)	(113,224)
As at 31 December 2013	179,840	–	5,035	196,351	381,226
2012 Company					
As at 1 January 2012	144,738	(731)	6,538	145,057	295,602
Net profit	–	–	–	131,641	131,641
Other comprehensive income for the year	–	535	–	–	535
Total comprehensive income for the year	–	535	–	131,641	132,176
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	11,148	–	(1,288)	–	9,860
Grant of share options	–	–	646	–	646
Dividends (Note 33)	–	–	–	(132,153)	(132,153)
Total contributions by and distributions to owners	11,148	–	(642)	(132,153)	(121,647)
As at 31 December 2012	155,886	(196)	5,896	144,545	306,131

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2013

	Notes	2013 S$'000	2012 S$'000
Cash flows from operating activities:			
Profit before tax		192,796	183,390
Adjustments for:			
Depreciation of fixed assets		103,242	99,228
Gain on disposal of fixed assets		(1,156)	(758)
Amortisation of licences, spectrum rights and other intangibles		11,811	11,786
Share-based payments		1,548	646
Interest income		(85)	(7)
Interest expense		4,455	5,512
Operating cash flows before working capital changes		312,611	299,797
Changes in:			
Inventories		4,055	3,220
Trade debtors		35,175	7,750
Other debtors and deposits		1,360	4,632
Prepayments		(1,108)	(1,057)
Non-current staff loans		68	278
Creditors and accruals		(6,722)	(7,909)
Unearned revenue		(10,215)	1,372
Related parties		911	(617)
Cash generated from operations		336,135	307,466
Interest received		77	7
Interest paid		(4,568)	(6,058)
Tax paid		(29,656)	(26,534)
Net cash flows from operating activities		301,988	274,881
Cash flows from investing activities:			
Purchase of fixed assets		(125,303)	(122,541)
Acquisition of intangibles assets		(699)	–
Proceeds from disposal of fixed assets		3,629	1,023
Net cash flows used in investing activities		(122,373)	(121,518)
Cash flows from financing activities:			
Proceeds from bank loans		2,500	120,500
Repayment of bank loans		(24,500)	(151,800)
Dividends paid on ordinary shares by the Company		(136,317)	(132,153)
Proceeds from issuance of ordinary shares on exercise of employee share options		21,545	9,860
Net cash flows used in financing activities		(136,772)	(153,593)
Net changes in cash and cash equivalents		42,843	(230)
Cash and cash equivalents at beginning of financial year	20	11,607	11,837
Cash and cash equivalents at end of financial year	20	54,450	11,607

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

Notes to the Financial Statements
For the financial year ended 31 December 2013

1. Corporate information

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to FRS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
INT FRS 121 *Levies*	1 January 2014

The directors expect that the adoption of the above standards and interpretations will have no impact on the financial statements in the period of initial application.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.4 Basis of consolidation

Business combinations from 1 January 2010

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

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

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9(a).

Business combinations before 1 January 2010

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

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

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

2.5 Subsidiaries

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.6 Fixed assets

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of fixed assets is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

2.7 Depreciation

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

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

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

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

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

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

2.8 Licences and spectrum rights

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.9 Intangible assets

(a) *Goodwill*

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

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

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

(b) *Club membership*

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

(c) *Internet protocol ("IP") address*

Internet protocol address acquired is measured initially at cost. Following initial recognition, IP address is measured at cost less accumulated amortisation and any accumulated impairment losses.

IP address is amortised on a straight-line basis over the estimated economic useful life of 15 years. The amortisation period and the amortisation method are reviewed at each financial year-end. The amortisation expense is recognised in profit or loss through 'depreciation and amortisation' line item.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.10 Financial assets

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

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and time deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. They are carried in the statement of financial position, classified and accounted for under FRS 39.

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.11 Financial liabilities

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

Borrowings

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

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

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

Trade and other creditors

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.12 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

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

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

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

2.13 Derecognition of financial assets and liabilities

(a) *Financial assets*

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

(b) *Financial liabilities*

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.14 Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

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

- Cash flow hedges

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.15 Inventories

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

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

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

Net realisable value is the 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 as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

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

2.17 Government grants

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

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Notes to the Financial Statements
For the financial year ended 31 December 2013

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

2.18 Employee benefits

(a) *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.

(b) *Employee share option plan*

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.19 Taxes

(a) *Current income tax*

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

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.19 Taxes (cont'd)

(b) *Deferred tax (cont'd)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date.

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

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

(c) *Goods and services tax*

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

- Where the goods and services tax incurred in a purchase of goods and services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of goods and services tax included.

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

2.20 Impairment of non-financial assets

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.21 Revenue recognition

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

- Service revenue is recognised at the time when such services are rendered. Revenue billed in advance of the rendering of services is deferred on the statement of financial position as unearned revenue.

- Revenue from sale of prepaid cards but for which services have not been rendered is deferred on the statement of financial position as unearned revenue. Upon termination of the prepaid cards, any unutilised value of the prepaid cards will be taken to profit or loss.

- Revenue from sale of handset is recognised upon the passing of risk and rewards of ownership of the handset to the customer which generally coincides with delivery and acceptance of the handsets sold.

- Revenue on award credits are recognised based on the number of award credits that have been redeemed in exchange for free or discounted goods and services, relative to the total numbers of awards credit expected to be redeemed.

- Interest income is recognised using the effective interest rate method.

2.22 Customer acquisition costs

Customer acquisition costs are accounted for in profit or loss when incurred.

2.23 Operating leases

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

2.24 Foreign currency

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

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.25 Related parties

A related party is defined as follows:

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

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

(ii) Has significant influence over the Company; or

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

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

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

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

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

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

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

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

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

2.26 Segment reporting

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

2.27 Share capital and share issuance expenses

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

2.28 Contingencies

A contingent liability is:

(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) A present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. Significant accountings judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

<u>Key sources of estimation uncertainty</u>

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group.

- *Useful lives of network and related application systems*

  The cost of network and related application systems is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these fixed assets to be within 5 to 25 years. These are common life expectancies applied in the telecommunications industry. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's and Company's network and related application systems at the statement of financial position date are disclosed in Note 11 to the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Key sources of estimation uncertainty (cont'd)

- *Impairment of non-financial assets*

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

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

- *Impairment of loans and receivables*

  The Group and the Company assess at each statement of financial position date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

  Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Actual results may differ from management's estimates. The carrying amounts of the Group's and the Company's loans and receivables at the statement of financial position date are disclosed in Note 31 to the financial statements.

- *Income taxes*

  The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 31 December 2013 were S$28,547,000 (2012: S$29,285,000) and S$106,561,000 (2012: S$102,848,000) respectively. The carrying amount of the Company's income tax payables and deferred tax liabilities at 31 December 2013 were S$28,483,000 (2012: S$27,255,000) and S$105,682,000 (2012: S$101,895,000) respectively.

4. Operating revenue

	Group	
	2013	**2012**
	S$'000	S$'000
Mobile telecommunications	644,205	606,969
International call services	113,998	116,464
Handset sales	188,086	305,238
Fixed services	61,599	48,141
	1,007,888	1,076,812

Notes to the Financial Statements

For the financial year ended 31 December 2013

5. Operating expenses

	Group	
	2013	**2012**
	S$'000	S$'000
Cost of services	139,721	130,294
Cost of handsets sold	284,239	385,008
Write-down of / (reversal of write-down of) inventories	125	(236)
Staff costs	108,660	97,439
Advertising and promotion expenses	24,685	22,349
Depreciation and amortisation	115,053	111,014
Allowance for doubtful debts	14,798	15,278
Bad debts recovered	(2,063)	(2,424)
Facilities expenses	77,973	76,117
Leased circuit costs	25,024	31,538
General and administrative expenses	24,176	22,241
	812,391	888,618

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

General and administrative expenses include billing costs, licence fees and other administrative costs.

Total operating expenses included the following:

	Group	
	2013	**2012**
	S$'000	S$'000
Audit fees paid to auditors of the Company	203	203
Non-audit fees paid to auditors of the Company	22	57
CPF contributions	10,852	9,727
Share-based payments	1,548	646
Key executives' remuneration	5,472	5,017
Fees paid to Directors of the Company	483	451
Foreign exchange loss / (gain), net	43	(2,666)
Gain on disposal of fixed assets, net	(1,156)	(758)

Key executives' remuneration included in the staff costs and share-based payments are as follows:

Short term employee benefits	4,574	4,056
CPF contributions	134	174
Share-based payments	764	787
Total compensation paid to key executives	5,472	5,017

Notes to the Financial Statements

For the financial year ended 31 December 2013

6. Other income

	Group 2013 S$'000	Group 2012 S$'000
Interest income from banks	85	7
Miscellaneous income	1,669	701
	1,754	708

Included in miscellaneous income are government grants and other income.

7. Finance costs

	Group 2013 S$'000	Group 2012 S$'000
Interest expense on bank loans	4,272	4,909
Fair value loss on interest rate swap (Note 24)	183	603
	4,455	5,512

8. Taxation

Major components of income tax expense

Major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group 2013 S$'000	Group 2012 S$'000
Current income tax		
- Current year	31,525	29,503
- Overprovision in respect of prior years	(2,611)	–
Deferred income tax		
- Origination and reversal of temporary differences	3,902	3,908
- (Over)/underprovision in respect of prior years	(230)	3,500
Income tax expense recognised in profit or loss	32,586	36,911
Deferred tax related to other comprehensive income		
- Fair value changes on interest rate swap	40	110

Notes to the Financial Statements

For the financial year ended 31 December 2013

8. Taxation (cont'd)

Relationship between statutory tax rate and effective tax rate

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 2013 and 2012 are as follows:

	Group	
	2013	2012
	%	%
Statutory rate	17.0	17.0
Adjustments for the tax effect of:		
Expenses not deductible for tax purposes	1.0	1.2
(Over)/underprovision in respect of prior years	(1.3)	1.9
Others	0.2	–
Effective tax rate	16.9	20.1

Deferred tax liabilities

Deferred taxation at 31 December 2013 and 2012 are related to the following:

	Group				Company	
	Consolidated statement of financial position		Consolidated profit or loss		Statement of financial position	
	2013	2012	2013	2012	2013	2012
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Deferred tax liabilities						
Difference in depreciation	106,561	102,848	3,672	7,408	105,682	101,895

Notes to the Financial Statements

For the financial year ended 31 December 2013

9. Earnings per share

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

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

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

	Group	
	2013	**2012**
	S$'000	S$'000
Net profit attributable to owners of the Company for basic and diluted earnings per share	160,210	146,479

	No. of shares 2013	**No. of shares 2012**
	'000	'000
Weighted average of ordinary shares on issue applicable for basic earnings per share computation	920,506	911,279
Effect of dilution:		
Share options	1,514	184
Adjusted weighted average of ordinary shares on issue applicable for diluted earnings per share computation	922,020	911,463

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

EBITDA is defined as follows:

	Group	
	2013	**2012**
	S$'000	S$'000
Profit before tax	192,796	183,390
Adjustments for:		
Amortisation of licences, spectrum rights and other intangibles	11,811	11,786
Depreciation of fixed assets	103,242	99,228
Finance costs	4,455	5,512
EBITDA	312,304	299,916

Notes to the Financial Statements

For the financial year ended 31 December 2013

11. Fixed assets

	Leasehold buildings S$'000	Networks and related application systems S$'000	Application systems and computers S$'000	Motor vehicles S$'000	Furniture, fittings and equipment S$'000	Capital work-in-progress S$'000	Total S$'000
Group							
Cost:							
At 1 January 2012	79,641	1,440,762	204,752	1,179	58,090	49,539	1,833,963
Additions	273	41,507	12,821	–	10,786	57,154	122,541
Disposals	–	(17)	(112)	(259)	(5,587)	–	(5,975)
Reclassification	–	18,331	–	–	–	(18,331)	–
At 31 December 2012 and 1 January 2013	79,914	1,500,583	217,461	920	63,289	88,362	1,950,529
Additions	866	77,055	10,998	459	6,544	29,381	125,303
Disposals	–	(1,561)	(1,151)	(302)	(1,231)	–	(4,245)
Reclassification	–	23,991	–	–	–	(23,991)	–
At 31 December 2013	80,780	1,600,068	227,308	1,077	68,602	93,752	2,071,587
Accumulated depreciation:							
At 1 January 2012	41,294	975,925	157,857	736	51,343	–	1,227,155
Depreciation charge for the year	3,137	77,404	12,002	125	6,560	–	99,228
Disposals	–	(11)	(111)	(259)	(5,330)	–	(5,711)
At 31 December 2012 and 1 January 2013	44,431	1,053,318	169,748	602	52,573	–	1,320,672
Depreciation charge for the year	3,126	78,420	13,658	151	7,887	–	103,242
Disposals	–	(158)	(617)	(128)	(869)	–	(1,772)
At 31 December 2013	47,557	1,131,580	182,789	625	59,591	–	1,422,142
Net carrying amount:							
At 31 December 2012	35,483	447,265	47,713	318	10,716	88,362	629,857
At 31 December 2013	33,223	468,488	44,519	452	9,011	93,752	649,445

Notes to the Financial Statements
For the financial year ended 31 December 2013

11. Fixed assets (cont'd)

	Leasehold buildings S$'000	Networks and related application systems S$'000	Application systems and computers S$'000	Motor vehicles S$'000	Furniture, fittings and equipment S$'000	Capital work-in-progress S$'000	Total S$'000
Company							
Cost:							
At 1 January 2012	79,551	1,439,465	199,447	1,180	51,151	49,539	1,820,333
Additions	273	41,507	9,499	–	7,537	57,154	115,970
Disposals	–	(17)	(90)	(259)	(5,494)	–	(5,860)
Reclassification	–	18,331	–	–	–	(18,331)	–
At 31 December 2012 and 1 January 2013	79,824	1,499,286	208,856	921	53,194	88,362	1,930,443
Additions	866	77,055	10,345	459	2,255	29,381	120,361
Disposals	–	(1,561)	(1,140)	(303)	(1,128)	–	(4,132)
Reclassification	–	23,991	–	–	–	(23,991)	–
At 31 December 2013	80,690	1,598,771	218,061	1,077	54,321	93,752	2,046,672
Accumulated depreciation:							
At 1 January 2012	41,245	974,693	155,265	737	46,090	–	1,218,030
Depreciation charge for the year	3,134	77,404	10,717	125	5,211	–	96,591
Disposals	–	(11)	(89)	(259)	(5,250)	–	(5,609)
At 31 December 2012 and 1 January 2013	44,379	1,052,086	165,893	603	46,051	–	1,309,012
Depreciation charge for the year	3,126	78,420	12,191	151	4,880	–	98,768
Disposals	–	(158)	(609)	(128)	(786)	–	(1,681)
At 31 December 2013	47,505	1,130,348	177,475	626	50,145	–	1,406,099
Net carrying amount:							
At 31 December 2012	35,445	447,200	42,963	318	7,143	88,362	621,431
At 31 December 2013	33,185	468,423	40,586	451	4,176	93,752	640,573

Notes to the Financial Statements

For the financial year ended 31 December 2013

12. Licences and spectrum rights

	Licences S$'000	Spectrum rights S$'000	Total S$'000
Group and Company			
Cost:			
At 31 December 2012 and 31 December 2013	3,175	141,580	144,755
Accumulated amortisation:			
At 1 January 2012	2,173	45,238	47,411
Amortisation charge for the year	274	11,512	11,786
At 31 December 2012 and 1 January 2013	2,447	56,750	59,197
Amortisation charge for the year	274	11,512	11,786
At 31 December 2013	2,721	68,262	70,983
Net carrying amount:			
At 31 December 2012	728	84,830	85,558
At 31 December 2013	454	73,318	73,772

The licences and spectrum rights have remaining useful lives ranging from 1.5 years to 8 years (2012: 2.5 years to 9 years).

13. Other intangibles

	Goodwill S$'000	Others S$'000	Total S$'000
Group			
Cost:			
At 31 December 2012 and 1 January 2013	13,177	65	13,242
Additions	–	699	699
At 31 December 2013	13,177	764	13,941
Accumulated amortisation:			
At 31 December 2012 and 1 January 2013	–	–	–
Amortisation charge for the year	–	25	25
At 31 December 2013	–	25	25
Net carrying amount:			
At 31 December 2012	13,177	65	13,242
At 31 December 2013	13,177	739	13,916

Included in other intangibles are club memberships and internet protocol addresses. As at 31 December 2013, the internet protocol addresses have remaining useful life of 14 years.

Notes to the Financial Statements

For the financial year ended 31 December 2013

13. Other intangibles (cont'd)

	Club memberships S$'000
Company	
Cost:	
At 31 December 2012 and 1 January 2013	65
Addition	60
At 31 December 2013	125

Impairment testing of goodwill

The Group's subsidiary, M1 Net Ltd. ("M1 Net") previously, acquired a 100% equity interest in M1 Connect Pte. Ltd. ("M1 Connect").

Management has allocated the goodwill to M1 Net and M1 Connect as a single cash-generating unit (CGU) for impairment testing. The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projections covering a five-year period. The discount rate applied to the cash flow projections and terminal growth rate used to extrapolate cash flow projections beyond the five-year period are 8% (2012: 8%) and nil (2012: nil) respectively.

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

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

Discount rate applied should reflect the current market assessment of the risks specific to the CGU.

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

14. Staff loans

	Group and Company	
	2013 S$'000	**2012** S$'000
Repayable within one year (included in Note 19)	84	182
Repayable after one year	201	269
	285	451

Staff loans are repayable in equal monthly instalments over periods of up to seven years and interest bearing at rates of up to 2% (2012: 2%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2013

15. Interests in subsidiaries

	Company 2013 S$'000	Company 2012 S$'000
Unquoted shares:		
At cost	8,560	8,560
Impairment loss	(1,560)	(1,560)
	7,000	7,000

Details of the subsidiaries of the Company as at 31 December 2013 and 2012 are as follows:

Name of Company	Country of incorporation	Principal activities	Effective interest of the Company 2013 %	Effective interest of the Company 2012 %
Held by the Company:				
M1 Shop Pte Ltd	Singapore	Retail sales of telecommunication equipment and accessories	100	100
M1 Net Ltd.	Singapore	Provision of fixed and other related telecommunication services	100	100
Wireless Intellect Labs Pte Ltd	Singapore	Licensor of intellectual property rights	100	100
Kliq Pte. Ltd.	Singapore	Dormant	100	100
Held through M1 Net Ltd.:				
M1 Connect Pte. Ltd.	Singapore	Inactive	100	100

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	S$'000	S$'000	S$'000	S$'000
Due from a subsidiary (non-trade)	–	–	16,930	16,930
Due from subsidiaries	–	–	2,430	3,866
Due from related parties	183	635	183	632
	183	635	2,613	4,498
Due to subsidiaries	–	–	(10,982)	(36,002)
Due to related parties	(584)	(125)	(530)	(125)
	(584)	(125)	(11,512)	(36,127)

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

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

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

17. Inventories

	Group		Company	
	2013	**2012**	**2013**	**2012**
	S$'000	S$'000	S$'000	S$'000
Handsets	26,090	30,892	–	–
Accessories	2,965	2,218	308	451
	29,055	33,110	308	451

Notes to the Financial Statements

For the financial year ended 31 December 2013

18. Trade debtors

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

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

	Group		Company	
	2013	2012	2013	2012
	S$'000	S$'000	S$'000	S$'000
Billed trade debtors	70,645	74,601	68,339	72,448
Accrued handset revenue	74,517	101,582	74,517	101,582
Accrued service revenue	15,324	19,628	15,324	19,628
	160,486	195,811	158,180	193,658
Allowance for doubtful debts	(15,701)	(15,851)	(15,701)	(15,851)
	144,785	179,960	142,479	177,807

Debtors that are past due but not impaired

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

	Group		Company	
	2013	2012	2013	2012
	S$'000	S$'000	S$'000	S$'000
Trade debtors past due:				
30 – 60 days	6,887	8,970	6,838	8,903
61 – 90 days	2,976	3,200	2,868	3,158
More than 90 days	4,610	4,216	4,281	3,992
	14,473	16,386	13,987	16,053

Notes to the Financial Statements

For the financial year ended 31 December 2013

18. Trade debtors (cont'd)

Debtors that are impaired

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

	Group and Company	
	2013	**2012**
	S$'000	S$'000
Trade receivables – gross amount	56,350	56,565
Less: Allowance for doubtful debts	(15,701)	(15,851)
	40,649	40,714
Movement in allowance accounts:		
Balance at beginning of financial year	15,851	18,675
Allowance charge for the year	14,760	15,278
Written-off	(14,910)	(18,102)
Balance at end of financial year	15,701	15,851

19. Other debtors and deposits

	Group		Company	
	2013	**2012**	**2013**	**2012**
	S$'000	S$'000	S$'000	S$'000
Deposits	5,063	4,812	3,507	3,369
Staff loans (Note 14)	84	182	84	182
Sundry debtors	6,677	8,185	5,242	9,158
	11,824	13,179	8,833	12,709

20. Cash and cash equivalents

	Group		Company	
	2013	**2012**	**2013**	**2012**
	S$'000	S$'000	S$'000	S$'000
Cash and bank balances	24,450	11,607	24,265	10,175
Short-term deposit	30,000	–	30,000	–
	54,450	11,607	54,265	10,175

Cash at banks earns interest at floating rates offered by short-term money market at 0.10% to 0.28% (2012: 0.07% to 0.17%) per annum. Short-term deposit is placed with a local bank for a 1-month duration depending on the immediate cash requirements of the Group and the Company, and earns interest at 0.63% per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2013

21. Creditors and accruals

	Group		Company	
	2013	**2012**	**2013**	**2012**
	S$'000	S$'000	S$'000	S$'000
Trade creditors	68,910	68,553	47,820	52,213
Accrued operating expenses	45,474	36,642	41,444	32,609
Accrued capital expenditure	60,112	76,395	59,915	75,955
Interest payable	438	551	438	551
Directors' fees payable	483	451	483	451
Other creditors	5,534	5,202	5,350	5,079
	180,951	187,794	155,450	166,858

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

22. Borrowings

	Group and Company	
	2013	**2012**
	S$'000	S$'000
Current:		
Current portion of long term bank loans	–	250,000
Short term bank loans	–	22,000
	–	272,000
Non-current:		
Long term bank loan	250,000	–
	250,000	272,000

As at 31 December 2013, the S$250 million fixed rate long term bank loan is unsecured and is repayable in full in May 2016. The loan bears an effective interest rate of 1.59% per annum.

As at 31 December 2012, the S$22 million short-term loans were unsecured and interest bearing at a rate of 0.63% per annum. The S$250 million long term loans were unsecured and consist of a S$125 million fixed rate loan at an effective rate of 2.6% per annum and a S$125 million floating rate loan. The S$125 million floating rate loan was interest bearing at a rate which is based on the variable Singapore Dollar Swap Offer Rate, payable semi-annually every November and May. The Company has entered into an interest rate swap to hedge the S$125 million floating rate loan, whereby it receives interest at the variable Singapore Dollar Swap Offer Rate and pays interest at a fixed rate of 1.579% per annum.

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For the financial year ended 31 December 2013

23. Share capital

	Group and Company S$'000
Issued and fully-paid:	
Balance as at 1 January 2012	
907,965,782 ordinary shares	144,738
Issued during the financial year	
5,225,500 ordinary shares for cash on exercise of employee share options	11,148
Balance as at 31 December 2012 and 1 January 2013	
913,191,282 ordinary shares	155,886
Issued during the financial year	
10,219,000 ordinary shares for cash on exercise of employee share options	23,954
Balance as at 31 December 2013	
923,410,282 ordinary shares	179,840

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

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

24. Hedging reserve

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

	Group and Company S$'000
At 1 January 2012	(731)
Fair value losses during the year	(68)
Reclassification to finance costs (Note 7)	603
At 31 December 2012 and 1 January 2013	(196)
Fair value gains during the year	13
Reclassification to finance costs (Note 7)	183
At 31 December 2013	–

Notes to the Financial Statements

For the financial year ended 31 December 2013

25. Related party transactions

Sale and purchase of services

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant transactions entered into by the Group and the Company with related parties at rates agreed between the parties during the financial year:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	S$'000	S$'000	S$'000	S$'000
Substantial shareholders and their subsidiaries				
Telecommunication services rendered	20,179	14,477	20,092	14,438
Telecommunication services received	24,178	17,465	24,018	17,464
Rental and maintenance services received	3,940	3,748	1,356	1,269

26. Commitments

(a) ***Capital commitments***

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

	Group and Company	
	2013	**2012**
	S$'000	S$'000
Capital commitments	157,158	28,154

The capital commitments include S$104,000,000 commitment for the 4G spectrum rights.

(b) ***Operating lease commitments***

Rental expenses (principally for land, offices, retail outlets, service centres and base stations) under operating leases were S$30,855,000 and S$30,978,000 for the financial years ended 31 December 2013 and 2012 respectively.

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	S$'000	S$'000	S$'000	S$'000
Not later than one year	13,230	14,106	8,298	9,098
Later than one year but not later than five years	13,555	17,488	10,459	13,088
Later than five years	2,939	5,493	2,939	5,493
	29,724	37,087	21,696	27,679

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For the financial year ended 31 December 2013

27. Share options

The Company has 2 employee share option schemes for granting of non-transferable options to employees (including executive director) and non-executive directors of the Company and its subsidiaries.

(i) M1 Share Option Scheme 2002 (the "2002 Scheme") which was approved by Shareholders on 8 November 2002. The 2002 Scheme had expired on 7 November 2012. Options already granted under the 2002 Scheme remain valid and exercisable until the end of the relevant exercise period; and

(ii) M1 Share Option Scheme 2013 (the "2013 Scheme"), for granting of non-transferable share options to employees (including executive director) and non-executive directors of the Company and its subsidiaries, was adopted and approved by Shareholders in general meeting on 5 April 2013.

The Remuneration Committee ("Committee") is responsible for administering the 2002 Scheme and 2013 Scheme (collectively, the "Schemes"). The Remuneration Committee members are Mr Roger Barlow (Chairman), Mr Chow Kok Kee, Mr Low Huan Ping, Mr Alan Ow Soon Sian and Mr Teo Soon Hoe. The majority of the Committee comprises of independent directors, including the Committee Chairman.

Under the Schemes, options granted have a term of 5 or 10 years from the date of grant for non-executive directors and employees (including executive director) respectively.

The subscription price for each ordinary share in respect of which an option is exercisable shall be determined by the Committee in its absolute discretion, on the date of grant to be either:

(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 Committee; or

(ii) at a price, which is set at a discount to the Market Price provided that the maximum discount for any option shall not exceed 20% of the Market Price in respect of that option.

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

Date of grant	Balance as at 1 January 2013 or date of grant	Exercised	Cancelled*	Balance as at 31 December 2013	Subscription price
2002 Scheme					
3 February 2005	796,700	(696,000)	–	100,700	S$1.81
2 February 2006	2,270,000	(1,170,000)	–	1,100,000	S$2.21
6 February 2007	2,387,500	(855,500)	–	1,532,000	S$2.17
11 February 2008	1,407,000	(718,000)	–	689,000	S$1.90
2 February 2009	1,439,500	(1,083,500)	–	356,000	S$1.60
4 June 2009	128,000	(128,000)	–	–	S$1.60
3 February 2010	4,394,000	(2,527,000)	–	1,867,000	S$2.04
15 June 2010	100,000	(60,000)	–	40,000	S$2.04
7 February 2011	7,541,500	(1,919,000)	(120,000)	5,502,500	S$2.44
30 January 2012	8,525,000	(1,062,000)	(245,000)	7,218,000	S$2.43
2013 Scheme					
2 May 2013	8,810,000	–	(390,000)	8,420,000	S$3.24
	37,799,200	(10,219,000)	(755,000)	26,825,200	

* *Cancelled when staff resigned from the Company*

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. Share options (cont'd)

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

The weighted average fair value of options granted during the financial year was S$0.235 (2012: S$0.246).

The weighted average share price at the date of exercise of the options during the financial year was S$3.24 (2012: S$2.43).

The weighted average remaining contractual life for options outstanding at the end of the financial year is 6.9 years (2012: 6.3 years).

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

Name of director	Options granted during financial year	Aggregate options granted since commencement of Schemes to end of financial year	Aggregate options exercised since commencement of Schemes to end of financial year	Aggregate options outstanding at end of financial year	Subscription price
Karen Kooi Lee Wah	800,000	7,715,000	3,834,300	3,880,700	S$1.25 - S$3.24

The fair value of the share options as at the date of grant is computed using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The inputs to the model for all grants not vested for the years ended 31 December 2013 and 31 December 2012 are shown below:

Date of grant	2-May-13	30-Jan-12	7-Feb-11	15-Jun-10	3-Feb-10	4-Jun-09
Dividend Yield (%)	4.32	5.88	7.14	6.31	6.42	8.97
Expected Volatility (%)	16.00	27.00	28.00	29.00	29.00	29.00
Risk-free interest rate (%)	0.33	0.30	1.03	0.55	0.81	0.66
Expected life of option (years)	3.10	3.10	3.10	3.10	3.10	3.10
Share price (S$)	3.38	2.43	2.45	2.13	2.06	1.50
Exercise price (S$)	3.24	2.43	2.44	2.12	2.04	1.60

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

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

The 2013 Scheme was approved by shareholders on 5 April 2013.

Notes to the Financial Statements

For the financial year ended 31 December 2013

28. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's risk management strategy aims to minimise the adverse effects of financial risk on the financial performance of the Group. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Interest rate risk

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

As at 31 December 2013, the Group's borrowings are at fixed rates of interest.

Foreign currency risk

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

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the statement of financial position date, such foreign currency balances (mainly in USD and Euro) amount to S$3,730,000 (31 December 2012: S$3,308,000) for both the Group and the Company.

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

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

Liquidity risk

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

Notes to the Financial Statements
For the financial year ended 31 December 2013

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

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	1 year or less S$'000	1 to 5 years S$'000	Total S$'000
2013			
Group			
Financial assets			
Trade and other receivables	156,609	201	156,810
Due from related parties	183	–	183
Cash and cash equivalents	54,450	–	54,450
Total undiscounted financial assets	211,242	201	211,443
Financial liabilities			
Creditors and accruals	180,951	–	180,951
Due to related parties	584	–	584
Borrowings	–	259,486	259,486
Total undiscounted financial liabilities	181,535	259,486	421,021
Total net undiscounted financial assets/(liabilities)	29,707	(259,486)	(229,578)
Company			
Financial assets			
Trade and other receivables	151,312	201	151,513
Due from related parties and subsidiaries	2,613	–	2,613
Cash and cash equivalents	54,265	–	54,265
Total undiscounted financial assets	208,190	201	208,391
Financial liabilities			
Creditors and accruals	155,450	–	155,450
Due to related parties and subsidiaries	11,512	–	11,512
Borrowings	–	259,486	259,486
Total undiscounted financial liabilities	166,962	259,486	426,448
Total net undiscounted financial assets/(liabilities)	41,228	(259,486)	(218,057)

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Liquidity risk (cont'd)

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company'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 include a formal automated collection process.

The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations as of 31 December 2013 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

29. Fair value of financial instruments

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

Financial instruments carried at fair value

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

	Group Significant other observable inputs (Level 2)	
	2013	**2012**
	S$'000	S$'000
Financial liability		
Derivative liability (Note 30)		
- Interest rate swap	–	(236)

Notes to the Financial Statements

For the financial year ended 31 December 2013

29. Fair value of financial instruments (cont'd)

Fair value hierarchy

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

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

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

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

Determination of fair value

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

Financial instruments whose carrying amount approximate fair value

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

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

	Group				Company			
	2013 S$'000		2012 S$'000		2013 S$'000		2012 S$'000	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liability:								
- Fixed rate bank loan	250,000	245,811	125,000	124,060	250,000	245,811	125,000	124,060

Notes to the Financial Statements

For the financial year ended 31 December 2013

30. Derivative liability

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

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

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

31. Classification of financial instruments

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

	Loans and receivables S$'000
Group	
31 December 2013	
Assets	
Staff loans	285
Trade debtors	144,785
Deposits	5,063
Sundry debtors	6,677
Due from related parties	183
Cash and cash equivalents	54,450
	211,443

	Liabilities at amortised cost S$'000
Group	
31 December 2013	
Liabilities	
Creditors and accruals	180,951
Due to related parties	584
Borrowings	250,000
	431,535

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For the financial year ended 31 December 2013

31. Classification of financial instruments (cont'd)

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

31. Classification of financial instruments (cont'd)

	Loans and receivables S$'000
Company	
31 December 2013	
Assets	
Staff loans	285
Trade debtors	142,479
Deposits	3,507
Sundry debtors	5,242
Due from related parties and subsidiaries	2,613
Cash and cash equivalents	54,265
	208,391

	Liabilities at amortised cost S$'000
Company	
31 December 2013	
Liabilities	
Creditors and accruals	155,450
Due to related parties and subsidiaries	11,512
Borrowings	250,000
	416,962

Notes to the Financial Statements

For the financial year ended 31 December 2013

31. Classification of financial instruments (cont'd)

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

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

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For the financial year ended 31 December 2013

32. Capital management

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

The capital structure of the Group consists of net debts (borrowings less cash and cash equivalents) and equity attributable to the owners of the Group and the Company.

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	S$'000	S$'000	S$'000	S$'000
Borrowings				
- Current	–	272,000	–	272,000
- Non-current	250,000	–	250,000	–
Less: Cash and cash equivalents	(54,450)	(11,607)	(54,265)	(10,175)
Net debts	195,550	260,393	195,735	261,825
Equity	395,096	347,914	381,226	306,131

33. Dividends

	Group and Company	
	2013	**2012**
	S$'000	S$'000
Declared and paid during the financial year:		
Final - the previous year		
6.3 cents (2012: 7.9 cents) per ordinary share (one-tier tax)	57,933	71,978
Special - the previous year		
1.7 cents (2012: Nil) per ordinary share (one-tier tax)	15,633	–
Interim - the current year		
6.8 cents (2012: 6.6 cents) per ordinary share (one-tier tax)	62,751	60,175
	136,317	132,153
Proposed but not recognised as a liability as at 31 December:		
Final		
7.1 cents (2012: 6.3 cents) per ordinary share (one-tier tax)	65,562	57,552
Special		
7.1 cents (2012: 1.7 cents) per ordinary share (one-tier tax)	65,562	15,530
	131,124	73,082

The directors propose a final dividend of 7.1 cents and a special dividend of 7.1 cents per ordinary share (one-tier tax) in respect of the financial year ended 31 December 2013 for approval by shareholders at the forthcoming Annual General Meeting of the Company.

Notes to the Financial Statements
For the financial year ended 31 December 2013

34. Authorisation of financial statements

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 28 February 2014.

Major Properties

Name	Main Operations Centre
Use	Head Office and Switch Centre
Address	10 International Business Park, Singapore 609928
Land Area (Sq m)	8,442
Date of Purchase	8 October 1996
Expiry Date of Lease[1]	28 February 2026

Name	MiWorld Building
Use	Office
Address	9 International Business Park, Singapore 609915
Land Area (Sq m)	6,850
Date of Purchase	15 February 2002
Expiry Date of Lease[1]	30 June 2022

Name	Regional Operations Centre
Use	Office and Switch Centre
Address	4 Aljunied Avenue 1, Singapore 389978
Land Area (Sq m)	4,816
Date of Purchase	19 November 2001
Expiry Date of Lease[1]	31 May 2020

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

Statistics of Shareholdings

As at 25 February 2014

Total number of issued shares	:	925,068,782
Class of shares	:	Ordinary Shares
Voting rights	:	One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	3,131	30.01	2,536,148	0.27
1,000 - 10,000	6,199	59.42	22,734,297	2.46
10,001 - 1,000,000	1,086	10.41	50,143,430	5.42
1,000,001 and above	17	0.16	849,654,907	91.85
Total	**10,433**	**100.00**	**925,068,782**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Raffles Nominees (Pte) Limited	274,550,383	29.68
2	Keppel Telecoms Pte Ltd	178,864,000	19.34
3	SPH Multimedia Pte Ltd	124,453,000	13.45
4	Citibank Nominees Singapore Pte Ltd	79,490,852	8.59
5	DBS Nominees (Private) Limited	74,035,092	8.00
6	HSBC (Singapore) Nominees Pte Ltd	65,588,034	7.09
7	DBSN Services Pte. Ltd.	26,607,543	2.88
8	United Overseas Bank Nominees (Private) Limited	11,221,511	1.21
9	DB Nominees (Singapore) Pte Ltd	3,917,134	0.42
10	Bank of Singapore Nominees Pte. Ltd.	1,992,700	0.22
11	BNP Paribas Securities Services Singapore Branch	1,662,864	0.18
12	Gralf Max Hans Sieghold	1,560,000	0.17
13	York Hotel (Private) Limited	1,300,000	0.14
14	Citibank Consumer Nominees Pte Ltd	1,111,030	0.12
15	UOB Kay Hian Private Limited	1,107,500	0.12
16	Yap Chong Hin Gabriel	1,100,000	0.12
17	Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,093,264	0.12
18	Khoo Teck Puat Foundation	1,000,000	0.11
19	Heng Siew Eng	985,000	0.11
20	Certis Cisco Security Pte Ltd	900,000	0.10
	Total	**852,539,907**	**92.17**

Statistics of Shareholdings

As at 25 February 2014

Substantial Shareholders

Name	Direct Interest	No. of Shares Deemed Interest	Total Interest
Axiata Investments (Singapore) Limited	265,410,150	–	265,410,150
Khazanah Nasional Berhad	–	265,410,150[1]	265,410,150
Axiata Group Berhad	–	265,410,150[1]	265,410,150
Temasek Holdings (Private) Limited	–	179,399,360[2]	179,399,360
Keppel Telecoms Pte Ltd	178,864,000	–	178,864,000
Keppel Communications Pte Ltd	–	178,864,000[3]	178,864,000
Keppel Data Centres Pte. Ltd.	–	178,864,000[3]	178,864,000
Keppel Telecommunications & Transportation Ltd	–	178,864,000[3]	178,864,000
Keppel Corporation Limited	–	178,864,000[3]	178,864,000
SPH Multimedia Private Limited	124,453,000	–	124,453,000
Singapore Press Holdings Limited	–	124,453,000[4]	124,453,000

Notes:

1 *Khazanah Nasional Berhad and Axiata Group Berhad are deemed to be interested in the 265,410,150 shares held by Axiata Investments (Singapore) Limited pursuant to Section 7 of the Companies Act*

2 *Temasek Holdings (Private) Limited is deemed to be interested in the 179,399,360 shares in which Keppel Corporation Limited, DBS Group Holdings Ltd and Fullerton Fund Management Company Ltd are deemed to have an interest pursuant to Section 7 of the Companies Act*

3 *Keppel Communications Pte Ltd, Keppel Data Centres Pte. Ltd., Keppel Telecommunications & Transportation Ltd and Keppel Corporation Limited are deemed to be interested in the 178,864,000 shares held by Keppel Telecoms Pte Ltd pursuant to Section 7 of the Companies Act*

4 *Singapore Press Holdings Limited is deemed to be interested in 124,453,000 shares held by SPH Multimedia Private Limited pursuant to Section 7 of the Companies Act*

Free Float

Approximately 38.4% of the issued and share capital of the Company were held in the hands of the public (on the basis of information available to the Company).

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

Corporate Information

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

Audit Committee
Alan Ow Soon Sian, Chairman
Chow Kok Kee
Kannan Ramesh

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

Nominating Committee
Chow Kok Kee, Chairman
Roger Barlow
Kannan Ramesh

Risk Committee
Kannan Ramesh, Chairman
Dato' Sri Jamaludin Ibrahim
Low Huan Ping
Alan Ow Soon Sian

Company Secretary
Foo Siang Larng
Lee Wei Hsiung

Registered Address
10 International Business Park
Singapore 609928
Telephone: +65 6655 1111
Facsimile: +65 6655 1977

Registrar
Boardroom Corporate &
Advisory Services Pte. Ltd.

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Telephone: +65 6536 5355
Facsimile: +65 6536 1360

Auditor
Ernst & Young LLP
Public Accountants and
Certified Public Accountants

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

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

Investor Relations
For investor enquiries, please contact the
Investor Relations team at
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