connect faster. live better.

Annual Report 2010

M1 is Singapore's most vibrant and dynamic mobile, broadband and fixed communications service provider, with over 1.9 million customers. In September 2010, we became the first operator to launch ultra high-speed fixed broadband, fixed voice and other services on the Next Generation Nationwide Broadband Network (NGNBN). With a continual focus on quality, customer service, value and innovation, we brighten lives by linking anyone and anything; anytime, anywhere. More information on www.m1.com.sg.

In the face of change and opportunity, **M1** is well positioned to deliver converged connectivity that offers faster and more reliable services, enhancing the way we communicate.

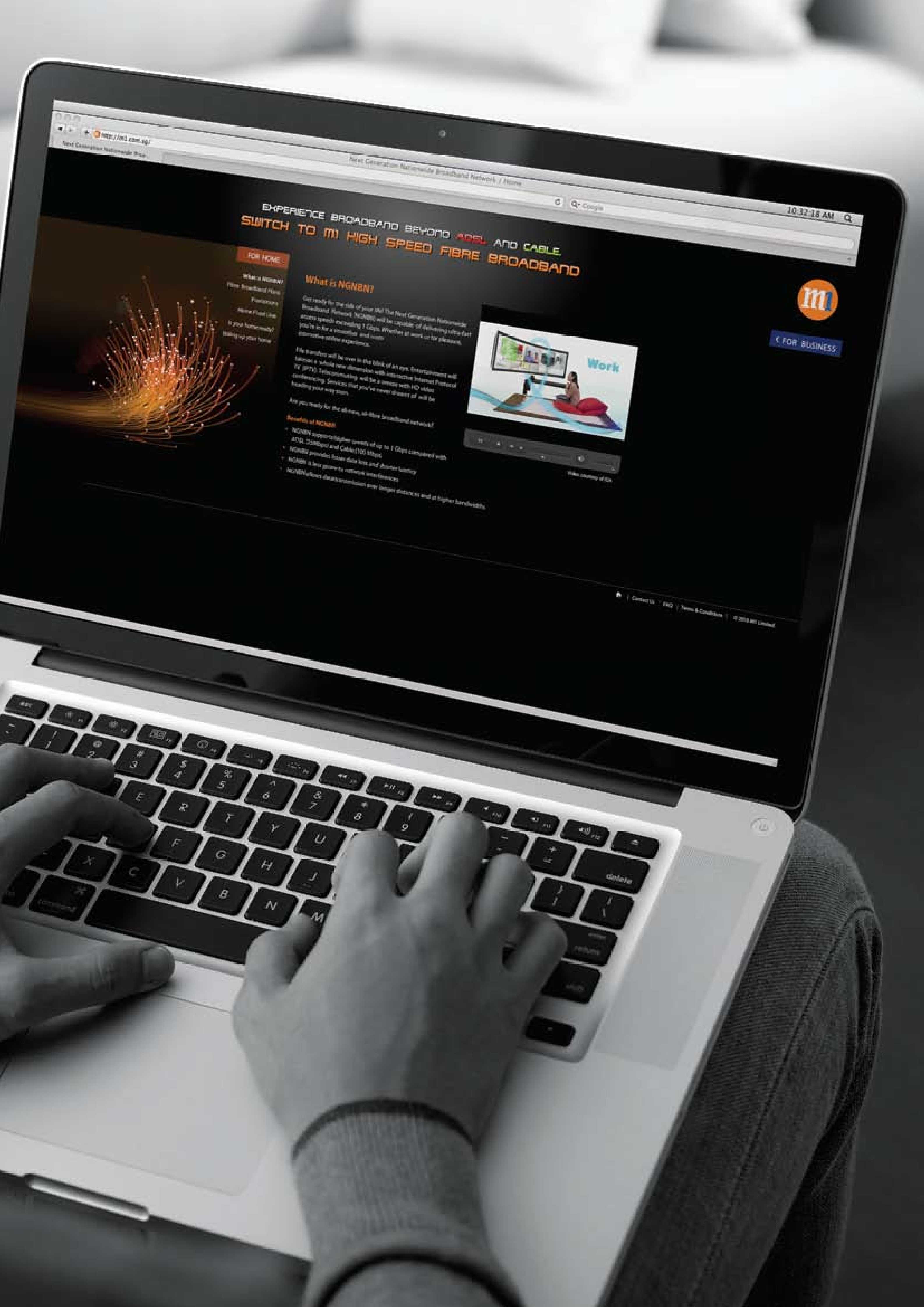
Through our latest offerings via the NGNBN, enjoy the perks of top-notch options and a higher level of connectivity at home, at work or at play. Be efficient, stay up-to-date, stay connected, live better.

Experience Life. Connect Fast.

instant connection

With **M1**'s high-speed fibre broadband services of up to 1 Gbps, enjoy blistering speeds when you watch the latest videos, download your favourite tunes, or surf the Net.

Your online experience will never be the same again.


EXPERIENCE BROADBAND BEYOND ADSL AND CABLE
SWITCH TO M1 HIGH SPEED FIBRE BROADBAND
FOR HOME
What is NGNBN?
Work
FOR BUSINESS

always connected

Stay in touch.

Whether you are expanding your friends list in social networks, or uploading your snapshots in an instant, **M1** revolutionises the way you interact with virtually anyone in the world.

M1 provides superior communication solutions that offer more innovative and flexible ways to bond with your loved ones.


Real Club
SAILING RACE

connecting your home

Be spoilt for choice in the world of infotainment.

M1's 1box places the world wide web and an exciting range of content onto your TV screens.

Catch the most recent programmes online, get connected with friends and families through social networking, revel in celebrity concerts – **M1** welcomes you to the new world of widescreen TV.


videos
pictures
web

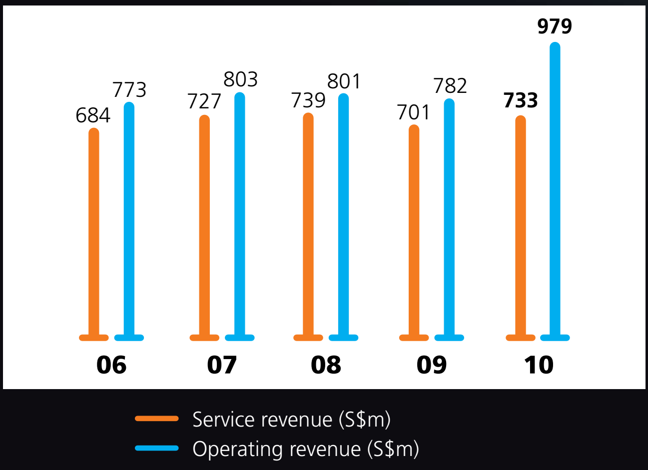
connecting enterprise

Today's business environment demands a high level of connectivity and customised solutions to enable enterprises to keep up with the pace of the market and respond more quickly to clients and partners.

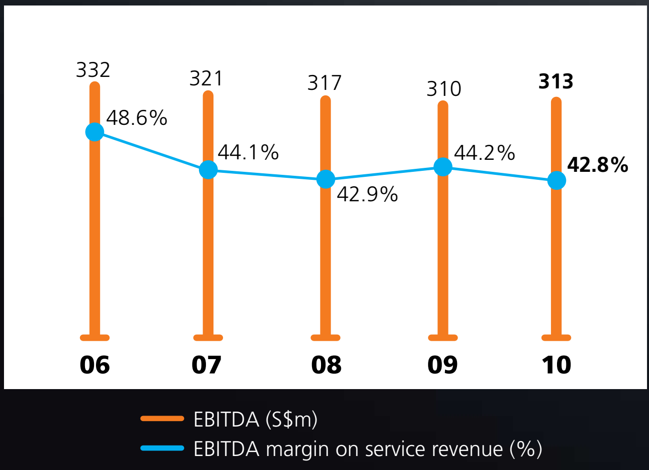
At **M1**, we offer a full suite of broadband products, services and managed solutions to enterprises of all sizes. With our new high-speed fibre network solutions, businesses are now able to reap the benefits of faster speeds to improve productivity and reduce costs.

performance highlights

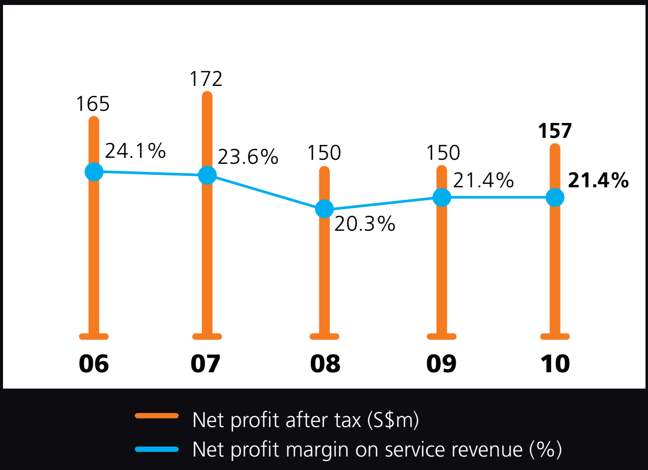
Operating Revenue and Service Revenue



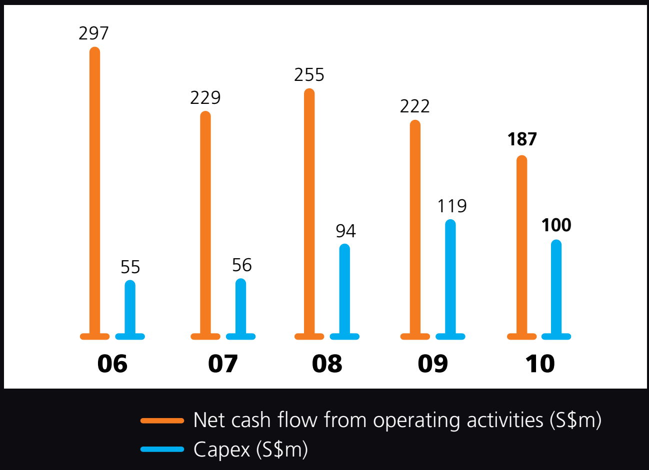
EBITDA



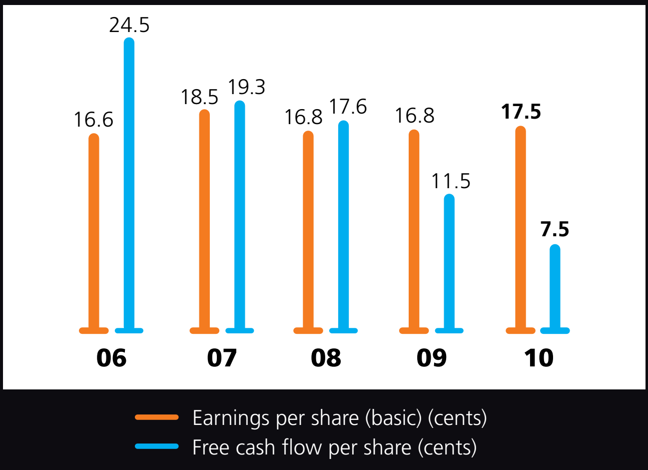
Net profit after Tax



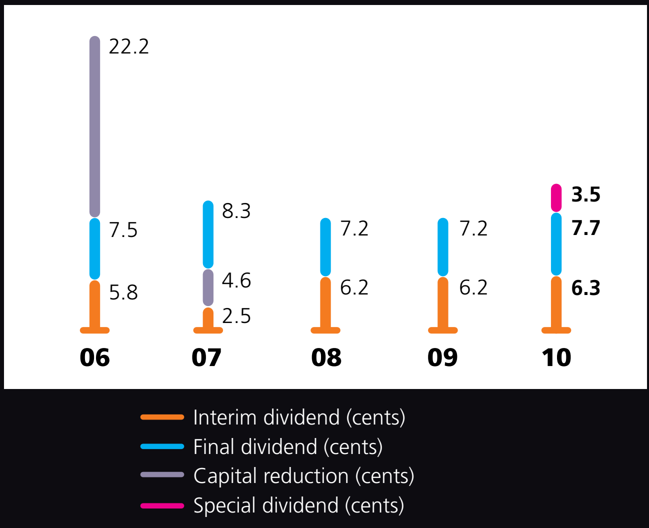
Cashflow and Capital Expenditure



Earnings and Free Cash Flow Per Share



Cash Return Per Share (Declared)



Operating Highlights	2010	2009	Change (%)
Number of mobile customers ('000)			
Postpaid	1,001	912	9.8
Prepaid	910	846	7.6
Total	1,911	1,758	8.7
Market share[1] (%)			
Postpaid	26.6	26.5	–
Prepaid	25.8	24.9	–
Overall	26.2	25.7	–
Singapore mobile penetration rate[1] (%)	143.6	137.5	–
Average revenue per user (ARPU, S$ per month)			
Postpaid (excludes Data plan)	63.9	60.4	5.9
Postpaid (exclude Data plan and adjusted)[2]	59.8	60.3	(0.9)
Data plan	21.5	22.2	(3.4)
Prepaid	14.5	15.2	(4.7)
Non-voice services as a % of service revenue	31.9	26.0	–
Minutes of use per active customer (MOU, minutes per month)			
Postpaid	363	356	2.0
Prepaid	264	250	5.6
Total international retail minutes (million)	957	727	31.6
Average monthly churn rate (%)	1.4	1.6	–
Acquisition cost per postpaid customer (S$)	351	253	38.7

[1] *Based on IDA statistics as at December*

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

Financial Highlights	2010	2009	Change (%)
Operating Revenue (S$m)	979.2	781.6	25.3
Mobile telecommunications services	579.4	565.7	2.4
International call services	129.0	128.4	0.4
Fixed services	24.5	6.6	271.2
Handset sales	246.3	80.9	204.7
EBITDA (S$m)	313.3	309.7	1.2
Net profit after tax (S$m)	157.1	150.3	4.5
Per share (cents)			
Earnings (basic)	17.5	16.8	4.2
Cash payout (declared)	17.5	13.4	30.6
Net assets	33.7	28.6	17.6
ROE (%)	56.2	62.7	–
ROCE (%)	28.5	31.4	–

Note: Figures may not add up due to rounding

chairman's message

We operate in a fast-moving industry full of challenges and opportunities, and with the collective effort of all stakeholders, I believe M1 will continue to thrive in this environment and create long-term value for all.

Results

In 2010, we achieved a net profit after tax of S$157.1 million, a 4.5% growth over the previous year. Service revenue increased 4.6% to S$732.9 million, driven mainly by growth in customer base and contribution from fixed services. The Board is recommending a final dividend of 7.7 cents a share, and a special dividend of 3.5 cents a share, bringing full year dividend to 17.5 cents a share, or a 100% payout of net profit after tax.

Developments

2010 saw the commercial launch of the Next Generation Nationwide Broadband Network (NGNBN) in September. Offering internet surfing speeds of up to 1 Gbps, the NGNBN is the broadband network of the future and will transform the way we currently work, live, learn and interact. At M1, we geared up for the launch to become the first operator to provide ultra high-speed broadband services to both residential and corporate customers, on this new network. While its introduction is a milestone in the telecommunications industry in Singapore, the transition will be a gradual one for customers as the rollout is progressive with a targeted 95% coverage by mid-2012. We will continue to build on our strong foundation and increase the penetration of our fixed and mobile products and services into homes and businesses.

Outlook

Looking forward, there are positive trends for M1 within the telecommunications industry.

The mobile market will see an increased adoption of smartphones, tablets and mobile broadband devices, and consequently, a higher demand for network performance, customer care and service innovation. M1's long-held focus on excellence in these areas will see us investing to upgrade our mobile network and adopting new initiatives to further enhance customer experience.

Our expansion into the fixed market will continue in 2011. In addition to providing fixed broadband and fixed voice services, we took the first step towards a pay TV service with the launch of 1box in November 2010. The service enables internet access and surfing on TV, as well as access to a range of on-demand entertainment and education content. This is a measured approach to gain a presence in the pay TV business and position ourselves to take advantage of opportunities that will arise as a result of increasing penetration of connected devices, as well as regulatory changes that support open access for IPTV infrastructure and mandatory cross carriage of exclusive content.

On corporate business, the Internet Service Provider (ISP) acquired in September 2009 has been fully integrated within M1, and provided us with a ready base of corporate customers. The introduction of the NGNBN has enabled businesses to have more choices in terms of service providers and at the same time, enjoy better value for their service plans. At M1, we have the experience, expertise and nimbleness to grow our market share in this segment, and the current year will see us building on our suite of corporate offerings to give customers greater value.

Strategically, we will continue to grow and expand our service offerings across both fixed and mobile platforms, as well as embrace growth opportunities to entrench M1 as a credible and dynamic full-service operator.

Shareholder value

Since IPO, M1 has built up a strong track record of capital distribution to shareholders. We remain committed to enhancing long-term shareholder value and maintaining a sustainable payout policy. This includes a regular review of our funding requirements and capital structure, and, as and when appropriate, returning cash in excess of our current and foreseeable requirements to shareholders. In line with this approach, the Board of Directors has recommended a special dividend of 3.5 cents a share, in additional to the final dividend of 7.7 cents a share. Taken together with the interim dividend, the total dividend proposed for FY2010, at 17.5 cents a share, represents a 30.6% increase in dividend a share over the previous year.

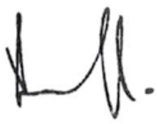
In 2010, M1's share price has performed well, and when combined with dividends received by shareholders during the year, total shareholders' return was a healthy 31.5%.

Board

On Board composition, I would like to thank Dato' Yusof Annuar Yaacob, who stepped down from the Board on 31st October 2010 following his resignation from Axiata Group. He contributed valuable insights into the regional telecoms market in his five years on the Board.

I would also like to thank Dr. Thio Su Mien and Mr. Patrick Yeoh for their services to the M1 Board since November 2002. Dr. Thio and Mr. Yeoh retire from office at the AGM on 7th April 2011 and will not be seeking re-appointment. Both of them have contributed greatly to the M1 Board, particularly on finance, legal and governance matters.

Finally, I thank fellow Board members, shareholders, customers, business partners and M1 management and staff for their continued support. We operate in a fast-moving industry full of challenges and opportunities, and with the collective effort of all stakeholders, I believe M1 will continue to thrive in this environment and create long-term value for all.



Teo Soon Hoe
Chairman

Our transition to a full-service operator progressed as planned - thanks to the hard work and commitment of all at M1.

2010 was an exciting and busy year for M1, and I am pleased to report that we delivered growth in revenue and net profit. We achieved another major milestone during the year with the launch of fixed broadband services on the NGNBN, which opened up a whole new world of connectivity for homes and businesses, as well as growth opportunities for M1. We are well positioned to capitalise on these opportunities and deliver sustainable, long-term growth for the Company.

Results

Operating revenue increased 25.3% to S$979.2 million, driven mainly by a surge in the sale of smartphones. Service revenue increased 4.6% to $732.9 million as a result of growth in both mobile telecommunications and fixed revenues. For mobile telecommunications, the higher revenue was driven by higher customer base, as well as a pick-up in roaming activities. With increased penetration of smartphones and mobile broadband devices, mobile data usage continued to grow and non-voice services as a percentage of service revenue increased to 31.9%, compared to 26.0% a year ago. Fixed revenue increased 271.2% to S$24.5 million as a result of growth in fixed services customers in both the residential and corporate segments. International call revenue remained stable at S$129.0 million, amidst a highly competitive market. Net profit after tax increased 4.5% to $157.1 million, with margin on service revenue remaining stable at 21.4%. The Group's balance sheet remained healthy, with net debt-to-EBITDA at 1.0 time as at end-2010.

Operational highlights

Our transition to a full-service operator progressed as planned - thanks to the hard work and commitment of all at M1.

In April, we announced the change of the Company's name from MobileOne Ltd to M1 Limited with a highly visible re-branding campaign. Featuring a refreshed logo, the new name reflects our move away from pure mobile centric operator, and at the same time, retains what is a highly established and recognised brand in Singapore.

Our efforts in gearing up the Group to be operationally ready for the NGNBN, which started more than a year ago, culminated with us being the first operator to offer fibre broadband services to both residential and corporate customers in September. Today, we offer a wide range of fibre service plans with speeds ranging from 25 Mbps to 1 Gbps, including fixed voice and other value added services for residential homes. For the corporate customers, we offer managed and data centre services, as well as cloud computing services. In addition, our services are further differentiated by mFix, Singapore's first remote technical support service for computers and smartphones.

In November, we took a first step towards quad-play with the launch of 1box, a simple plug-and-play platform for customers to access internet content on TV, as well as, a range of on-demand services. Customers can now enjoy videos on popular websites such as YouTube and Discovery Channel, and stay in touch with family and friends on social networking sites such as Facebook and Twitter, all on their TVs. Regulatory and market developments are challenging the structure of traditional pay TV model, and opening up new opportunities for M1. These include the Government's initiatives on open access IPTV infrastructure and implementation of mandatory cross carriage of exclusive content, as well as the availability of connected TVs which offer direct internet access and content on TV.

For our core mobile business, we continued to strive for excellence by keeping our focus on customer service, value, innovation and network quality. During the year, we added 153,000 customers and regained mobile market share, reversing the trend of previous years. As at end December 2010, our total customer base stood at 1.9 million. We continued to invest in our networks to ensure that we maintain our technology edge, as well as to enhance customer experience and improve efficiency. During the year, we commenced modernisation of our 2G network and trialled Long Term Evolution (LTE) at speeds of up to 100Mbps. We also acquired an additional 5MHz of 3G spectrum in November, which will allow us to support our growing customer base. Phase 1 of our backhaul transmission network project was completed during the year and this has generated significant cost savings. We expect to complete Phase 2 of the project in the first half of 2011.

In the area of customer service, we completed training of all our staff as part of our customer centric initiative to achieve service excellence at all touch points. I am pleased to report that M1 was the only telecommunications company in Singapore to achieve a year-on-year improvement in the Customer Satisfaction Index (CSISG[1]) for 2010.

1 *The CSISG is commissioned by the Singapore Workforce Development Agency (WDA) and managed by the Institute of Service Excellence (ISES) at Singapore Management University*

Outlook

Even as we entered 2011 in a good position to benefit from further developments in the industry, we remain committed to putting our customers first by providing excellent service and great experiences, guided by our mission statement to brighten lives by linking anyone and anything; anytime, anywhere.

The mobile segment will remain core and we will continue to excel in this area. Our continued focus on innovations and customer service will involve investing in, among other things, LTE for our network and further enhancement to our Customer Experience Management system. There is no doubt that mobile data traffic will continue to grow year-on-year, and the introduction of LTE, which is designed for more efficient carriage of data, will offer customers a much better surfing experience and at the same time, increase our cost efficiency, compared to today's mobile technology.

In the fixed segment, we will continue to enhance our service offerings to both residential and corporate customers. The progressive rollout of the NGNBN will allow us to market our fibre services to an increasing pool of customers throughout the year. Apart from cost savings, residential customers will benefit from the unsurpassed broadband speeds and enriched digital experience, while corporate customers can look forward to enhanced efficiency and capabilities to help drive business growth.

Community

We continued to actively participate in the community through our Corporate Responsibility programme that maintained our traditional focus on the arts, sports and children's causes in Singapore.

The M1 Singapore Fringe Festival continued to enliven the arts scene with its sixth edition at the beginning of the year. We view our long-term association with the event as a win-win partnership. As sponsor, we derive positive association with our brand and increased consumer awareness. More importantly, we believe the festival fills a gap in the local arts scene. With long-term sponsorship, the festival is able to grow and gain better outreach each year. For 2011, we will look to extending our long-term sponsorships programme to other forms of arts to nurture talents and promote the appreciation and enjoyment of arts.

For the less privileged, we engaged employees and business partners in two successful fund-raising events during the year for the benefit of our adopted children's charities, such as the Children's Cancer Foundation and the Singapore Children's Society. Dedicated staff volunteers from our SunCare Club also organised various social activities throughout the year to bring cheer to the children from these adopted charities.

Appreciation

In closing, I would like to convey my deep appreciation to our Board of Directors for their continued guidance and support, and fellow colleagues for their commitment and dedication during the year. I also want to express my gratitude to our shareholders, customers and business partners for the confidence you have placed in M1. I look forward to working together to bring M1 into the next phase of growth.

Karen Kooi
Chief Executive Officer

operating and financial review

Company Overview

M1 is a leading provider of mobile and fixed communications services to over 1.9 million customers in Singapore. With emphasis on quality, customer service, value and innovation, we aim to brighten lives by linking anyone and anything; anytime, anywhere.

For mobile services, we offer a wide range of voice, data and value-added services on our nationwide Global System for Mobile Communication (GSM) / 3G / High Speed Packet Access (HSPA) network. Customers subscribe to our mobile services on either a postpaid or prepaid basis through a variety of price plans. Additionally, our wireless broadband service - M1 Mobile Broadband - offers customers a variety of service plans at different access speeds. Today, our mobile network is capable of supporting downlink and uplink throughput speeds of up to 28 Mbps and 5.76 Mbps respectively.

In the area of international call services, we offer mobile and fixed-line customers International Direct Dial (IDD) services using prefixes 002 and 021, and an International Calling Card (ICC) service using prefix 1818. We also sell international wholesale minutes to other international service providers.

For fixed services, customers can choose from various broadband service plans with speeds ranging from 5 Mbps to 1 Gbps, including fixed voice and other value-added services. In addition, we offer managed and data centre services, cloud computing services and other enterprise solutions for corporate customers. In November 2010, we launched 1box, a simple plug-and-play platform for customers to access internet content on TV, as well as, a range of on-demand services. Our services are further supported by mFix, a remote technical support service for computers and smartphones.

The M1 Group holds both Facilities-Based Operator (FBO) and Service-Based Operator (SBO) licences, issued by the Info-communications Development Authority of Singapore (IDA), for the provision of telecommunication systems and services, including the Telecommunication dealer's class licence. In addition, we hold Internet access service provider licences and IPTV licence issued by the Media Development Authority.

Our short history is marked with many successes, including the following key milestones:

- Commercial launch of mobile services in April 1997;
- Achievement of 10% mobile market share within one month of launch, and profitability in the first full-year of operations in 1998;
- Listing on the Singapore Exchange in December 2002; and
- First operator in Singapore to launch:
  - 3G mobile services commercially in February 2005
  - Nationwide mobile broadband services in December 2006
  - Fixed services on the Next Generation Nationwide Broadband Network (NGNBN) in September 2010

In 2010, we achieved a net profit after tax of S$157.1 million, 4.5% higher than 2009. Net profit margin on service revenue was 21.4%, comparable to 2009. Operating revenue and service revenue improved by 25.3% to S$979.2 million and 4.6% to S$732.9 million respectively. Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 1.2% to S$313.3 million.

As at 31 December 2010, M1 had a total of 1,911,000 mobile customers, comprising 1,001,000 postpaid customers and 910,000 prepaid customers. Our overall market share of the mobile customer base was 26.2%, comprising a postpaid share of 26.6% and a prepaid share of 25.8%.

Market Developments

Based on statistics published by IDA, as at 31 December 2010, Singapore's mobile penetration was 143.6%, which was 6.1 percentage points higher than that a year ago. Out of the total market mobile subscriber base of 7,288,600, 51.6% were postpaid subscribers and 48.4% were prepaid subscribers. For the fixed broadband market, there were 569,400 Digital Subscriber Lines (DSL) users and 678,800 cable users for both the residential and corporate segments as at 31 December 2010.

We were the first operator to launch ultra-high speed broadband services of up to 1 Gbps on the NGNBN to both homes and businesses in September 2010. Through this new fibre-to-the-home (FTTH) network, the Government aims to position Singapore for an info-communications enabled future, and to transform the way Singaporeans live, learn, work and interact. The rollout is progressive and targeted to reach 95% coverage by mid-2012. For M1, this new network provides a neutral and transparent environment where we can compete more effectively in the fixed space.

Full-Service Operator

As early as 2007, we initiated a strategy to evolve M1 from a single play mobile operator to a dynamic full-service operator. This was in anticipation of the changes in the telecommunications ecosystem, resulting from the rapid convergence of communications and entertainment services, as well as increasing interdependence of devices, networks, application services and content.

In line with our plans, we unveiled the change of the Company's name from MobileOne Ltd to M1 Limited with a highly visible re-branding campaign and a refreshed logo in April 2010. The new name signifies our move away from being a pure mobile centric operator, but at the same time, retaining our highly established and recognised brand in Singapore.

In September 2010, we commenced offering of ultra high-speed fixed broadband, fixed voice and value-added services for both residential and corporate users on the NGNBN. This was followed by a first step towards offering quadruple services in November 2010 with the launch of 1box, which allows customers to access internet content on TV and a range of on-demand services.

operating and financial review

Postpaid Mobile

The mobile business remained core to M1 and in particular, the postpaid segment continued to be a major contributor to our operating revenue. During the year, our postpaid customer base grew by 89,000 to reach 1,001,000. In the process, we regained market share and reversed the trend of previous years. As at 31 December 2010, our postpaid customers formed 52.4% of total mobile customer base, and contributed 86.6% of our total mobile telecommunications revenue in 2010. In line with our strategy to grow non-voice usage, contribution from non-voice services rose to 31.9% of service revenue in 2010, from 26.0% in 2009, driven mainly by growth in the mobile broadband and smartphone customer base.

We started the year with the demonstration of next generation mobile broadband capabilities, offering speeds of up to 100Mbps for downlink and 50Mbps for uplink, through a Long Term Evolution (LTE) network trial. The two-month trial was conducted at our Paragon flagship store and customers had the opportunity to experience amongst other things, High Definition (HD) TV streaming and high speed internet surfing over the LTE network.

In May, we launched a mobile application store – M1 AppStore, to bring the latest and most exciting applications to our customers under one roof. The M1 Appstore offers a wide selection of applications ranging from games, entertainment and sports to social networking, education and utilities, accessible on various mobile operating platforms including Android, iPhone, Blackberry, Windows Mobile and Java. It also provides content developers a platform to commercialise their applications and gain valuable market exposure.

The iPhone 4 was released at midnight on 30th July, and we celebrated the highly anticipated launch at our Paragon flagship store for invited customers. The event, which featured music and entertainment, was a success with a huge turnout. We continued to offer unbeatable value through a range of service plans, including the Take3 programme that offers iPhone 4 at no upfront cost and the Value plan that offers monthly subscriptions as low as $36, supported by our unrivalled customer care and superior network performance. During the month, we also launched data tariff plans for iPad, which feature no lock-in period, generous data bundles and speeds of up to 7.2Mbps.

2010 was a year of smartphones and tablets, and the former made up majority of our handset sales. Throughout the year, we offered customers exciting new smartphones on various operating systems including Android, iPhone, Blackberry and Symbian. The fourth quarter also saw the launch of smartphones on the latest Windows Mobile operating system from vendors such as HTC, Samsung and LG, as well as exclusive tablets from ViewSonic and Huawei.

Prepaid Mobile

In 2010, our prepaid customer base grew 7.6% over the previous year to 910,000. The prepaid market remained highly competitive and we continued to drive targeted promotions and introduce service enhancements to provide superior value to customers.

During the year, we strengthened our links with key foreigner segments such as the Indians, Bangladeshi, Myanmarese and Indonesians with continued sponsorships for major celebration events such as Thaipusum, Deepavali Light-up, Bangladeshi New Year, Myanmarese New Year and Hari Raya. In addition, we re-launched our 3G M Card as the primary prepaid SIM card for customers as it offers higher internet surfing speeds and enhanced multimedia experience. We also expanded our range of services for the prepaid segment, such as prepaid data service plans for iPad, payment for downloads from M1 AppStore and alternative top-up channel through e-vouchers. Our new retail presence at the Changi Airport and Budget Terminal serves to extend our reach to inbound travelers looking for prepaid solutions for their stay in Singapore.

Fixed Services

Fixed services revenue grew to S$24.5 million in 2010, up from S$6.6 million in 2009.

During the year, we continued to grow our fixed broadband customer base in both the residential and corporate segments. The launch of NGNBN in September enabled us to expand our suite of fixed services offerings, as well as lower our wholesale costs. We introduced a range of new tariff plans for high-speed fibre broadband services at highly attractive prices, including Singapore's first 1Gbps service plan, as well as fixed voice and value-added services to homes and businesses. For corporate customers, we provide managed and data centre services, cloud computing services, customised solutions, as well as flexible bundling of fixed and mobile services.

In November, we launched 1box, which delivers internet and a range of on-demand infortainment services on TV to homes over broadband. Essentially, 1box is a simple plug-and-play device that connects to a TV and allows customers to sit back and enjoy videos on popular websites such as YouTube, Clicknetwork.tv and Discovery Channel, and stay in touch with family and friends on social networking sites, such as Facebook and Twitter. It also offers a range of compelling on-demand content services, such as movies, celebrity concerts, exciting games and fun learning modules. Additionally, 1box allows connection to external media storage for customers to share their personal videos, music or photos with family and friends. Customers can rent the box for either S$5 or S$12 per month depending on their M1 Home Broadband plans, and access on-demand services on a pay-per-view or monthly subscription basis.

Regulatory and market developments are challenging the structure of traditional pay TV model. During the year, the Government announced the proposed implementation of mandatory cross carriage of exclusive content in the pay TV market, and made strides to introduce an open access IPTV infrastructure. Both of these initiatives will see further developments in 2011. The availability of connected TVs, which offer direct internet access and content on TV, is likely to bring forth an enhanced viewing experience.

Products and Services

In 2010, we launched a series of innovative and exciting services, including (in chronological order):

- **M1 Online Music Store:** A Web Music Portal that offers a comprehensive suite of full song audio, ringtones and videos download service. Our music selection covers the latest Billboard Hits to inspirational and classical music. M1 was the first in Singapore to offer digital rights management free music that can be played or transferred onto any music program or portable music device.

- **M1 AppStore:** A web and WAP portal that allows third party developers to join for free and upload their creative applications for M1 customers to download and enjoy. M1 AppStore supports applications (apps) that run on Android, BlackBerry, Symbian, iPhone, Java, Windows Mobile operating systems. For developers, the registration and upload processes

are simple and carried out online. They are also able to retain the majority share of revenue for paid apps. For customers, M1 AppStore is a one-stop portal for them to look for contents that are compatible with their handsets. M1 AppStore supports both free and paid apps, and the latter can be either charged to postpaid customers' bills or deducted from prepaid cards.

- **M1 Chubb Home Security:** A comprehensive security and safety solution for homes and offices that incorporates intelligent security sensors, siren and remote monitoring capabilities. In the event of any intrusion, users will be alerted by the Chubb Central Monitoring Station through SMS. The service is based on SIM card and wireless connectivity between the devices such as the control panel, motion detector and the door/window contacts. Therefore, minimal set-up is required and there is no risk of wired telephone lines being cut. The service is ideal for use at home, offices or retail shops.

- **My M1:** This is a free, one-stop mobile application that allows M1 customers to check their personal information, including bills, data usage, re-contract eligibility, birthday and exclusive movie treats across iPhone, BlackBerry, Android, Windows Mobile and Java devices.

- **M1 mFix:** This service offers customers remote technical support for personal computers (PCs) and smartphones, in the comfort of their homes and offices. With only an internet broadband connection, customers can enjoy M1 mFix services including malware/virus removal, diagnostic services, software installation, email setup and data backup, without having to wait in queues with their computers at a service center.

- **M1 Games Online:** This service is a multi-player game portal offering popular first-person shooter and online role-playing games. M1 Home Broadband customers can conveniently purchase game credits via internet and charge to their M1 bill.

- **M1 Internet Security:** For a small monthly subscription fee, this value-added service protects against online threats and enables customers to surf the Internet without having to worry about viruses, spyware, spam and other malware. It filters out suspicious websites to ensure online safety, and prevent unauthorised attempts to change operating systems or software on PCs. In addition, parents can shield their young children from inappropriate internet content and limit their online usage.

- **1box:** A multi-media set-top box which allows customers to enjoy internet content and surfing, stream movies and music concerts, play games and access education content from the TV. Customers can also share their own personal collection of videos, music and photos on-screen by connecting external storage devices to 1box.

Sales and Distribution

We have a nationwide network of operator-owned retail shops (M1 Shop) and operator-appointed distributor outlets that serve the consumer segment, as well as an enterprise sales team that serves the business segment. During the year, we increased our retail presence with the opening of new shops at Changi Airport and Nex Shopping Centre in Serangoon. As at 31 December 2010, we operate a total of 14 M1 Shop outlets and entered into an agreement to open a new shop in Clementi Mall. In addition, we operate an e-shop (www.m1shop.com.sg), which sells mobile phones and accessories online.

"See M1 in a New Light" and "NGNBN - Switch to M1" Campaigns

2010 marked a major milestone for M1 in our transition to a full service operator. M1 is already a well-established mobile brand name. With the launch of our expanded fixed services to both residential and corporate customers, it was an opportune time to re-position our brand to better reflect the Company as a multi-service operator.

The new Brand campaigns were launched in two phases:

- The first phase saw the launch of "See M1 in a New Light" campaign. The aim of the campaign is to demonstrate M1's transition and that customers now have a new choice for their communication needs in both their homes and businesses. Our new logo features a full "orange circle" which signifies the transformation of M1 to a full service operator, as well as the letter "M" and number "1" being brought closer, to demonstrate that we will always be close to our customers, listening and understanding.

- The second phase was the "NGNBN - Switch to M1" campaign which served to showcase our new expanded products and services and how we have evolved to provide customers with more choices for home, work and play.

Both campaigns presented M1 as a customer-centric organisation, always progressing with our customers to meet their current and future needs.

Customer Service

As we evolved to a full-service operator, customer service excellence remains a key differentiating factor for us. 2010 saw us launching major new services, particularly in the fixed segment, and we ensured that our staff were equipped with the knowledge and skills required to deliver a consistently high quality of service to customers. During the year, we also completed the company-wide Customer Centric Initiative (CCI) training for all staff. The CCI programme, which started in 2009, is structured to align all staff to a common service vision to achieve service excellence at all touch points. In recognition, M1 was the only telecommunications company in Singapore to achieve a year-on-year improvement in the Customer Satisfaction Index (CSISG[1]) for 2010.

[1] *The CSISG is commissioned by the Singapore Workforce Development Agency (WDA) and managed by the Institute of Service Excellence (ISES) at Singapore Management University*

Network

M1 was the first operator in Singapore and South-East Asia to demonstrate the LTE technology to the media and public in February 2010. This was followed by technical infrastructure trials conducted with multiple vendors in the first half of the year.

During the year, we continued with our 2G network modernisation works which are scheduled to be completed in the second quarter of 2011. This upgrade will enable us to achieve up to 35% reduction in carbon footprint and facilitates a smooth transition to LTE.

We continued to upgrade and expand our existing 3G and HSPA networks, facilitated by the acquisition of an additional 5 MHz of 3G spectrum from IDA. The expanded network will support customer and usage growth.

Our backhaul transmission network, comprising central and eastern access networks, served to increase our self-provisioning and reduce our operating expenses. We commenced our second phase expansion that included the new western access network, which will further increase our self-provisioning capability, when completed.

To support our NGNBN services, we have deployed new infrastructure, including additional fibre cables, Internet Protocol (IP) Core system and an IP Multimedia Sub-system during the year, which enabled the provision of our fixed broadband and fixed voice services. Our successful and timely interconnection with Nucleus Connect allowed us to be the first to commercially launch NGNBN services in September 2010.

operating and financial review

FINANCIAL REVIEW

Operating Revenue

	Year Ended 31 Dec 2010 (S$'m)	2009 (S$'m)	YoY Change
Operating Revenue			
Mobile telecommunications services	579.4	565.7	2.4%
International call services	129.0	128.4	0.4%
Fixed services	24.5	6.6	271.2%
Total service revenue	**732.9**	**700.7**	**4.6%**
Handset sales	246.3	80.9	204.7%
Total	**979.2**	**781.6**	**25.3%**

For 2010, M1's operating revenue grew 25.3% to S$979.2 million due to higher service revenue and handset sales.

The following are more details from each segment:-

Mobile Telecommunications

	Year Ended 31 Dec 2010 (S$'m)	2009 (S$'m)	YoY Change
Mobile telecommunications revenue			
Postpaid	502.0	494.0	1.6%
Prepaid	77.3	71.7	7.8%
Total	**579.4**	**565.7**	**2.4%**
Average revenue per user (ARPU, S$ per month)			
Postpaid	S$63.9	S$60.4	5.9%
Postpaid (adjusted)	S$59.8	S$60.3	(0.9%)
Data plan	S$21.5	S$22.2	(3.4%)
Prepaid	S$14.5	S$15.2	(4.7%)
Non-voice services as a % of Service revenue	31.9%	26.0%	

Mobile telecommunications revenue increased 2.4% to S$579.4 million. Postpaid revenue was 1.6% higher at S$502.0 million due to higher postpaid customer base. Prepaid revenue increased 7.8% to S$77.3 million due to growth in prepaid customer base.

Postpaid ARPU benefited from increased adoption of smartphones and related applications, and grew to $63.9.

Non-voice services as a percentage of service revenue increased 5.9 percentage points to 31.9%, compared to 26.0% a year ago, due to higher mobile data revenue.

International Call Services

	Year Ended 31 Dec 2010 (S$'m)	2009 (S$'m)	YoY Change
International call services			
Retail	118.5	114.6	3.4%
Wholesale & bilateral revenue	10.5	13.8	(24.2%)
Total	**129.0**	**128.4**	**0.4%**
Total international retail minutes (in millions)	957	727	31.6%

International call services revenue increased 0.4% to S$129.0 million due to higher retail revenue.

Handset Sales

Handset sales increased 204.7% to S$246.3 million, mainly attributed to accrued handset revenue.

Operating Expenses

	Year Ended 31 Dec 2010 (S$'m)	2009 (S$'m)	YoY Change
Cost of sales	492.2	326.7	50.6%
Staff costs	89.1	76.2	17.0%
Advertising & promotion	26.1	20.9	24.8%
Depreciation & amortisation	117.0	128.1	(8.7%)
Allowance for bad & doubtful debt	14.8	4.3	241.2%
Facilities expenses	30.2	28.6	5.5%
Other general & administrative expenses	15.8	16.9	(6.9%)
Total	**785.2**	**601.9**	**30.5%**

Operating expenses increased 30.5% to S$785.2 million, driven mainly by higher cost of sales, advertising and promotion expenses, as well as staff costs.

Cost of Sales

	Year Ended 31 Dec 2010 (S$'m)	2009 (S$'m)	YoY Change
Handset costs	297.1	137.3	116.4%
Traffic expenses	59.1	54.7	8.0%
Leased circuit costs	41.4	52.2	(20.6%)
Wholesale costs of fixed services	13.2	3.3	@
Other costs	81.4	79.3	2.7%
Total	**492.2**	**326.7**	**50.6%**

@ denotes more then -/+ 300%

Cost of sales increased 50.6% to S$492.2 million mainly due to higher handset costs. Handset costs increased 116.4% to $297.1 million on the back of higher sales volume and average unit cost. Leased circuit costs were lower at $41.4 million as traffic was progressively cut over from leased lines to our backhaul transmission network. Wholesale costs of fixed services increased to S$13.2 million as a result of growth in customer base.

operating and financial review

Staff Costs

Staff costs increased 17.0% to S$89.1 million mainly due to the full-year impact of staff costs from an acquired subsidiary, as well as lower job credit grant.

Advertising and Promotion Expenses

Advertising and promotion expenses increased 24.8% to $26.1 million due to higher promotional activities during the year.

Depreciation and Amortisation

Depreciation and amortisation expenses fell 8.7% to S$117.0 million as some elements of 2G network were fully depreciated.

Allowance for Bad and Doubtful Debt

Doubtful debt allowance increased to S$14.8 million as 2009 benefited from higher write-back of over provision.

Facilities Expenses

Facilities expenses increased 5.5% to S$30.2 million due to higher rental and utility tariff rates.

Other General and Administrative Expenses

Other general and administrative expenses decreased 6.9% to S$15.8 million.

Finance Costs

Finance costs decreased 9.5% to S$5.8 million due to lower interest rates.

Taxation

Provision for taxation was 34.7% higher at S$33.4 million as 2009 benefited from a credit adjustment arising from the reduction in corporate tax rate in respect of opening deferred tax liability.

Net Profit

	Year Ended 31 Dec		
	2010 (S$'m)	2009 (S$'m)	YoY Change
Net profit	157.1	150.3	4.5%
Net profit margin (on service revenue)	21.4%	21.4%	

Net profit at S$157.1 million was 4.5% higher while net profit margin remained stable at 21.4% for the year.

EBITDA

	Year Ended 31 Dec		
	2010 (S$'m)	2009 (S$'m)	YoY Change
EBITDA	313.3	309.7	1.2%
EBITDA margin (on service revenue)	42.8%	44.2%	

EBITDA increased 1.2% to S$313.3 million as higher service revenue was partially offset by higher operating expenses.

EBITDA margin, as a percentage of service revenue, was lower at 42.8%.

Capital Expenditure and Commitments

Capital expenditure incurred in 2010 was S$99.9 million as compared to S$119.0 million for 2009.

Capital commitment as at 31 December 2010 was S$2.1 million.

Liquidity and Capital Resources

	Year Ended 31 Dec		
	2010 (S$'m)	2009 (S$'m)	YoY Change
Profit before tax	190.5	175.1	8.8%
Non-cash item and net interest expense adjustments	80.8	87.9	(8.1%)
Net change in working capital	(83.8)	(41.0)	104.2%
Net cash provided by operating activities	187.4	222.0	(15.5%)
Net cash used in investing activities	(120.3)	(131.7)	(8.6%)
Net cash used in financing activities	(65.7)	(100.7)	(34.7%)
Net change in cash and cash equivalents	1.4	(10.3)	(113.4%)
Cash and cash equivalents at beginning of financial period	7.4	17.8	(58.2%)
Cash and cash equivalents at end of financial period	8.8	7.4	18.3%
Free cash flow	67.5	103.0	(34.5%)

Operating cash flow decreased 15.5% to S$187.4 million mainly due to increased working capital requirements.

During the year, we paid S$20.0 million for additional 3G spectrum rights. As a result, free cash flow at S$67.5 million was 34.5% lower than S$103.0 million for 2009.

Financial Leverage

As at end December 2010, M1's gearing ratio was 101.4% compared to 102.1% as at end December 2009. Interest coverage ratio (EBITDA/Interest) was 53.6x for 2010, higher than 47.9x for 2009.

board of directors

L-R: Chow Kok Kee, Roger Barlow, Karen Kooi Lee Wah (Chief Executive Officer), Teo Soon Hoe (Chairman), Jamaludin Ibrahim

L-R: Alan Ow Soon Sian, Reggie Thein, Low Huan Ping, Thio Su Mien, Patrick Yeoh Khwai Hoh, Kannan Ramesh (not in picture)

board of directors

Teo Soon Hoe, 61
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 and Group Finance Director of Keppel Corporation Limited.

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

Karen Kooi Lee Wah, 56
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, 61
Mr. Barlow was appointed to M1's Board of Directors on 22 May 2002. Mr. Barlow is Chairman and founder of RJB Consultants Limited, a telecommunications consultancy company operating in Asia and based in Hong Kong. He advises clients on many aspects of telecommunications with a focus on South-East Asia. Mr Barlow is also an independent director of Planet, a wireless broadband service provider in Laos.

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

Chow Kok Kee, 59
Mr. Chow was appointed to M1's Board of Directors on 16 February 2009. He is Managing Director of ACTA Investment & Services Pte Ltd, which provides business and financial-related services to companies.

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

Jamaludin Ibrahim, 51
Mr. Jamaludin Ibrahim was appointed to M1's Board of Directors on 21 August 2008. Mr. Jamaludin Ibrahim is the Managing Director/President and Group Chief Executive Officer of Axiata Group Berhad ("Axiata"). Prior to his appointment at Axiata, Mr. Jamaludin Ibrahim was the Group Chief Executive Officer of Maxis. Mr. Jamaludin Ibrahim joined Maxis in 1997 and spent 10 years there before he stepped down as Group Chief Executive Officer. He continued to serve on the Maxis Board until February 2008. Prior to joining Maxis, Mr. Jamaludin Ibrahim spent 16 years in the IT industry. He was the Managing Director and Chief Executive Officer of Digital Equipment Malaysia Sdn Bhd from 1993 to 1997. Before that, he was with IBM Malaysia from 1981 to 1993.

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

Kannan Ramesh, 45
Mr. Kannan 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. Kannan is a Director of Singapore Aerospace Manufacturing Pte Ltd, which is a member company of the Singapore Technologies Group. He is also a Director and Fellow of the Insolvency Practitioners Association of Singapore, as a nominee of the Law Society of Singapore.

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

Low Huan Ping, 54
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 currently serves on the Boards of iFast Corporation Pte Ltd, Shareinvestor.com Holdings Ltd, MediaCorp Press Ltd, MediaCorp TV Holdings and Republic Polytechnic.

Alan Ow Soon Sian, 64
Mr. Ow was appointed to M1's Board of Directors on 16 February 2009. He is a Tax-Consultant/Non-Legal Practitioner with KhattarWong, a law firm.

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

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

Reggie Thein, 70
Mr. Thein was appointed to M1's Board of Directors on 8 November 2002. He is also chairman of the Audit Committee and a member of the Nominating Committee. He is a Director of United Overseas Bank Limited, and a board member and Chairman of the Audit Committee of several listed companies in Singapore, among them Haw Par Corporation Limited, Keppel Telecommunications and Transportation Limited, GuocoLand Limited, GuocoLeisure Limited (formerly known as BIL International Limited), MFS Technology Limited, FJ Benjamin Holdings Ltd and Otto Marine Limited. He is also Director and Chairman of the Audit Committee of Ascendas Pte Ltd and a Director of Energy Support Management Pte Ltd.

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

Thio Su Mien, 72
Dr. Thio was appointed to M1's Board of Directors on 8 November 2002.

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

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

Patrick Yeoh Khwai Hoh, 72
First appointed to M1's Board of Directors on 8 November 2002, Mr. Yeoh also holds directorships at other companies, including Oversea-Chinese Banking Corporation Limited and Accuron Technologies Ltd (formerly known as Accuron Technologies Pte Ltd). He is also an Advisor to Nuri Holdings (S) Pte Ltd.

His previous posts include various positions at DBS Bank Ltd, including President and Director.

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

senior management

L-R: Lina Lee, Koh Ann Huat, Ivan Lim, Lee Kok Chew, Karen Kooi Lee Wah, Poopalasingam Subramaniam

L-R: Chan Weng Keong, Patrick Michael Scodeller, Anil Sachdev, Lim Sock Leng, Terence Teo Hoon Beng, Alex Tan

senior management

Lee Kok Chew
Chief Financial Officer
Mr. Lee joined M1 in August 2007. Mr. Lee was 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.

Patrick Michael Scodeller
Chief Technical Officer
Mr. Scodeller joined M1 in 1995. He is responsible for the planning, operations and maintenance of the cellular and international networks. He was a key member of the senior management team that planned, built and launched M1's networks from inception. He has over 30 years of experience in the telecommunications industry, including various positions held with Cable and Wireless plc in the UK, Hong Kong (with Hong Kong Telecom CSL Limited) and in Malaysia. Mr. Scodeller is an Incorporated Engineer and a member of the Institution of Engineering and Technology. He holds a National Diploma in Telecommunications from Telkom College, Republic of South Africa.

Poopalasingam Subramaniam
Chief Marketing Officer
Mr. Subramaniam joined M1 in 1999. He has over 20 years of local and regional sales and marketing experience in telecommunications, media and fast moving consumer goods. He began his career at the Telecommunications Authority of Singapore and worked at New Zealand Milk Products (S) Pte Ltd and Singapore Press Holdings 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.

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

Lim Sock Leng
Director, Human Resource and Corporate Development
Ms. Lim joined M1 in October 1995. Prior to joining M1, she was with the Administrative Service of the Singapore Civil Service, involved in policy making, financial control and planning, and has held positions in various Ministries including the Ministry of Home Affairs, the Ministry of Finance and the Ministry of Communications. Ms. Lim 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 and was appointed as Head of Department in 2009.

Mr. Sachdev graduated from the National University of Singapore in 1991 with an LLB (Honors). 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.

Alex Tan

Director, Product Development

Mr. Tan joined M1 in October 2009. 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 nationwide deployment of WIFI 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 Tan 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.

Terence Teo Hoon Beng

Director, Customer Service

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

Koh Ann Huat

Deputy Director, Finance Procurement

Mr. Koh joined M1 in 1997 and has since held various positions in the Finance, Sales & Marketing, Information Systems and Engineering departments. He is currently responsible for the centralised Procurement function, Credit Control and Collection, SIM and Number Management as well as Facilities, all of which are managed concurrently. Prior to joining M1, Mr. Koh was with the Defence Science & Technology Agency for 5 years. Mr. Koh holds a Bachelor of Engineering (Honours) degree from the Nanyang Technological University.

Ivan Lim

Deputy 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 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

General Manager, Management Assurance Services

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

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

M1 and the community

Photo Credit: The Necessary Stage

We continued to invest strongly in the community in 2010 under our Corporate Social Responsibility programme with a mix of ongoing and new projects. The programme maintained its traditional focus on the arts, sports and children's causes in Singapore which have been keenly associated with M1 since our early days.

The M1 Singapore Fringe Festival continued to enliven the arts scene with its sixth edition at the beginning of the year. The Festival reached out to students and young working adults with the aim of promoting appreciation and enjoyment of the arts in its many variable forms.

M1 was again conferred the Distinguished Patron of the Arts award in 2010 for the ninth consecutive year, in recognition of our long sustaining arts sponsorship programmes.

2011 will see M1 entering into a new partnership with the National Arts Council to support and nurture local dance and dance talents under its Arts Adoption Scheme. The partnership will be for an initial period of three years.

In sports, our ongoing support to the Singapore Netball Association in promoting the game to the schools and clubs was brought to another level when we signed on as the exclusive telco sponsor of the 2011 World Netball Championships. Teams from 16 countries will be competing in the event to be held in Singapore, which is the only Asian host in the Championship's history.

The plight of needy children in the community was not forgotten as we engaged our employees and business partners in two successful fundraising events for the

benefit of our adopted children's charities. The staff charity carnival held for the first time at Downtown East and the M1 Charity Golf at Sentosa Golf Club raised much needed funds for charities such as the Children's Cancer Foundation and the Singapore Children's Society.

This was complemented by other initiatives involving M1 customers and employees. The M1-LASALLE T-shirt design contest enabled customers to purchase t-shirts designed by LASALLE College of the Arts students, and proceeds from the sale were donated to Beyond Social Services. Various social activities organised throughout the year by dedicated staff volunteers from the SunCare Club, brought much endeared cheers to the children from our adopted charities.

Singaporeans of all ages were entertained in the closing days of the year by Walking with Dinosaurs; a theatrical production adapted from an award-winning BBC television series. M1 was the title sponsor of this educational and entertaining spectacular which was presented in Singapore as part of an Asian tour.

investor relations

M1 continued to maintain dialogue with the investment community, shareholders and other interested parties throughout the financial year. We believe good corporate governance together with open and timely communication is the best way to facilitate the investment community to form an informed opinion of the Company.

At the IR Magazine South East Asia Awards 2010, M1 was one of four companies nominated for the Grand prix for best overall investor relations (IR) in the small or mid-cap companies category. We were also awarded a Certificate of Excellence at the same event. This reflects the recognition we received from investors and analysts who were polled for their opinions on best practice investor relations in the region.

For FY2010, M1 continued to release quarterly, interim and full-year results to the public within one month of period end during the year. All materials relating to the Company's results, including presentation slides, were made available immediately on our website, after mandatory posting with the Singapore Exchange (SGX). Analysts, investors and the media were invited to join our quarterly conference calls, which were followed by question and answer sessions with senior management, on the same day of every results announcement. For the FY2010 full-year results, we conducted an in-person briefing at a centrally located venue. Audio webcasts of these events were also made available on the M1 website.

FY2010 was a significant year for M1 in terms of service developments as the expansion of our fixed business continued. It was a priority of the IR team to keep all interested parties abreast with these developments, through timely distribution of press releases containing details of our product or service launches and attending to subsequent queries. Senior management also took an active role in providing analysts and investors with relevant updates on the Company's strategies and outlook through various avenues, such as conference calls, ad-hoc meetings, non-deal roadshows (NDRs) and investor conferences, both locally and abroad.

As at 28 February 2011, the free float[1] of M1 shares was 37.0%, with the majority shares held by institutional investors across Asia, UK and USA. As part of our IR efforts to reach out personally to current and potential institutional investors in these regions, we undertook three NDRs in 2010 to UK, Japan and Hong Kong. Locally, we participated in three investor conferences, namely the CLSA Regional Forum, UBS Pan Asia Telco Conference and the BNP Paribas Singapore Corporate Day.

The M1 IR team is committed to being an easily accessible channel for analysts, as well as current and potential investors to raise any clarifications or provide feedback. Email queries are welcome and can be addressed to ir@m1.com.sg. As always, we strive to respond to all received queries in an effective and prompt manner. Shareholders and interested parties are also encouraged to access the M1 corporate website at www.m1.com.sg for the latest updates.

The Annual General Meeting (AGM) remained an important platform for retail shareholders to communicate any questions about the Company to the Board and members of the senior management team directly. As such, we continued to host our AGMs at a central and accessible location, to accommodate to shareholders' convenience. All Board members and members of the senior management team make their best effort to attend each AGM to interact with shareholders. Our eighth AGM, held on 8 April 2010 at The Raffles City Convention Centre, was well attended by shareholders.

M1 is committed to creating long-term value for its shareholders, through maintaining a sustainable dividend policy and returning excess cash to shareholders in the absence of value-enhancing opportunities. In line with this approach, we announced a special dividend of 3.5 cents per share, in addition to the final dividend of 7.7 cents per share. Taken together with the interim dividend, the total dividend proposed for FY2010, represents a 30.6% increase in dividend per share over the previous year. In terms of total shareholder return (comprising of capital gains and cash distributions received), M1's return to shareholders for the year 2010 was 31.5% on amount invested at the start of the same year.

[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]
2010	6.3	7.7[1]	3.5[1]	–
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	–	–
2002	–	7.3	–	–

Note: *On per share and declared basis*

[1] *Subject to shareholders' approval at AGM*

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

FINANCIAL CALENDAR FOR 2011

Date	Event/Announcement
19 January 2011	Release of FY2010 full-year results
7 April 2011	Annual General Meeting
26 April 2011	Payment of FY2010 final dividends (subject to shareholders' approval at AGM)
April 2011[1]	Release of FY2011 first-quarter results
July 2011[1]	Release of FY2011 half-year results
September 2011[1]	Payment of FY2011 interim dividends (if applicable)
October 2011[1]	Release of FY2011 third-quarter results

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

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 ("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)

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

Currently the Board comprises eleven Directors, all of whom are non-executive except for the Chief Executive Officer, and seven of whom are independent. The Board consists of respected individuals from different backgrounds and whose core competencies, qualifications, skills and experience are extensive and complementary. Details of the Directors' academic and professional qualifications and other appointments are set out on pages 50 to 55 of the Annual Report.

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

Name	Status	Board	Nominating Committee	Remuneration Committee	Audit Committee
Non-executive					
Teo Soon Hoe	N	Chairman		Member	
Roger Barlow	I	Member		Chairman	
Chow Kok Kee	I	Member		Member	
Jamaludin Ibrahim	N	Member			
Kannan Ramesh[1]	I	Member			Member[2]
Low Huan Ping	N	Member		Member	
Alan Ow Soon Sian	I	Member		Member[3]	Member
Reggie Thein	I	Member	Member		Chairman
Thio Su Mien	I	Member	Chairman		Member
Patrick Yeoh Khwai Hoh	I	Member	Member		Member
Executive					
Karen Kooi Lee Wah	N	Member			

N: Non-independent
I: Independent
1 *Mr. Kannan Ramesh was appointed as a Director with effect from 11 February 2011*
2 *Mr. Kannan Ramesh was appointed to the Audit Committee with effect from 25 February 2011*
3 *Mr. Alan Ow Soon Sian was appointed to the Remuneration Committee with effect from 19 January 2011*

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

Name	Age	Position	Date of Initial Appointment	Date of Last Re-election
Teo Soon Hoe	61	Chairman & Director	01.03.2009 07.05.1996	08.04.2010
Karen Kooi Lee Wah	56	Executive Director	22.04.2009	08.04.2010
Roger Barlow	61	Director	22.05.2002	07.04.2009
Chow Kok Kee	59	Director	16.02.2009	07.04.2009
Jamaludin Ibrahim	51	Director	21.08.2008	07.04.2009
Kannan Ramesh[1]	45	Director	11.02.2011	N.A.
Low Huan Ping	54	Director	01.09.1994	08.04.2010
Alan Ow Soon Sian	64	Director	16.02.2009	07.04.2009
Reggie Thein	70	Director	08.11.2002	08.04.2010
Thio Su Mien	72	Director	08.11.2002	08.04.2010
Patrick Yeoh Khwai Hoh	72	Director	08.11.2002	08.04.2010

[1] *Mr. Kannan Ramesh was appointed as a Director with effect from 11 February 2011*

To enable the Board to fulfill 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 papers containing relevant background or explanatory information required to support the decision-making process on a regular and timely basis.

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

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

corporate governance

Regular quarterly Board meetings are scheduled yearly in advance. Additional meetings are scheduled in between to provide technical updates and to facilitate discussion or to deliberate on strategic or compliance issues where necessary. During the year, eight Board meetings were held. The Company's Articles of Association provide for telephonic and videoconference meetings. The number of applicable Board meetings held in 2010, as well as the attendance of every Board member at those meetings applicable to them is as follows:

Director	Number of applicable Board meetings held in 2010	Number of applicable Board meetings attended
Teo Soon Hoe	8	8
Karen Kooi Lee Wah	8	8
Roger Barlow	8	8
Chow Kok Kee	8	7
Jamaludin Ibrahim	8	7
Low Huan Ping	8	6
Alan Ow Soon Sian	8	8
Reggie Thein	8	6
Thio Su Mien	8	8
Patrick Yeoh Khwai Hoh	8	7
Yusof Annuar Yaacob[1]	7	5

[1] *Mr. Yusof Annuar Yaacob resigned as a Director with effect from 31 October 2010*

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 is the Chief Executive Officer. They each perform separate functions to ensure that there is an appropriate balance of authority and responsibilities, and that accountability and independent decision-making are not compromised.

3 Nominating Committee ("NC")

(Code of Corporate Governance Principles 4 & 5)

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

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

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

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

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

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

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

(f) Determine annually if a Director is independent (taking into account the circumstances set out in Guideline 2.1 of the Code) and other salient factors;

(g) Decide if a Director is able to and has been adequately carrying out his duties as a Director of the Company;

(h) Decide and propose to the Board for approval and implementation a set of objective performance criteria to be applied from year to year for evaluating the performance of the Board, as well as decide and propose to the Board for approval and implementation a process by which the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board can be assessed;

(i) Evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board in accordance with the assessment process and performance criteria referred to in (h) above; and

(j) Other matters (if any) that the NC should consider, review or approve or in respect of which it should take any other action, as set out in the Code of Corporate Governance 2005.

The number of applicable NC meetings held in 2010 and the attendance of each member at those meetings is as follows:

NC Member	**Number of applicable NC meetings held in 2010**	**Number of applicable NC meetings attended**
Thio Su Mien	2	2
Reggie Thein	2	2
Patrick Yeoh Khwai Hoh	2	2

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

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 year and as updated by the NC. The consultant provided summarised findings, interpretation of findings and preliminary recommendations for the Board's consideration.

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

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

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

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

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

4 Remuneration Committee ("RC")

(Code of Corporate Governance Principles 7 & 8)

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

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

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

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

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

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

(d) Review the remuneration of senior management;

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

(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 2010 and the attendance of each member at those meetings is as follows:

RC Member	Number of applicable RC meetings held in 2010	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[1]	–	–

1 *Mr. Alan Ow Soon Sian was appointed to the Remuneration Committee with effect from 19 January 2011*

5 Disclosure on Remuneration

(Code of Corporate Governance Principles 8 & 9)

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

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

Directors' fees are subject to shareholder approval at the Annual General Meeting. Each non-executive Director is paid a fixed fee, the amount of which takes into account the level of responsibilities held. The framework for determining fees payable to each non-executive Director for 2010 is as follows:

Board	Chairman	S$40,000 per annum[1]
	Director	S$30,000 per annum[2]
Audit Committee	Chairman	S$20,000 per annum
	Director	S$15,000 per annum
Nominating Committee	Chairman	S$15,000 per annum
	Director	S$10,000 per annum
Remuneration Committee	Chairman	S$15,000 per annum
	Director	S$10,000 per annum

1 and 2 *There was an increase of S$5,000 in the basic fee payable to Directors and the Chairman of the Board from the previous year*

The annual remuneration of non-executive Directors payable for 2010 is as follows:

Non-Executive Director	Position Held	Director's Fee
Teo Soon Hoe	Board Chairman, RC member	S$50,000
Roger Barlow	Board member, RC chairman	S$45,000
Chow Kok Kee	Board Member, RC member	S$40,000
Jamaludin Ibrahim	Board member	S$30,000
Low Huan Ping	Board member, RC member	S$40,000
Alan Ow Soon Sian	Board member, AC member	S$45,000
Reggie Thein	Board member, AC chairman, NC member	S$60,000
Thio Su Mien	Board member, NC chairman, AC member	S$60,000
Patrick Yeoh Khwai Hoh	Board member, AC member, NC member	S$55,000
Yusof Annuar Yaacob	Board member	S$24,904

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

In setting the remuneration packages of the Company's CEO and senior management, performance-related elements are incorporated in order to align interests with those of shareholders and link rewards to corporate and individual performance. In 2010, the level and mix of the annual remuneration of the Company's CEO and Executive Director, and each of the top five members of senior management (who are not also Directors), in bands of S$250,000, are set out below:

	Fixed	Bonuses	Retirement / CPF Contribution	Benefits-in-kind	Share Options	Number of Share Options Granted
Above $1,000,000 to $1,250,000						
Karen Kooi Lee Wah	38%	36%	1%	6%	19%	800,000
Above $750,000 to $1,000,000						
Patrick Michael Scodeller	32%	25%	6%	28%	9%	300,000
Above $500,000 to $750,000						
Poopalasingam Subramaniam	51%	28%	2%	5%	14%	300,000
Terence Teo Hoon Beng	55%	28%	2%	6%	9%	200,000
Above $250,000 to $500,000						
Lee Kok Chew	42%	30%	3%	7%	18%	300,000
Lina Lee	54%	28%	1%	6%	11%	200,000

In 2010, options were granted to the above members of the senior management team as part of the Company's Share Option Scheme, further details of which can be found on pages 59 to 60 of the Annual Report.

6 Audit Committee ("AC")

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

The AC comprises Mr. Reggie Thein as Chairman, Mr. Alan Ow Soon Sian, Dr. Thio Su Mien, Mr. Patrick Yeoh Khwai Hoh and Mr Kannan Ramesh as members, all of whom, including the Chairman, are independent Directors. Three of the members, including the Chairman, have accounting, tax or related financial management expertise or experience.

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

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

(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 external auditors;

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

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

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

(g) Review the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and system established by Management (collectively "internal controls"), and ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually and such a review can be carried out by the internal and/or external auditors;

(h) Meet with the external and internal auditors without the presence of management at least annually;

(i) Review the effectiveness of the Company's internal audit function and ensure that it is adequately resourced and has appropriate standing within the Company;

(j) Investigate any matter which falls within the AC's terms of reference, having full access to and co-operation by management and the full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;

(k) Review interested persons transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;

(l) Make recommendation to the Board on the appointment/re-appointment/removal of external auditors, and approve the audit fees and terms of engagement of external auditors;

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

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

The number of applicable AC meetings held in 2010 and the attendance of each member at those meetings is as follows:

AC Member	Number of applicable AC meetings held in 2010	Number of applicable AC meetings attended
Reggie Thein	4	3
Alan Ow Soon Sian	4	4
Thio Su Mien	4	4
Patrick Yeoh Khwai Hoh	4	3
Kannan Ramesh[1]	–	–

[1] *Mr. Kannan Ramesh was appointed to the Audit Committee with effect from 25 February 2011*

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

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

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

7 Risk Management

(Listing Manual Rule 1207(4)(b)(iv))

M1 has an integrated risk management framework designed to provide assurance of achieving the Company's business objectives, safeguarding and enhancing shareholder's investment and value. The framework entails a systematic and proactive identification of threats and risks, and the development of appropriate strategies and controls to protect against downside risks and optimise upside risks. It is an integral part of the Company's overall planning process and is closely aligned to the Company's performance objectives and business strategy.

The Board, via the Audit Committee, has general oversight through an executive team, comprising members of senior management who are responsible for driving the risk management processes and controls. Risk accountability is clearly assigned across all departments and functional units.

During the year, the risk reporting processes and methodology were reviewed to include environmental risk scanning and a quantitative risk evaluation methodology, aimed to enhance risk assessment and comparisons. Business continuity and crisis management plans were further fine-tuned to enhance emergency response capabilities, key threat analysis and facilitate staff deployment during emergency or crisis management operations. Regular risk training programmes and workshops were organised to foster a risk-aware culture throughout the organisation.

Overall, M1 adopts a prudent and proactive approach to achieve an optimal balance between risks and returns. Resources are channelled to mitigate key risks through a structured risk reporting framework and control measures, thereby enhancing our decision making capabilities and organisational resilience.

8 Internal Controls

(Code of Corporate Governance Principle 12)

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

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

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

9 Internal Audit

(Code of Corporate Governance Principle 13)

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

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

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

10 Communication with Shareholders

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

Communications with shareholders and the investment community form an integral part of the Group's corporate governance and commitment to transparent, comprehensive and prompt disclosure. A number of communication channels are used to account to shareholders for the performance of the Company and to provide updates on pertinent developments. These include the annual report, quarterly results and other announcements made through the SGXNET, press releases and the Company's website, as well as through the Annual General Meeting (AGM). Presentations given at appropriate intervals to representatives of the investment community 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. All press releases, financial statements and presentation slides relating to results announcements are posted on both the SGXNET and the Company's corporate website. Conference calls with media and analysts were held jointly immediately after the release of quarterly results, while an in-person briefing was conducted for the full year results announcement. 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. 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. The Company 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. During the year, the Annual Report and notice of the AGM were sent to all shareholders three weeks prior to the AGM which was held on 8 April 2010. 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.

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.

11 Securities Transactions

(Listing Manual Rule 1207(18))

The Group has issued a Code for Dealings in M1 Shares for the guidance of Directors, management and officers. The said Code, which is based on SGX-ST Listing Rule 1207(18) with respect to dealings in securities, stipulates that Directors, management and officers of the Group who have access to price-sensitive and confidential information are not permitted to deal in the Company's shares during the periods commencing one month before the announcement of the Group's half and full-year results and two weeks before the announcement of the Group's first and third quarter results and ending after 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 said Code is incorporated as part of the Group's Human Resources Manual and is available on the Intranet accessible by all staff. A reminder is also circulated to Directors, management and officers every quarter before the commencement of the period during which dealings in shares are prohibited and to those with access to price-sensitive and confidential information.

12 Interested Person Transactions and Material Contracts

(Listing Manual Rule 907 & 1207(8))

Interested person transactions carried out during the financial year ended 31 December 2010 by the Group are as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than $100,000)
	2010 S$'000	**2010** S$'000
Transactions for the Purchase of Goods and Services[1]		
SingTel Group	–	3,272
Telekom Malaysia Berhad	–	7,349
Axiata Group Berhad (formerly TM International Berhad)	–	1,617
Trisilco Folec Pte Ltd	–	2,441
Keppel Logistics Pte Ltd	–	927
Keppel FMO Pte Ltd	–	974
CapitaMall Trust	–	1,687
MediaCorp Group	–	306
Starhub Ltd	–	3,456
Temasek Holdings (Private) Limited & its associates	–	1,322
Transactions for the Sale of Goods and Services		
Telekom Malaysia Berhad	–	4,130
Axiata Group Berhad (formerly TM International Berhad)	–	962
Temasek Holdings (Private) Limited & its associates	–	193
Total Interested Person Transactions	**–**	**28,636**

[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.

particulars of directors

As at 31 December 2010

Name of Director/Age	Academic & Professional Qualifications	M1 Directorship: Date first appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
			Title	**Company**
Teo Soon Hoe 61 yrs	Bachelor of Business Administration, University of Singapore Member, Wharton Society of Fellows, University of Pennsylvania	07.05.1996	<u>Present Appointments</u> Senior Executive Director & Group Finance Director Chairman Chairman Director Director Director Director Director <u>Past Appointments</u> Director Director Director	 Keppel Corporation Limited Keppel Telecommunications & Transportation Ltd Keppel Philippines Holdings Inc Keppel Offshore & Marine Ltd Keppel Land Limited k1 Ventures Limited Keppel Energy Pte Ltd Keppel Infrastructure Fund Management Pte Ltd (the Trustee-Manager of K-Green Trust) Keppel Shipyard Ltd Singapore Petroleum Company Limited Travelmore (Pte) Ltd
Karen Kooi Lee Wah 56 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	<u>Present Appointments</u> Director Director Director Director Director	 M1 Net Ltd. M1 Shop Pte Ltd Wireless Intellect Labs Pte Ltd Kliq Pte. Ltd. M1 Connect Pte. Ltd.

Name of Director/Age	Academic & Professional Qualifications	M1 Directorship: Date first appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
			Title	**Company**
Roger Barlow 61 yrs	Bachelor of Science (Economics), University of London Master of Arts, University of Essex	22.05.2002	Present Appointments Director Director Chairman & Director Director Director Director Director Director Past Appointments Director	 M1 Net Ltd. M1 Shop Pte Ltd RJB Consultants Limited - Hong Kong RJB Consultants Limited - British Virgin Islands Badabu Media Hong Kong Limited Viettel Hong Kong Limited Planet Pty Limited Planet Computers Company Limited VNPT Global HK Limited
Chow Kok Kee 59 yrs	Bachelor of Engineering 1st class Hons, University of Newcastle, Australia Bachelor of Commerce, University of Newcastle, Australia Master of Business Administration, National University of Singapore Fellow of the Singapore Institute of Directors Member of Institute of Engineers, Australia Associate of Institute of Chartered Secretaries and Administrators, UK	16.02.2009	Present Appointments Director Director Director Director Director Director Director Past Appointments Director Director Director	 ACTA Investment & Services Pte Ltd Chosen Holdings Ltd Tuan Sing Holdings Ltd Meiban Group Ltd Innovalues Ltd Transwater Services Pte Ltd Valuetronics Holdings Ltd Sing Lun Holdings Ltd Transresources Pte Ltd Thai Village Holdings Ltd

particulars of directors

As at 31 December 2010

Name of Director/Age	Academic & Professional Qualifications	M1 Directorship: Date first appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
			Title	Company
Jamaludin Ibrahim 51 yrs	Master of Business Administration (Specialising in Quantitative Methods), Portland State University, Oregon, USA Bachelor of Science in Business Administration and a minor in Mathematics, California State University, USA	21.08.2008	Present Appointments	
			Director/GCEO	Axiata Group Berhad
			Director/Chairman	Celcom Axiata Berhad
			Director	PT XL Axiata Tbk
			Director	Axiata Investments (Indonesia) Sdn Bhd (Formerly known as Indocel Holding Sdn Bhd)
			Director	Axiata Investments (Singapore) Limited (Formerly known as SunShare Investments Ltd)
			Director	Universiti Tun Abdul Razak Sdn Bhd
			Director	GSM Association
			Director	Multimedia Development Corporation Malaysia
			Past Appointments	
			Director/CEO	Maxis Communications Berhad
			Director	Advanced Wireless Technologies Sdn Bhd
			Director	Castle Rock Equity Sdn Bhd
			Director	Maxis Mobile Services Sdn
			Director	Maxis Broadband Sdn Bhd
			Director	Maxis Collection Sdn Bhd
			Director	Maxis International Sdn Bhd
			Director	Maxis Management Services Sdn Bhd
			Director	Maxis Mobile Sdn Bhd
			Director	Maxis Multimedia Sdn Bhd
			Director	Rawa Utara Sdn Bhd
			Director	Maxis Sdn Bhd
			Director	Maxis Mobile (L) Ltd
			Director	UMTS (Malaysia) Sdn Bhd
			Director	Maxis Online Sdn Bhd
			Director	University Tun Hussein Onn Malaysia
			Director	Kolej University Teknologi Tun Hussein Onn
			Director	Pusat Sains Negara
			Director	PT Maxis Communications
			Director	PT Natrindo Telepon Seluler
			Director	Aircel Limited
			Director	South Asia Communications Private Limited
			Director	Aircel Cellular Limited
			Director	Dishnet Wireless Limited
			Director	Deccan Digital Networks Private Limited
			Director	East Asia Communications Holding NV
			Director	East Asia Communications NV
			Director	Bridge Mobile Pte Ltd.
			Director	Yayasan Pendidikan Tun Abdul Razak

Name of Director/Age	Academic & Professional Qualifications	M1 Directorship: Date first appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
			Title	**Company**
Kannan Ramesh 45 yrs	Bachelor of Law (Hons), National University of Singapore	11.02.2011	Present Appointment Director	 Singapore Aerospace Manufacturing Pte Ltd
Low Huan Ping 54 yrs	Bachelor of Arts (Hons), Master of Arts, Cambridge University Master of Science, National University of Singapore Advanced Management Program, Harvard University	01.09.1994	Present Appointments Director Director Director Director Director Director Director Director Director Director Alternate Director Alternate Director Board Member Past Appointments Director	 SPH Multimedia Private Limited SPH AsiaOne Ltd Zaobao.com Ltd iFast Corporation Pte Ltd MediaCorp Press Ltd Shareinvestor.com Holdings Ltd Shareinvestor Pte Ltd SI.com (Thailand) Co Ltd ClickTRUE Pte Ltd Kyosei Ventures Pte Ltd MediaCorp TV Holdings 701Search Pte Ltd Board of Governors, Republic Polytechnic BuzzCity Pte Ltd
Alan Ow Soon Sian 64 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	Present Appointments Tax-Consultant/ Non-Legal Practitioner Director Treasurer Past Appointments Senior Deputy Commisioner Chief Executive Officer	 KhattarWong Keppel Infrastructure Fund Management Pte Ltd Moning Star Community Services Inland Revenue Authority of Singapore Tax Academy of Singapore

particulars of directors

As at 31 December 2010

Name of Director/Age	Academic & Professional Qualifications	M1 Directorship: Date first appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
			Title	**Company**
Reggie Thein 70 yrs	Fellow, Institute of Chartered Accountants in England and Wales Member, Institute of Certified Public Accountants (Singapore)	08.11.2002	Present Appointments	
			Director & Chairman of AC	GuocoLeisure Limited
			Director & Chairman of AC	FJ Benjamin Holdings Ltd
			Director & Chairman of AC	GuocoLand Ltd
			Director & Chairman of AC	Haw Par Corporation Limited
			Director & Chairman of AC	Keppel Telecommunications & Transportation Ltd
			Director & Chairman of AC	Otto Marine Limited
			Director	United Overseas Bank Limited
			Director	Energy Support Management Pte Ltd
			Director & Chairman of AC	Ascendas Pte Ltd
			Governing Council Member & Vice Chairman	Singapore Institute of Directors
			Past Appointments	
			Director & Chairman of AC	Grand Banks Yachts Limited
			Director & Chairman of AC	DLF Trust Management Pte Ltd
			Director & Chairman of AC	MFS technology Ltd

Name of Director/Age	Academic & Professional Qualifications	M1 Directorship: Date first appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
			Title	Company
Thio Su Mien 72 yrs	LL.M and LL.B (Hons) University of Malaya, Singapore PhD, London School of Economics and Political Science Advocate and Solicitor, Supreme Court of Singapore	08.11.2002	<u>Present Appointments</u> Senior Executive Director <u>Past Appointments</u> Director Director Director Director	 TSMP Law Corporation SIA Engineering Company Limited Manulife (Singapore) Pte. Ltd. Jasper Investments Limited Allens Arthur Robinson TSMP
Patrick Yeoh Khwai Hoh 72 yrs	Bachelor of Science (Hons), University of Malaya, Singapore	08.11.2002	<u>Present Appointments</u> Director Chairman Advisor Advisor Director <u>Past Appointments</u> Director Director Director Deputy Chairman/ Director	 Oversea-Chinese Banking Corporation Limited Tuan Sing Holdings Ltd Nuri Holdings (S) Pte Ltd The EDB Society Accuron Technologies Ltd Three on the Bund Ltd Green Tire Company Limited Times Publishing Ltd Giti Tire Company Limited

particulars of senior management

As at 31 December 2010

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**
Lee Kok Chew	Kliq Pte. Ltd. M1 Connect Pte. Ltd.	None
Patrick Michael Scodeller	Wireless Intellect Labs Pte Ltd Singapore Internet Exchange Limited	None
Poopalasingam Subramaniam	None	None
Lina Lee	None	None
Lim Sock Leng	M1 Net Ltd. M1 Shop Pte Ltd Wireless Intellect Labs Pte Ltd Kliq Pte. Ltd.	None
Anil Sachdev	None	None
Alex Tan	Astiv Pte Ltd M1 Connect Pte. Ltd. Valas Pte. Ltd. Cinenow Singapore Pte. Ltd. Scuba Resources Pte. Ltd.	QMax Comunications Pte. Ltd. QMax Singapore Pte. Ltd. QMax Pte. Ltd.
Terence Teo Hoon Beng	None	None
Koh Ann Huat	None	None
Ivan Lim	None	None
Chan Weng Keong	None	None

financial statements

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 2010.

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	
Reggie Thein	
Thio Su Mien	
Patrick Yeoh Khwai Hoh	
Kannan Ramesh (appointed on 11 February 2011)	

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 2011
M1 Limited			
Teo Soon Hoe	41,850	41,850	41,850
Karen Kooi Lee Wah	136,000	236,000	236,000
Reggie Thein	25,110	25,110	25,110
Thio Su Mien	41,850	41,850	41,850
Patrick Yeoh Khwai Hoh	4,190	4,190	4,190

directors' report

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

	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 2011
M1 Limited			
Karen Kooi Lee Wah	2,705,700	3,405,700	3,405,700

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning 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 an employee share option scheme, M1 Share Option Scheme (the "Scheme"), for granting of non-transferable options to employees (including executive director) and non-executive directors of the Company and its subsidiaries.

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

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

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

i) at a price equal to the average of the last dealt prices of the Company's shares on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the date of grant of that option (the "Market Price") or such higher price as may be determined by the Remuneration Committee in its absolute discretion; or

ii) at a price, which is set at the absolute discretion of the Remuneration Committee, at a discount to the Market Price so long as the maximum discount for any option shall not exceed 20% of the Market Price in respect of that option.

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

5. SHARE OPTIONS (cont'd)

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

Date of Grant	Balance as at 1 January 2010 or Date of Grant	Exercised	Cancelled[1]	Balance as at 31 December 2010	Subscription Price
9 November 2002	10,000	–	–	10,000	S$1.25
4 February 2004	722,000	(228,000)	–	494,000	S$1.50
3 February 2005	3,931,700	(1,143,000)	–	2,788,700	S$1.81
2 February 2006	5,829,000	(46,000)	(285,000)	5,498,000	S$2.21
6 February 2007	5,669,000	(448,000)	(140,000)	5,081,000	S$2.17
11 February 2008	6,251,000	(1,446,000)	(142,000)	4,663,000	S$1.90
2 February 2009	6,795,000	(1,467,500)	(301,000)	5,026,500	S$1.60
4 June 2009	320,000	–	–	320,000	S$1.60
3 February 2010	7,460,000	–	(325,000)	7,135,000	S$2.04
15 June 2010	100,000	–	–	100,000	S$2.04
	37,087,700	(4,778,500)	(1,193,000)	31,116,200	

[1] *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 a director of the Company participating in the Scheme is as follows:

Name of director	Options granted during financial year	Aggregate options granted since commencement of Scheme to end of financial year	Aggregate options exercised since commencement of Scheme to end of financial year	Aggregate options outstanding at the end of financial year	Subscription price
Karen Kooi Lee Wah	800,000	5,315,000	1,909,300	3,405,700	$1.25 - $2.21

No options were granted to non-executive directors since the commencement of the Scheme, no employees have received 5% or more of the total options available under the Scheme and no options have been granted to the controlling shareholders of the Company and their associates.

6. AUDIT COMMITTEE

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

- Review with external auditors their audit plan, auditors' reports and 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 and internal auditors;

directors' report

6. AUDIT COMMITTEE (cont'd)

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

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

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

7. AUDITORS

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

On behalf of the board of directors:

Teo Soon Hoe
Chairman

Karen Kooi Lee Wah
Director

Singapore
18 February 2011

statement by directors

In the opinion of the directors, 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 2010, and of the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date. 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
18 February 2011

independent auditors' report to the members of M1 Limited

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 64 - 106, which comprise the statements of financial position of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company, the 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 notes.

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, Cap. 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 2010 and 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

ERNST & YOUNG LLP
Public Accountants and
Certified Public Accountants
Singapore

18 February 2011

consolidated statement of comprehensive income

For the Financial Year Ended 31 December 2010

	Notes	2010 S$'000	2009 S$'000
Operating revenue	3	979,179	781,580
Operating expenses	4	(785,160)	(601,871)
Other revenue	5	2,288	1,859
Finance costs	6	(5,845)	(6,462)
Profit before tax		190,462	175,106
Taxation	7	(33,406)	(24,804)
Net profit for the year		157,056	150,302
Other comprehensive income:			
Fair value changes on interest rate swap		1,015	983
Total comprehensive income for the year		158,071	151,285
Earnings per share (cents)	8		
Basic		17.5	16.8
Diluted		17.5	16.8
EBITDA	9	313,307	309,694

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

statement of financial position

As at 31 December 2010

	Notes	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Non-current assets:					
Fixed assets	10	600,646	611,440	596,192	608,533
Licences and spectrum rights	11	86,513	72,856	86,513	72,856
Intangibles	12	12,742	11,742	65	65
Staff loans	13	873	832	873	832
Interests in subsidiaries	14	–	–	7,000	2,025
		700,774	696,870	690,643	684,311
Current assets:					
Inventories	16	23,410	25,376	664	545
Trade debtors	17	178,228	87,286	176,353	83,479
Other debtors and deposits	18	15,933	13,485	11,030	7,297
Prepayments		6,862	7,047	6,595	6,736
Due from related parties and subsidiaries	19	503	52	4,860	16,139
Cash and cash equivalents	20	8,783	7,439	8,362	6,240
		233,719	140,685	207,864	120,436
Current liabilities:					
Creditors and accruals	21	(158,358)	(153,049)	(124,095)	(118,106)
Unearned revenue		(32,978)	(30,956)	(32,617)	(30,780)
Due to related parties and subsidiaries	19	(838)	(307)	(20,443)	(26,176)
Borrowings	22	(66,000)	(269,000)	(66,000)	(269,000)
Derivative liabilities	30	(189)	(1,412)	(189)	(1,412)
Income tax payable		(41,608)	(39,024)	(41,382)	(35,517)
		(299,971)	(493,748)	(284,726)	(480,991)
Net current liabilities		(66,252)	(353,063)	(76,862)	(360,555)
Non-current liabilities:					
Borrowings	22	(250,000)	–	(250,000)	–
Deferred tax liabilities	7	(81,628)	(87,694)	(81,876)	(87,911)
Net assets		302,894	256,113	281,905	235,845
Represented by:					
Share capital	23	127,559	116,473	127,559	116,473
Hedging reserve	24	(157)	(1,172)	(157)	(1,172)
Share option reserve		6,233	7,365	6,233	7,365
Retained profits		169,259	133,447	148,270	113,179
Total equity		302,894	256,113	281,905	235,845

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

statement of changes in equity

For the Financial Year Ended 31 December 2010

2010
Group

	Attributable to equity holders of the Company				
	Share Capital (Note 23) S$'000	**Hedging Reserve (Note 24)** S$'000	**Share Option Reserve** S$'000	**Retained Profits** S$'000	**Total** S$'000
As at 1 January 2010	116,473	(1,172)	7,365	133,447	256,113
Net profit	–	–	–	157,056	157,056
Other comprehensive income for the year	–	1,015	–	–	1,015
Total comprehensive income for the year	–	1,015	–	157,056	158,071
Issuance of ordinary shares on exercise of employee share options	11,086	–	(2,566)	–	8,520
Grant of share options	–	–	1,434	–	1,434
Dividends (Note 33)	–	–	–	(121,244)	(121,244)
As at 31 December 2010	**127,559**	**(157)**	**6,233**	**169,259**	**302,894**

2009
Group

	Attributable to equity holders of the Company				
	Share Capital (Note 23) S$'000	**Hedging Reserve (Note 24)** S$'000	**Share Option Reserve** S$'000	**Retained Profits** S$'000	**Total** S$'000
As at 1 January 2009	116,212	(2,155)	6,098	103,077	223,232
Net profit	–	–	–	150,302	150,302
Other comprehensive income for the year	–	983	–	–	983
Total comprehensive income for the year	–	983	–	150,302	151,285
Issuance of ordinary shares on exercise of employee share options	261	–	–	–	261
Grant of share options	–	–	1,267	–	1,267
Dividends (Note 33)	–	–	–	(119,932)	(119,932)
As at 31 December 2009	**116,473**	**(1,172)**	**7,365**	**133,447**	**256,113**

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

statement of changes in equity

For the Financial Year Ended 31 December 2010

2010
Company

	Attributable to equity holders of the Company				
	Share Capital (Note 23) S$'000	Hedging Reserve (Note 24) S$'000	Share Option Reserve S$'000	Retained Profits S$'000	Total S$'000
As at 1 January 2010	116,473	(1,172)	7,365	113,179	235,845
Net profit	–	–	–	156,335	156,335
Other comprehensive income for the year	–	1,015	–	–	1,015
Total comprehensive income for the year	–	1,015	–	156,335	157,350
Issuance of ordinary shares on exercise of employee share options	11,086	–	(2,566)	–	8,520
Grant of share options	–	–	1,434	–	1,434
Dividends (Note 33)	–	–	–	(121,244)	(121,244)
As at 31 December 2010	**127,559**	**(157)**	**6,233**	**148,270**	**281,905**

2009
Company

	Attributable to equity holders of the Company				
	Share Capital (Note 23) S$'000	Hedging Reserve (Note 24) S$'000	Share Option Reserve S$'000	Retained Profits S$'000	Total S$'000
As at 1 January 2009	116,212	(2,155)	6,098	100,750	220,905
Net profit	–	–	–	132,361	132,361
Other comprehensive income for the year	–	983	–	–	983
Total comprehensive income for the year	–	983	–	132,361	133,344
Issuance of ordinary shares on exercise of employee share options	261	–	–	–	261
Grant of share options	–	–	1,267	–	1,267
Dividends (Note 33)	–	–	–	(119,932)	(119,932)
As at 31 December 2009	**116,473**	**(1,172)**	**7,365**	**113,179**	**235,845**

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

consolidated cash flows statement

For the Financial Year Ended 31 December 2010

	Notes	2010 S$'000	2009 S$'000
Cash flows from operating activities:			
Profit before tax		190,462	175,106
Adjustments for:			
Depreciation of fixed assets		110,651	121,719
Gain on disposals of fixed assets		(530)	(600)
Amortisation of licences and spectrum rights		6,349	6,407
Share option expenses		1,434	1,267
Interest income		(14)	(50)
Interest expense		5,845	6,462
Operating cash flows before working capital changes		314,197	310,311
Changes in:			
Inventories		1,966	(16,591)
Trade debtors		(90,942)	(16,322)
Other debtors and deposits		(2,448)	(3,725)
Prepayments		185	(1,289)
Non-current staff loans		(41)	39
Creditors and accruals		5,369	1,857
Unearned revenue		2,022	(872)
Related parties		81	(4,076)
Cash generated from operations		230,389	269,332
Interest received		14	50
Interest paid		(5,905)	(6,564)
Payment of tax		(37,097)	(40,825)
Net cash flows from operating activities		187,401	221,993
Cash flows from investing activities:			
Purchase of fixed assets		(99,862)	(118,962)
Acquisition of subsidiary		(1,000)	(13,253)
Purchase of licences and spectrum rights		(20,006)	–
Purchase of club membership		–	(65)
Proceeds from disposal of fixed assets		535	610
Net cash flows used in investing activities		(120,333)	(131,670)
Cash flows from financing activities:			
Proceeds from bank loans		297,000	42,500
Repayment of bank loans		(250,000)	(23,500)
Dividends paid on ordinary shares by the Company		(121,244)	(119,932)
Proceeds from issuance of share capital on exercise of employee share options		8,520	261
Net cash flows used in financing activities		(65,724)	(100,671)
Net changes in cash and cash equivalents		1,344	(10,348)
Cash and cash equivalents at beginning of financial year	20	7,439	17,787
Cash and cash equivalents at end of financial year	20	8,783	7,439

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

notes to the financial statements

For the Financial Year Ended 31 December 2010

1. Corporate information

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

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

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group and the Company have adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures and revisions to accounting policies.

The principal effects of these changes are as follows:

- FRS 103 *Business Combinations* (revised)

  The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

  - Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

  - Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

  - The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

  - When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010. The changes will affect future business combinations.

notes to the financial statements

For the Financial Year Ended 31 December 2010

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

2.3 *FRS and INT FRS not yet effective*

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

			Effective periods (Annual periods beginning on or after)
FRS 32	:	Amendments to FRS 32 *Financial Instruments: Presentation - Classification of Rights Issues*	1 February 2010
INT FRS 119	:	INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments:*	1 July 2010
FRS 24	:	Revised FRS 24 *Related Party Disclosures*	1 January 2011
INT FRS 114	:	Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115	:	INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial position or financial performance of the Group and Company in the period of initial application.

2.4 *Significant accounting estimates and judgements*

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- *Useful lives of network and related application systems*
  The cost of network and related application systems are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these fixed assets to be within 7 to 25 years. These are common life expectancies applied in the telecommunications industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's and Company's network and related application systems at the statement of financial position date are disclosed in Note 10 to the financial statements.

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

  When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 12 to the financial statements.

notes to the financial statements

For the Financial Year Ended 31 December 2010

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

2.4 *Significant accounting estimates and judgements (cont'd)*

- *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 2010 were S$41,608,000 (2009: S$39,024,000) and S$81,628,000 (2009: S$87,694,000) respectively. The carrying amount of the Company's tax payables and deferred tax liabilities at 31 December 2010 were S$41,382,000 (2009: S$35,517,000) and S$81,876,000 (2009: S$87,911,000) respectively.

2.5 *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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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 2.11(a).

notes to the financial statements

For the Financial Year Ended 31 December 2010

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

2.5 *Basis of consolidation (cont'd)*

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.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

2.6 *Subsidiaries*

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

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

2.7 *Joint venture*

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

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

2.8 *Fixed assets*

All items of fixed assets are initially recorded at cost. The cost of an item of fixed asset 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.

Subsequent to recognition, fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally 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.

notes to the financial statements

For the Financial Year Ended 31 December 2010

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

2.9 *Depreciation*

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

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

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

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.

2.10 *Licences and spectrum rights*

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

Licences and spectrum rights are amortised on a straight-line basis over the estimated economic useful lives of 8 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 expenses' line item.

2.11 *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 the 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.

notes to the financial statements

For the Financial Year Ended 31 December 2010

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

2.12 *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 method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other debtors

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

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

Accrued service revenue relate 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 2.14 below.

Cash and cash equivalents

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

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

notes to the financial statements

For the Financial Year Ended 31 December 2010

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

2.13 *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 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 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.

2.14 *Impairment of financial assets*

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

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

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

notes to the financial statements

For the Financial Year Ended 31 December 2010

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

2.15 *Derecognition of financial assets and liabilities*

a) *Financial assets*

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

b) *Financial liabilities*

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

2.16 *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:

- Fair value hedges

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

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

notes to the financial statements
For the Financial Year Ended 31 December 2010

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

2.16 *Derivative financial instruments and hedging activities (cont'd)*

- 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 transferred 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 transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit or loss.

2.17 *Inventories*

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

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

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

2.18 *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.

2.19 *Government grant*

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

Government grant 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 2010

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

2.20 *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 receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value 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.

2.21 *Income tax*

a) *Current tax*

Current tax assets and liabilities 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 and interests in joint ventures, 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.

notes to the financial statements
For the Financial Year Ended 31 December 2010

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

2.21 *Income tax (cont'd)*

b) *Deferred tax (cont'd)*

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 and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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.

notes to the financial statements

For the Financial Year Ended 31 December 2010

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

2.22 *Impairment of non-financial assets*

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

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

2.23 *Revenue recognition*

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

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

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

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

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

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

- Interest income is recognised using the effective interest method.

2.24 *Customer acquisition and retention costs*

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

2.25 *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.

notes to the financial statements

For the Financial Year Ended 31 December 2010

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

2.26 *Foreign currency*

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

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

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

2.27 *Related parties*

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

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

b) it is subject to common control or common significant influence.

2.28 *Segment reporting*

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

2.29 *Share capital and share issuance expenses*

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

3. Operating revenue

	Group	
	2010	**2009**
	S$'000	S$'000
Mobile telecommunications	579,369	565,717
International call services	128,972	128,405
Handset sales	246,316	80,852
Fixed services	24,522	6,606
	979,179	781,580

4. Operating expenses

	Group	
	2010	2009
	S$'000	S$'000
Cost of services	195,110	189,437
Cost of handsets sold	296,774	140,403
Inventories written down (reversal of write-down of inventories)	297	(3,100)
Staff costs	89,148	76,201
Advertising and promotion expenses	26,098	20,917
Depreciation and amortisation	117,000	128,126
Allowance for doubtful debts, net of bad debts recovered	14,765	4,328
Facilities expenses	30,199	28,617
General and administrative expenses	15,769	16,942
	785,160	601,871

Cost of services includes traffic expenses, leased circuit costs, fixed services wholesale costs and other base station related costs.

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme. During the year, the Group received grant income of S$756,000 (2009: S$4,045,000) under the Scheme and this is accounted as a reduction in staff costs.

Total operating expenses included the following:

	Group	
	2010	2009
	S$'000	S$'000
Non-audit fees paid to auditors of the Company	19	54
Allowance for doubtful debts	16,705	6,369
Bad debts recovered	(1,940)	(2,041)
CPF contributions	8,772	8,024
Share-based payment expenses	1,434	1,267
Key executives' remuneration	5,598	4,385
Fees to Directors of the Company	450	400
Foreign exchange (gain) loss, net	(1,295)	920
Net fair value (gain) loss on forward currency contracts	(237)	89
Gain on disposal of fixed assets	(530)	(600)

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

	Group	
	2010	2009
	S$'000	S$'000
Short term employee benefits	4,765	3,855
CPF contributions	114	99
Share-based payments	719	431
Total compensation paid to key executives	5,598	4,385

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For the Financial Year Ended 31 December 2010

5. Other revenue

	Group 2010 S$'000	Group 2009 S$'000
Interest income from banks	14	50
Others	2,274	1,809
	2,288	1,859

6. Finance costs

	Group 2010 S$'000	Group 2009 S$'000
Interest on bank loans	5,845	6,462

7. Taxation

Major components of income tax expense for the years ended 31 December 2010 and 2009 are:

	Group 2010 S$'000	Group 2009 S$'000
Current taxation		
- Current taxation	39,680	37,247
Deferred taxation		
- Origination and reversal of temporary differences	(6,274)	(6,888)
- Effect of reduction in tax rate	–	(5,555)
Income tax expense recognised in net profit for the year	33,406	24,804
Deferred tax related to other comprehensive income		
- Fair value changes on interest rate swap	208	233

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 2010 and 2009 are as follows:

	Group 2010 %	Group 2009 %
Statutory rate	17.0	17.0
Adjustments for the tax effect of:		
Change in tax rate	–	(3.2)
Expenses not deductible for tax purposes	0.5	0.3
Effective tax rate	17.5	14.1

7. Taxation (cont'd)

Analysis of deferred tax liabilities:

	Group S$'000	Company S$'000
At 1 January 2009	99,904	99,777
Movement for the year	(12,210)	(11,866)
At 31 December 2009 and 1 January 2010	87,694	87,911
Movement for the year	(6,066)	(6,035)
At 31 December 2010	81,628	81,876

Deferred tax assets and liabilities

Deferred taxes at 31 December 2010 and 2009 are related to the following:

	Group	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Deferred tax liabilities		
Difference in depreciation	81,628	87,694

	Company	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Deferred tax liabilities		
Difference in depreciation	81,876	87,911

8. Earnings per share

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

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

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

	Group	
	2010	**2009**
Net profit attributable to shareholders for basic and diluted earnings per share (S$'000)	157,056	150,302
Weighted average of ordinary shares on issue applicable to basic earnings per share	897,986,495	895,020,705
Effect of dilutive securities:		
Share options	149,098	62,031
Adjusted weighted average of ordinary shares on issue applicable to diluted earnings per share	898,135,593	895,082,736

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For the Financial Year Ended 31 December 2010

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

EBITDA is defined as follows:

	Group 2010 S$'000	Group 2009 S$'000
Profit before tax	190,462	175,106
Adjustments for:		
Amortisation of licences and spectrum rights	6,349	6,407
Depreciation of fixed assets	110,651	121,719
Interest on bank loans	5,845	6,462
EBITDA	313,307	309,694

10. Fixed assets

Group

	Leasehold Buildings S$'000	Networks and Related Application Systems S$'000	Application Systems & Computers S$'000	Motor Vehicles S$'000	Furniture, Fittings & Equipment S$'000	Capital Work-in-progress S$'000	Total S$'000
Cost:							
At 1 January 2009	78,769	1,180,381	164,460	1,149	36,711	64,378	1,525,848
Additions	117	48,593	12,398	265	18,186	39,403	118,962
Arising from acquisition of subsidiary	44	1,239	27	–	27	–	1,337
Disposals	–	–	(65)	(542)	(27)	–	(634)
At 31 December 2009 and 1 January 2010	78,930	1,230,213	176,820	872	54,897	103,781	1,645,513
Additions	25	67,094	10,360	59	9,038	13,286	99,862
Transfer of assets	–	70,451	–	–	–	(70,451)	–
Disposals	–	–	(409)	–	(8,243)	–	(8,652)
At 31 December 2010	78,955	1,367,758	186,771	931	55,692	46,616	1,736,723
Accumulated depreciation:							
At 1 January 2009	31,381	709,915	143,993	902	26,787	–	912,978
Charge for the year	3,400	101,621	4,704	165	11,829	–	121,719
Disposals	–	–	(64)	(542)	(18)	–	(624)
At 31 December 2009 and 1 January 2010	34,781	811,536	148,633	525	38,598	–	1,034,073
Charge for the year	3,343	88,967	4,554	114	13,673	–	110,651
Disposals	–	–	(408)	–	(8,239)	–	(8,647)
At 31 December 2010	38,124	900,503	152,779	639	44,032	–	1,136,077
Net carrying amount:							
At 31 December 2009	44,149	418,677	28,187	347	16,299	103,781	611,440
At 31 December 2010	40,831	467,255	33,992	292	11,660	46,616	600,646

notes to the financial statements

For the Financial Year Ended 31 December 2010

10. Fixed assets (cont'd)

Company

	Leasehold Buildings S$'000	Networks and Related Application Systems S$'000	Application Systems & Computers S$'000	Motor Vehicles S$'000	Furniture, Fittings & Equipment S$'000	Capital Work-in-progress S$'000	Total S$'000
Cost:							
At 1 January 2009	78,723	1,180,413	162,269	1,150	31,292	64,378	1,518,225
Additions	117	48,536	12,430	265	17,774	39,403	118,525
Disposals	–	–	(61)	(542)	–	–	(603)
At 31 December 2009 and 1 January 2010	78,840	1,228,949	174,638	873	49,066	103,781	1,636,147
Additions	25	67,061	8,126	59	8,045	13,286	96,602
Transfer of assets	–	70,451	–	–	–	(70,451)	–
Disposals	–	–	(344)	–	(8,217)	–	(8,561)
At 31 December 2010	78,865	1,366,461	182,420	932	48,894	46,616	1,724,188
Accumulated depreciation:							
At 1 January 2009	31,372	709,951	142,275	902	22,908	–	907,408
Charge for the year	3,396	101,370	4,512	166	11,364	–	120,808
Disposals	–	–	(60)	(542)	–	–	(602)
At 31 December 2009 and 1 January 2010	34,768	811,321	146,727	526	34,272	–	1,027,614
Charge for the year	3,325	88,212	4,338	114	12,953	–	108,942
Disposals	–	–	(343)	–	(8,217)	–	(8,560)
At 31 December 2010	38,093	899,533	150,722	640	39,008	–	1,127,996
Net carrying amount:							
At 31 December 2009	44,072	417,628	27,911	347	14,794	103,781	608,533
At 31 December 2010	40,772	466,928	31,698	292	9,886	46,616	596,192

notes to the financial statements

For the Financial Year Ended 31 December 2010

11. Licences and spectrum rights

	Group and Company S$'000
Cost:	
At 1 January 2009 and 31 December 2009	103,036
Additions	20,006
At 31 December 2010	123,042
Accumulated amortisation:	
At 1 January 2009	23,773
Charge for the year	6,407
At 31 December 2009 and 1 January 2010	30,180
Charge for the year	6,349
At 31 December 2010	36,529
Net carrying amount:	
At 31 December 2009	72,856
At 31 December 2010	86,513

The licences and spectrum rights have remaining amortisation period ranging from 4.5 years to 11 years (2009: 5.5 years to 12 years).

12. Intangibles

Group	**Goodwill** S$'000	**Club membership** S$'000	**Total** S$'000
Cost:			
At 31 December 2009 and 1 January 2010	11,677	65	11,742
Additions	1,000	–	1,000
At 31 December 2010	12,677	65	12,742

Company	**Club membership** S$'000
Cost:	
At 31 December 2009 and 1 January 2010	65
Additions	–
At 31 December 2010	65

In 2009, the Group's subsidiary, M1 Net Ltd (M1 Net), acquired a 100% equity interest in M1 Connect Pte. Ltd. (M1 Connect). The Group agreed to pay to some of the selling shareholders potential consideration of S$2.5 million if certain financial targets can be met by M1 Connect for financial periods up to and ending on 30 June 2011. In the current financial year, the Group paid an additional S$1.0 million to certain previous shareholders of M1 Connect after the performance targets were met. This gave rise to an adjustment to goodwill arising from this acquisition.

notes to the financial statements

For the Financial Year Ended 31 December 2010

12. Intangibles (cont'd)

Impairment testing of goodwill

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 10% and nil respectively.

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

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

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

13. Staff loans

	Group and Company	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Repayable within one year (included in Note 18)	335	301
Repayable after one year	873	832
	1,208	1,133

Staff loans are repayable in equal monthly instalments over periods of up to seven years and bear interest rate of up to 2% (2009: 2%) per annum.

14. Interests in subsidiaries

Details of the subsidiaries of the Company as at 31 December 2010 are as follows:

	Company	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Unquoted shares:		
At cost	8,560	3,585
Impairment loss in value of investment	(1,560)	(1,560)
	7,000	2,025

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For the Financial Year Ended 31 December 2010

14. Interests in subsidiaries (cont'd)

Name of company	Country of incorporation	Effective interest of the Company 2010 %	Effective interest of the Company 2009 %	Principal activities
Held by the company				
M1 Shop Pte Ltd	Singapore	100	100	Retail sales of telecommunication equipment and accessories
M1 Net Ltd.	Singapore	100	100	Provision of broadband and other related telecommunication services
Wireless Intellect Labs Pte Ltd	Singapore	100	100	Research and development
Kliq Pte Ltd	Singapore	100	100	Dormant
Held by subsidiary of the company				
M1 Connect Pte. Ltd.	Singapore	100	100	Provision of broadband and other related telecommunication services

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

15. Joint venture

The Group has a 50% joint venture with PLDT (SG) Retail Service Pte Ltd. The principal activity of this joint venture is provision of prepaid mobile services.

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

	Group 31-Dec-10 S$'000	Group 31-Dec-09 S$'000
Assets and liabilities:		
Current assets	1,261	1,354
Non-current assets	119	178
Total assets	1,380	1,532
Current liabilities	(2,068)	(1,699)
Non-current liabilities	(15)	–
Total liabilities	(2,083)	(1,699)
Results:		
Revenue	6,171	6,748
Expenses	(6,707)	(6,989)
Profit for the financial year	(536)	(241)

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For the Financial Year Ended 31 December 2010

16. Inventories

	Group	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Handsets	21,151	23,938
Accessories	2,259	1,438
	23,410	25,376

	Company	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Accessories	664	545

17. Trade debtors

Trade debtors comprise of 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	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Billed trade debtors	71,574	62,709
Accrued service revenue	28,207	24,053
Accrued handset revenue	95,416	13,918
	195,197	100,680
Allowance for doubtful debts	(16,969)	(13,394)
	178,228	87,286

	Company	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Billed trade debtors	69,480	58,730
Accrued service revenue	28,207	24,006
Accrued handset revenue	95,416	13,918
	193,103	96,654
Allowance for doubtful debts	(16,750)	(13,175)
	176,353	83,479

<u>Debtors that are past due but not impaired:</u>

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	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Trade debtors past due:		
30 – 60 days	7,523	6,064
61 – 90 days	2,377	2,173
More than 90 days	4,345	2,566
	14,245	10,803

notes to the financial statements
For the Financial Year Ended 31 December 2010

17. Trade debtors (cont'd)

	Company	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Trade debtors past due:		
30 – 60 days	7,510	5,913
61 – 90 days	2,361	2,161
More than 90 days	4,282	2,484
	14,153	10,558

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	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Trade receivables – gross amount	54,507	45,587
Less: Allowance for doubtful debts	(16,969)	(13,394)
	37,538	32,193
Movement in allowance accounts:		
Balance at beginning of financial year	13,394	22,388
Acquisition of subsidiary	–	220
Charge for the year	16,705	6,369
Written-off	(13,130)	(15,583)
Balance at end of financial year	16,969	13,394

	Company	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Trade receivables – gross amount	54,287	44,854
Less: Allowance for doubtful debts	(16,750)	(13,175)
	37,537	31,679
Movement in allowance accounts:		
Balance at beginning of financial year	13,175	22,388
Charge for the year	16,705	6,369
Written-off	(13,130)	(15,582)
Balance at end of financial year	16,750	13,175

notes to the financial statements

For the Financial Year Ended 31 December 2010

18. Other debtors and deposits

	Group 31-Dec-10 S$'000	Group 31-Dec-09 S$'000
Deposits	4,962	4,483
Staff loans (Note 13)	335	301
Sundry debtors	10,399	8,701
Fair value adjustment of forward currency contracts	237	–
	15,933	13,485

	Company 31-Dec-10 S$'000	Company 31-Dec-09 S$'000
Deposits	3,631	3,291
Staff loans (Note 13)	335	301
Sundry debtors	6,827	3,705
Fair value adjustment of forward currency contracts	237	–
	11,030	7,297

19. Due from/(to) related parties and subsidiaries (trade)

	Group 31-Dec-10 S$'000	Group 31-Dec-09 S$'000
Due from related parties	503	52
Due to related parties	(838)	(307)

	Company 31-Dec-10 S$'000	Company 31-Dec-09 S$'000
Due from subsidiaries	6,748	18,474
Due from related parties	499	52
Allowance for impairment	(2,387)	(2,387)
	4,860	16,139
Due to subsidiaries	(19,615)	(25,880)
Due to related parties	(828)	(296)
	(20,443)	(26,176)

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

notes to the financial statements

For the Financial Year Ended 31 December 2010

20. Cash and cash equivalents

	Group	
	31-Dec-10	31-Dec-09
	S$'000	S$'000
Time deposits	–	1,659
Cash and bank balances	8,783	5,780
	8,783	7,439

	Company	
	31-Dec-10	31-Dec-09
	S$'000	S$'000
Time deposits	–	1,659
Cash and bank balances	8,362	4,581
	8,362	6,240

Cash and cash equivalents comprises cash on hand and at banks, and time deposits which earn interest at floating rates offered by short-term money market ranging from 0.05% to 0.42% (2009: 0.01% to 0.70%) per annum. Time deposits are made for varying periods of between 1 day and 2 months depending on the immediate cash requirements of the Group and Company.

21. Creditors and accruals

	Group	
	31-Dec-10	31-Dec-09
	S$'000	S$'000
Trade creditors	72,423	71,453
Accrued operating expenses	27,672	28,870
Accrued capital expenditure	53,440	46,913
Interest payable	556	616
Directors' fees payable	450	400
Other creditors	3,817	4,708
Fair value adjustments of forward currency contracts	–	89
	158,358	153,049

	Company	
	31-Dec-10	31-Dec-09
	S$'000	S$'000
Trade creditors	41,756	39,168
Accrued operating expenses	24,597	26,338
Accrued capital expenditure	53,005	46,826
Interest payable	556	616
Directors' fees payable	450	400
Other creditors	3,731	4,669
Fair value adjustments of forward currency contracts	–	89
	124,095	118,106

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

notes to the financial statements

For the Financial Year Ended 31 December 2010

22. Borrowings

	Group and Company	
	31-Dec-10	31-Dec-09
	S$'000	S$'000
Current:		
Current portion of long term loans	–	250,000
Short term bank loans	66,000	19,000
	66,000	269,000
Non-current:		
Long term loans	250,000	–
	316,000	269,000

The S$66 million (2009: S$19 million) short-term loans are unsecured, bear interest at rates ranging from 0.69% to 0.70% (2009: 1.16% to 1.20%) per annum and are repayable in full in January 2011 (2009: January 2010).

The S$250 million long term loans are unsecured and are repayable in full in May 2013. They 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 bear interest at a rate which is based on the variable Singapore Dollar Swap Offer Rate, payable semi-annually every November and May.

23. Share capital

	Group and Company
	S$'000
Issued and fully-paid:	
Balance as at 1 January 2009	
894,934,782 ordinary shares	116,212
Issued during the financial year	
164,000 ordinary shares for cash on exercise of employee share options	261
Balance as at 31 December 2009 and 1 January 2010	
895,098,782 ordinary shares	116,473
Issued during the financial year	
4,778,500 ordinary shares for cash on exercise of employee share options	11,086
Balance as at 31 December 2010	
899,877,282 ordinary shares	127,559

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

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

notes to the financial statements

For the Financial Year Ended 31 December 2010

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 2009	(2,155)
Net loss on fair value changes during the year	(2,076)
Recognised in profit or loss on occurrence of interest rate swap contracts recognised in "Finance costs"	3,059
At 31 December 2009 and 1 January 2010	(1,172)
Net loss on fair value changes during the year	(482)
Recognised in profit or loss on occurrence of interest rate swap contracts recognised in "Finance costs"	1,497
At 31 December 2010	(157)

25. Related party transactions

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

	Group	
	2010 S$'000	**2009** S$'000
Substantial shareholders and their subsidiaries		
Services rendered	(14,247)	(15,178)
Services received	24,781	27,159

	Company	
	2010 S$'000	**2009** S$'000
Substantial shareholders and their subsidiaries		
Services rendered	(14,207)	(15,154)
Services received	23,758	26,160

notes to the financial statements

For the Financial Year Ended 31 December 2010

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	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Capital commitments in respect of fixed assets	2,113	9,668

b) ***Operating lease commitments***

Rental expenses (principally for land, offices, retail outlets, service centres and base stations) were S$25,516,000 and S$23,363,000 for the financial years ended 31 December 2010 and 2009 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	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Within one year	14,000	11,205
After one year but not more than five years	14,026	11,173
More than five years	5,762	8,193
	33,788	30,571

	Company	
	31-Dec-10	**31-Dec-09**
	S$'000	S$'000
Within one year	8,009	6,939
After one year but not more than five years	10,411	8,721
More than five years	5,762	8,193
	24,182	23,853

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For the Financial Year Ended 31 December 2010

27. Share options

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

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

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

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

i) at a price equal to the average of the last dealt prices of the Company's shares on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the date of grant of that option (the "Market Price") or such higher price as may be determined by the Remuneration Committee in its absolute discretion; or

ii) at a price, which is set at the absolute discretion of the Remuneration Committee, at a discount to the Market Price so long as the maximum discount for any option shall not exceed 20% of the Market Price in respect of that option.

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

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

Date of Grant	Balance as at 1 January 2010 or Date of Grant	Exercised	Cancelled[1]	Balance as at 31 December 2010	Subscription Price
9 November 2002	10,000	–	–	10,000	S$1.25
4 February 2004	722,000	(228,000)	–	494,000	S$1.50
3 February 2005	3,931,700	(1,143,000)	–	2,788,700	S$1.81
2 February 2006	5,829,000	(46,000)	(285,000)	5,498,000	S$2.21
6 February 2007	5,669,000	(448,000)	(140,000)	5,081,000	S$2.17
11 February 2008	6,251,000	(1,446,000)	(142,000)	4,663,000	S$1.90
2 February 2009	6,795,000	(1,467,500)	(301,000)	5,026,500	S$1.60
4 June 2009	320,000	–	–	320,000	S$1.60
3 February 2010	7,460,000	–	(325,000)	7,135,000	S$2.04
15 June 2010	100,000	–	–	100,000	S$2.04
	37,087,700	(4,778,500)	(1,193,000)	31,116,200	

[1] *Cancelled when staff resigned from the Company*

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

The weighted average fair value of options granted during the financial year was S$0.23 (2009: S$0.22).

27. Share options (cont'd)

The weighted average share price at the date of exercise of the options exercised during the financial year was S$2.13 (2009: S$1.74).

The weighted average remaining contractual life for options outstanding at the end of the financial year is 6.9 years (31 December 2009: 7.3 years).

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

Name of director	Options granted during financial year	Aggregate options granted since commencement of Scheme to end of financial year	Aggregate options exercise since commencement of Scheme to end of financial year	Aggregate options outstanding at end of financial year	Subscription price
Karen Kooi Lee Wah	800,000	5,315,000	1,909,300	3,405,700	$1.25 - $2.21

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 unvested for the years ended 31 December 2010 and 31 December 2009 are shown below:

Date of grant	15-Jun-10	3-Feb-10	4-Jun-09	2-Feb-09	11-Feb-08
Dividend Yield (%)	6.31	6.42	8.97	8.01	7.83
Expected Volatility (%)	29	29	29	28	26
Risk-free interest rate (%)	0.55	0.81	0.66	0.78	1.84
Expected life of option (years)	3.1	3.1	3.1	3.1	3.1
Share price (S$)	2.13	2.06	1.50	1.68	1.89
Exercise price (S$)	2.12	2.04	1.60	1.60	1.90

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

notes to the financial statements

For the Financial Year Ended 31 December 2010

28. Financial risk management objectives and policies

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

Interest rate risk

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

The Group's policy is to manage its interest cost using a mix of variable and fixed rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. As at 31 December 2010 and 2009, after taking into account the effect of interest rate swap, all of the Group's long-term borrowings are at fixed rates of interest.

Foreign currency risk

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

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the statement of financial position date, such foreign currency balances (mainly in USD and Euro) amount to S$2,611,000 (31 December 2009: S$2,522,000) 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 currency exposures are insignificant.

notes to the financial statements

For the Financial Year Ended 31 December 2010

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

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.

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

Group	**1 year or less**	**1 to 5 years**	**Total**
	S$'000	S$'000	S$'000
Creditors	153,049	–	153,049
Other liabilities and derivatives	40,743	–	40,743
Borrowings	271,286	–	271,286
As at 31-Dec-09	465,078	–	465,078
Creditors	158,358	–	158,358
Other liabilities and derivatives	42,635	–	42,635
Borrowings	71,094	257,031	328,125
As at 31-Dec-10	272,087	257,031	529,118

Company	**1 year or less**	**1 to 5 years**	**Total**
	S$'000	S$'000	S$'000
Creditors	118,106	–	118,106
Other liabilities and derivatives	63,105	–	63,105
Borrowings	271,286	–	271,286
As at 31-Dec-09	452,497	–	452,497
Creditors	124,095	–	124,095
Other liabilities and derivatives	62,014	–	62,014
Borrowings	71,094	257,031	328,125
As at 31-Dec-10	257,203	257,031	514,234

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's credit risk is mitigated by its combination of cash and credit sales. For credit sales, the Group has no significant concentration of credit risk from trade debtors due to its diverse customer base. Credit risk is managed through credit checks, credit reviews and monitoring procedures that includes a formal automated collection process.

The Group's maximum exposure to credit risk in the event the counter-parties fail to perform their obligations as of 31 December 2010 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the statement of financial position.

notes to the financial statements

For the Financial Year Ended 31 December 2010

29. Fair values 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 Company 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	
	31-Dec-10	**31-Dec-09**
	S$'000 Significant unobservable inputs (Level 2)	S$'000 Significant unobservable inputs (Level 2)
Financial liabilities		
Derivative assets/(liabilities) (Note 30)		
- Forward currency contracts	237	(89)
- Interest rate swap	(189)	(1,412)

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)

<u>Determination of fair value</u>

Derivatives (Note 30): Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates 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, due to related parties and borrowings, 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.

notes to the financial statements

For the Financial Year Ended 31 December 2010

30. Derivatives

As at 31 December 2010, the Company has one (31 December 2009: two) 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% (2009: 1.74% to 3.00%) per annum semi-annually every November and May.

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

The fair value (liability position) of the interest rate swap at 31 December 2010 was S$189,000 (31 December 2009: S$1,412,000), which is included in hedging reserve. There was no impact to profit or loss.

The forward currency contracts of notional amounts S$14,539,000 (2009: S$17,115,000) are used to hedge foreign currency risk arising from the Group's purchases denominated in USD and Euros. The Group does not apply hedge accounting for these forward currency contracts. The fair value gain/(loss) of the forward currency contracts at 31 December 2010 was S$237,000 (31 December 2009: (S$89,000))

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$'000	Fair value through profit or loss S$'000	Total S$'000
Group			
31 December 2010			
Assets			
Staff loans	1,208	–	1,208
Trade debtors	178,228	–	178,228
Deposits	4,962	–	4,962
Sundry debtors	10,399	–	10,399
Fair value adjustment of forward currency contracts	–	237	237
Due from related parties	503	–	503
Cash and cash equivalents	8,783	–	8,783
	204,083	237	204,320

	Liabilities at amortised cost S$'000	Derivatives used for hedging S$'000	Total S$'000
Group			
31 December 2010			
Liabilities			
Creditors and accruals	158,358	–	158,358
Due to related parties	838	–	838
Borrowings	316,000	–	316,000
Derivative liabilities	–	189	189
	475,196	189	475,385

notes to the financial statements
For the Financial Year Ended 31 December 2010

31. Classification of financial instruments (cont'd)

	Loans and receivables S$'000
Group	
31 December 2009	
Assets	
Staff loans	1,133
Trade debtors	87,286
Deposits	4,483
Sundry debtors	8,701
Due from related parties	52
Cash and cash equivalents	7,439
	109,094

	Liabilities at amortised cost S$'000	Fair value through profit or loss S$'000	Derivatives used for hedging S$'000	Total S$'000
Group				
31 December 2009				
Liabilities				
Creditors and accruals	153,049	–	–	153,049
Fair value adjustment of forward currency contracts	–	89	–	89
Due to related parties	307	–	–	307
Borrowings	269,000	–	–	269,000
Derivative liabilities	–	–	1,412	1,412
	422,356	89	1,412	423,857

notes to the financial statements
For the Financial Year Ended 31 December 2010

31. Classification of financial instruments (cont'd)

	Loans and receivables S$'000	Fair value through profit or loss S$'000	Total S$'000
Company			
31 December 2010			
Assets			
Staff loans	1,208	–	1,208
Trade debtors	176,353	–	176,353
Deposits	3,631	–	3,631
Sundry debtors	6,827	–	6,827
Fair value adjustment of forward currency contracts	–	237	237
Due from related parties and subsidiaries	4,860	–	4,860
Cash and cash equivalents	8,362	–	8,362
	201,241	237	201,478

	Liabilities at amortised cost S$'000	Derivatives used for hedging S$'000	Total S$'000
Company			
31 December 2010			
Liabilities			
Creditors and accruals	124,095	–	124,095
Due to related parties and subsidiaries	20,443	–	20,443
Borrowings	316,000	–	316,000
Derivative liabilities	–	189	189
	460,538	189	460,727

	Loans and receivables S$'000
Company	
31 December 2009	
Assets	
Staff loans	1,133
Trade debtors	83,479
Deposits	3,291
Sundry debtors	3,705
Due from related parties and subsidiaries	16,139
Cash and cash equivalents	6,240
	113,987

notes to the financial statements

For the Financial Year Ended 31 December 2010

31. Classification of financial instruments (cont'd)

	Liabilities at amortised cost S$'000	Fair value through profit or loss S$'000	Derivatives used for hedging S$'000	Total S$'000
Company				
31 December 2009				
Liabilities				
Creditors and accruals	118,106	–	–	118,106
Fair value adjustment of forward currency contracts	–	89	–	89
Due to related parties and subsidiaries	26,176	–	–	26,176
Borrowings	269,000	–	–	269,000
Derivative liabilities	–	–	1,412	1,412
	413,282	89	1,412	414,783

32. Capital management

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

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

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

	Group	
	31-Dec-10 S$'000	**31-Dec-09** S$'000
Borrowings		
- Current	66,000	269,000
- Non-current	250,000	–
Cash and cash equivalents	8,783	7,439
Shareholders' equity	302,894	256,113

	Company	
	31-Dec-10 S$'000	**31-Dec-09** S$'000
Borrowings		
- Current	66,000	269,000
- Non-current	250,000	–
Cash and cash equivalents	8,362	6,240
Shareholders' equity	281,905	235,845

notes to the financial statements

For the Financial Year Ended 31 December 2010

33. Dividends

	Group and Company	
	2010	2009
	S$'000	S$'000
Declared and paid during the financial year:		
Final - the previous year		
7.2 cents (2009: 7.2 cents) per ordinary share (one-tier tax)	64,628	64,439
Interim - the current year		
6.3 cents (2009: 6.2 cents) per ordinary share (one-tier tax)	56,616	55,493
	121,244	119,932
Proposed but not recognised as a liability as at 31 December:		
Final		
7.7 cents (2009: 7.2 cents) per ordinary share (one-tier tax)	69,323	64,453
Special		
3.5 cents per ordinary share (one-tier tax)	31,527	–
	100,850	64,453

The directors propose that a final dividend of 7.7 cents per ordinary share (one-tier tax) and a special dividend of 3.5 cents per ordinary share (one-tier tax) in respect of the financial year ended 31 December 2010 for approval by shareholders at the forthcoming Annual General Meeting of the Company.

34. Authorisation of financial statements

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 18 February 2011.

major properties

Name	:	Main Operations Centre (MOC)
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
Lease of Expiry Date[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
Lease of Expiry Date[1]	:	30 June 2022

Name	:	Regional Operations Centre (ROC)
Use	:	Office and Switch Centre
Address	:	4 Aljunied Avenue 1, Singapore 389978
Land Area (Sq m)	:	4,816
Date of Purchase	:	19 November 2001
Lease of Expiry Date[1]	:	30 May 2020

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

statistics of shareholdings

As at 28 February 2011

Issued and fully paid-up capital	:	S$130,210,157.72
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	3,323	34.21	2,710,443	0.30
1,000 - 10,000	5,389	55.47	20,892,759	2.31
10,001 - 1,000,000	989	10.18	49,176,833	5.45
1,000,001 and above	14	0.14	829,806,247	91.94
TOTAL	**9,715**	**100.00**	**902,586,282**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Raffles Nominees (Pte) Ltd	277,129,921	30.70
2	Keppel Telecoms Pte Ltd	178,864,000	19.82
3	SPH Multimedia Pte Ltd	124,453,000	13.79
4	Citibank Nominees Singapore Pte Ltd	72,514,473	8.03
5	HSBC (Singapore) Nominees Pte Ltd	69,399,902	7.69
6	DBS Nominees Pte Ltd	61,964,052	6.87
7	DBSN Services Pte Ltd	20,380,928	2.26
8	United Overseas Bank Nominees Pte Ltd	13,823,453	1.53
9	DB Nominees (S) Pte Ltd	3,580,275	0.40
10	Merrill Lynch (Singapore) Pte Ltd	1,984,153	0.22
11	Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,826,000	0.20
12	Gralf Max Hans Sieghold	1,560,000	0.17
13	BNP Paribas Securities Services Singapore	1,171,900	0.13
14	CIMB Securities (Singapore) Pte Ltd	1,154,190	0.13
15	Khoo Teck Puat Foundation	1,000,000	0.11
16	York Hotel (Private) Limited	1,000,000	0.11
17	Teo Xian-Hui Amanda Marie (Zhang Xianhui Amanda Marie)	870,000	0.10
18	UOB Kay Hian Pte Ltd	852,700	0.09
19	DBS Vickers Securities (S) Pte Ltd	842,500	0.09
20	Lee Shiu	838,000	0.09
TOTAL		**835,209,447**	**92.53**

statistics of shareholdings

As at 28 February 2011

Substantial Shareholders

Name	Direct Interest	No. of Shares Deemed Interest	Total Interest	%
Axiata Investments (Singapore) Limited[1]	265,410,150	–	265,410,150	29.41
Khazanah Nasional Berhad	–	265,410,150[2]	265,410,150	29.41
Axiata Group Berhad	–	265,410,150[2]	265,410,150	29.41
Temasek Holdings (Private) Limited	–	179,399,360[3]	179,399,360	19.88
Keppel Telecoms Pte Ltd	178,864,000	–	178,864,000	19.82
Keppel Communications Pte Ltd	–	178,864,000[4]	178,864,000	19.82
DataOne (Asia) Pte Ltd	–	178,864,000[4]	178,864,000	19.82
Keppel Telecommunications & Transportation Ltd	–	178,864,000[4]	178,864,000	19.82
Keppel Corporation Limited	–	178,864,000[4]	178,864,000	19.82
SPH Multimedia Private Limited	124,453,000	–	124,453,000	13.79
Singapore Press Holdings Limited	–	124,453,000[5]	124,453,000	13.79

***Notes**:*

1 *Axiata Investments (Singapore) Limited was formerly known as SunShare Investments Ltd*

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

3 *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*

4 *Keppel Communications Pte Ltd, DataOne (Asia) 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*

5 *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 36.95% of the issued share capital of the Company were held in the hands of the public (on the basis of information available to the Company).

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

corporate information

Board of Directors
Teo Soon Hoe
Karen Kooi Lee Wah
Roger Barlow
Chow Kok Kee
Dato' Sri Jamaludin Ibrahim
Kannan Ramesh
Low Huan Ping
Alan Ow Soon Sian
Reggie Thein
Thio Su Mien
Patrick Yeoh Khwai Hoh

Audit Committee
Reggie Thein, Chairman
Kannan Ramesh
Alan Ow Soon Sian
Thio Su Mien
Patrick Yeoh Khwai Hoh

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

Nominating Committee
Thio Su Mien, Chairman
Reggie Thein
Patrick Yeoh Khwai Hoh

Company Secretary
Anil Sachdev

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Auditors
Ernst & Young LLP
Public Accountants and
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge (since 2010): Terry Wee

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

Investor Relations
For investor enquiries, please contact the
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