

# 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 2011.

## 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	
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:

Name of director	Ordinary shares Held in the name of directors		
	At beginning of financial year/ date of appointment	At end of financial year	As at 21 January 2012
<b>M1 Limited</b>			
Teo Soon Hoe	41,850	41,850	41,850
Karen Kooi Lee Wah	236,000	236,000	236,000
Reggie Thein	25,110	25,110	25,110

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### 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Name of director	Options to subscribe for ordinary shares Held in the name of directors		
	At beginning of financial year/ date of appointment	At end of financial year	As at 21 January 2012
<b>M1 Limited</b> Karen Kooi Lee Wah	3,405,700	4,205,700	4,205,700

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 of the financial year or date of appointment, if later or at the end of the financial year.

### 4. DIRECTORS' CONTRACTUAL BENEFITS

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

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## 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 2011 or date of grant	Exercised	Cancelled*	Balance as at 31 December 2011	Subscription price
9 November 2002	10,000	(10,000)	–	–	S\$1.25
4 February 2004	494,000	(134,000)	–	360,000	S\$1.50
3 February 2005	2,788,700	(740,000)	–	2,048,700	S\$1.81
2 February 2006	5,498,000	(1,396,000)	(110,000)	3,992,000	S\$2.21
6 February 2007	5,081,000	(1,343,000)	(52,500)	3,685,500	S\$2.17
11 February 2008	4,663,000	(2,076,000)	(28,000)	2,559,000	S\$1.90
2 February 2009	5,026,500	(1,559,000)	(306,000)	3,161,500	S\$1.60
4 June 2009	320,000	–	–	320,000	S\$1.60
3 February 2010	7,135,000	(830,500)	(445,000)	5,859,500	S\$2.04
15 June 2010	100,000	–	–	100,000	S\$2.04
7 February 2011	8,300,000	–	(200,000)	8,100,000	S\$2.44
	<u>39,416,200</u>	<u>(8,088,500)</u>	<u>(1,141,500)</u>	<u>30,186,200</u>	

\* Cancelled when staff resigned from the Company

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

Information on relevant participants under the Scheme is as follows:

Name of employee	Options granted during financial year	Aggregate options granted since commencement of Scheme to end of financial year	Aggregate options exercised since commencement of Scheme to end of financial year	Aggregate options outstanding at end of financial year	Subscription price
Karen Kooi Lee Wah (Executive Director)	800,000	6,115,000	1,909,300	4,205,700	S\$1.25 – S\$2.44
Patrick Michael Scodeller	300,000	3,660,000	2,220,000	1,440,000	S\$1.25 – S\$2.44

Since the commencement of the Scheme, save as disclosed above, no options were granted to directors, 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;

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### 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.

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

Singapore  
17 February 2012



**Karen Kooi Lee Wah**  
Director