

DIRECTORS' STATEMENT

The directors are pleased to present their statement 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 2016.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Choo Chiau Beng	Chairman
Karen Kooi Lee Wah	Chief Executive Officer
Jamaludin Ibrahim	
Low Huan Ping	
Chow Kok Kee	
Huang Cheng Eng	
Elaine Lee Kia Jong	
Moses Lee Kim Poo	
Lionel Lim Chin Teck	
Alan Ow Soon Sian	

3. 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.

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4. 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, Chapter 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 director		
	At beginning of financial year	At end of financial year	As at 21 January 2017
M1 Limited			
Choo Chiau Beng	100,000	300,000	300,000
Karen Kooi Lee Wah	950,000	500,000	500,000

Name of director	Options to subscribe for ordinary shares Held in the name of director		
	At beginning of financial year	At end of financial year	As at 21 January 2017
M1 Limited			
Karen Kooi Lee Wah	4,415,700	4,665,700	4,665,700

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

5. SHARE OPTIONS AND SHARE PLANS OF THE COMPANY

(a) Share options

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

- (i) M1 Share Option Scheme 2002 (the 2002 Scheme) which was approved by shareholders on 8 November 2002. The 2002 Scheme had expired on 7 November 2012. Options already granted under the 2002 Scheme remain valid and exercisable until the end of the relevant exercise period; and
- (ii) M1 Share Option Scheme 2013 (the 2013 Scheme), for granting of non-transferable share options to employees (including executive director) and non-executive directors of the Company and its subsidiaries was adopted and approved by shareholders in Annual General Meeting on 5 April 2013.

The 2013 scheme was terminated by shareholders in Annual General Meeting on 6 April 2016. It was replaced by the M1 Share Plan 2016 (2016 Plan) which was adopted and approved by shareholders in the same general meeting. Options already granted under the 2013 Scheme remain valid and exercisable until the end of the relevant exercise period.

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5. SHARE OPTIONS AND SHARE PLANS OF THE COMPANY (CONT'D)

(a) Share options (cont'd)

The Remuneration Committee (Committee) is responsible for administering the 2002 Scheme and 2013 Scheme (collectively, the Schemes). The Remuneration Committee members are Mr Moses Lee Kim Poo (Chairman), Mr Choo Chiau Beng, Mr Chow Kok Kee, Mr Low Huan Ping and Mr Alan Ow Soon Sian. The majority of the Committee comprises of independent directors, including the Committee Chairman.

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

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

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

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

Date of grant	Balance as at 1 January 2016 or date of grant	Exercised	Expired/ Cancelled*	Balance as at 31 December 2016	Subscription price
2002 Scheme					
2 February 2006	660,000	(50,000)	(610,000)	–	S\$2.21
6 February 2007	130,000	(10,000)	–	120,000	S\$2.17
11 February 2008	250,000	(95,000)	–	155,000	S\$1.90
2 February 2009	115,000	–	–	115,000	S\$1.60
3 February 2010	298,000	–	–	298,000	S\$2.04
7 February 2011	1,851,700	(125,000)	–	1,726,700	S\$2.44
30 January 2012	3,193,000	(55,000)	–	3,138,000	S\$2.43
2013 Scheme					
2 May 2013	6,419,000	–	(140,000)	6,279,000	S\$3.24
23 January 2014	7,776,000	–	(280,000)	7,496,000	S\$3.31
22 January 2015	9,130,000	–	(450,000)	8,680,000	S\$3.64
22 January 2016	9,500,000	–	(300,000)	9,200,000	S\$2.48
	39,322,700	(335,000)	(1,780,000)	37,207,700	

* Cancelled when staff resigned from the Company

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5. SHARE OPTIONS AND SHARE PLANS OF THE COMPANY (CONT'D)

(a) Share options (cont'd)

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

Information on relevant participants under the Schemes is as follows:

Name of employee	Options granted during financial year	Aggregate options granted since commencement of Schemes to end of financial year	Aggregate options exercised since commencement of Schemes to end of financial year	Aggregate options expired since commencement of Schemes to end of financial year	Aggregate options outstanding at end of financial year	Subscription price
Karen Kooi Lee Wah (Chief Executive Officer)	800,000	10,115,000	(5,049,300)	(400,000)	4,665,700	S\$1.25 - S\$3.64
Patrick Michael Scodeller	500,000	5,960,000	(4,410,000)	–	1,550,000	S\$1.25 - S\$3.64

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

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

(b) Share plans of the Company

The Company introduced the 2016 Plan to replace the 2013 Scheme approved by the shareholders of M1 on 5 April 2013. The 2016 Plan was approved by the shareholders of M1 at the Annual General Meeting of the Company held on 6 April 2016.

The 2016 Plan is administered by the Remuneration Committee which comprises of the following five non-executive directors who do not participate in the Share Plans:

Moses Lee Kim Poo	Chairman
Choo Chiau Beng	
Low Huan Ping	
Chow Kok Kee	
Alan Ow Soon Sian	

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5. SHARE OPTIONS AND SHARE PLANS OF THE COMPANY (CONT'D)

(b) Share plans of the Company (cont'd)

Share Grants under 2016 Plan

Under the 2016 Plan, the Company grants shares to eligible participants annually. The grant (the Provisional Award) represents the right to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance conditions are met. The Remuneration Committee that administers this scheme has absolute discretion in the granting of shares under the 2016 Plan or otherwise in accordance to the rules of the 2016 Plan. The provisional award is conditional on the achievement of pre-determined targets set for a one-year performance period. The final number of shares to be awarded free of charge will be determined at the end of the performance period (Final Award).

The Final Award varies depending on the level of achievement of the pre-determined targets. An achievement factor will be applied to the Provisional Award to determine the final number of shares to be awarded which is capped at 1.2 times of the grant.

Pre-determined targets are set by the Remuneration Committee at their absolute discretion for the performance conditions to be met over the performance period. The targets set are based on the achievement of Profit After Tax and Total Shareholder Return.

The shares which are the subject of the awards will be released to a participant after the relevant vesting period from 2018 to 2020 after meeting the time-based service conditions where participant has served the Company or, as the case may be, a relevant associate, for a specified number of years. 30% of the award will be released and vested in 2018 and 2019 while the remaining 40% of the award will be released and vested in 2020.

All of the 2016 Plan shares will be released to the participants at the end of the three-year vesting period.

At the end of the year, there were up to 854,400 shares provisional award unvested under the 2016 Plan as follows:

Provisional share award

	At beginning of financial year	Provisional awards granted	At end of financial year
Date of grant 1 August 2016	–	Up to 854,400	Up to 854,400

The aggregate number of shares to be finally awarded to the participants will be based on the achievement of certain predetermined performance targets and conditions as determined by the Remuneration Committee or otherwise in accordance with the rules of the 2016 Plan.

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5. SHARE OPTIONS AND SHARE PLANS OF THE COMPANY (CONT'D)

(b) Share plans of the Company (cont'd)

The information on director participating in the 2016 Plan is as follows:

Provisional share award

Name of director	At beginning of financial year	Provisional awards granted	As at 21 January 2017
Karen Kooi Lee Wah	–	Up to 60,000	Up to 60,000

Since the commencement of the 2016 Share Plan till the end of the financial year:

- No awards have been granted to the controlling shareholders of the Company and their associates
- No participant other than the director mentioned above has received 5% or more of the total awards available under the plans
- No awards have been granted to other directors of the holding company and its subsidiaries

On 1 February 2017, the Company had granted the Final Award for performance period ended 31 December 2016. 295,700 shares were granted, which includes 21,000 shares granted to Karen Kooi Lee Wah (Director/Chief Executive Officer).

6. AUDIT COMMITTEE

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor

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6. AUDIT COMMITTEE (CONT'D)

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual


The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

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

7. AUDITOR

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

On behalf of the board of directors:



Choo Chiau Beng
Chairman



Karen Kooi Lee Wah
Director

Singapore
27 February 2017