

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 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).

The registered office and principal place of business of the Company is at 10 International Business Park, Singapore 609928.

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

## 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 available-for-sale financial instruments that have been measured at their fair values.

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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 102: <i>Classification and measurement of Share-based payment transactions</i>	1 January 2018
Amendments to FRS 40: <i>Transfers of Investment Property</i>	1 January 2018
Improvements to FRSs (December 2016)	
– Amendments to FRS 28: <i>Investments in Associates and Joint Ventures</i>	1 January 2018
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

#### FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information.

The Group will apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

- For completed contracts, the Group plans not to restate contracts that are completed as at 1 January 2017.

In 2016, with the assistance of a third party consultant, the Group performed a detailed analysis of FRS 115 and has implemented a separate revenue recognition engine in December 2017. The Group's nature of business involves primarily the bundling of services with handsets or equipment, which will have a significant impact upon the adoption of FRS 115 in 2018.

A cross-functional coordinated implementation team has been established to implement the standard update related to the recognition of revenue from contracts with customers. All contract scenarios have been identified and the Group has implemented changes to the systems, processes and internal controls to meet the standard update's reporting and disclosure requirements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Standards issued but not yet effective (cont'd)

#### FRS 115 Revenue from Contracts with Customers (cont'd)

At inception, FRS 115 allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract (i.e. subscription services and handsets or equipment), assessed on an individual contract basis. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. With the adoption of FRS 115, revenue from the sale of goods will be recognised at fair value resulting in the increase of allocation of revenue to handsets or equipment at inception. Correspondingly, the service revenue recorded over the duration of the performance of the contract will be lower. In addition, the timing of recognition of sales commission expenses will also result in an impact as a substantial portion of these costs (which are currently expensed) will be capitalised and amortised.

On the adoption of FRS 115, revenue recognition for handsets and equipment will increase. The Group estimates its handsets and equipment sales will increase by S\$69.2 million and S\$87.3 million decline in service revenue for the financial year ended 31 December 2017. S\$158.1 million of contract assets is expected to be recognised in the same period. The Group expects to reclassify S\$5.4 million from trade and other payables to contract liability.

The Group pays dealer commissions for some of its contracts with customers. Dealer commissions is currently expensed when incurred. Under FRS 115, the Group will capitalise such commissions as incremental costs to obtain a contract with a customer if this cost is recoverable. This cost is amortised to profit or loss as the Group recognises the related revenue. Upon adoption of FRS 115, the Group expects to capitalise such dealer commissions amounting to S\$5.3 million as at 31 December 2017 and to record a corresponding adjustment to decrease the costs of sales expense by S\$1.0 million for the financial year ended 31 December 2017.

#### FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information.

#### (a) Classification and measurement

The Group's debt instruments are expected to give rise to cash flows representing solely payments of principal and interest. The Group does not expect any change to the accounting treatment of its currently held-to-maturity instruments when it applies FRS 109.

For equity securities, the Group will elect to measure its currently held available-for-sale quoted and unquoted equity securities at fair value through other comprehensive income. The Group does not expect any significant impact to arise on the adoption of the new standard.

#### (b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables and contract assets arising from the adoption of FRS 115. Upon application of the expected credit loss model, with the exception of the impact on contract assets, the Group does not expect the standard to have a material impact on the results. The Group expects the loss allowance to increase by S\$4.7 million in the initial period of application on 1 January 2018.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Standards issued but not yet effective (cont'd)

#### FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

### 2.4 Basis of consolidation

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 used in the preparation of the consolidated financial statements 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10(a).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

### 2.6 *Associate*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investment in associate using the equity method from the date on which it becomes an associate.

On acquisition of the associate, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The profit or loss reflects the share of results of the associate. Distributions received from associate reduces the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate are prepared as the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 Fixed assets

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of fixed 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.

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. Dismantling, removal or restoration costs included as part of the cost if obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. 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.

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

### 2.8 Depreciation

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

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

Capital work-in-progress included in fixed assets are not depreciated as these assets are not yet 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, and adjusted prospectively, if appropriate.

An item of fixed asset 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 Licences and spectrum rights

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

Licences and spectrum rights are amortised on a straight-line basis over the estimated economic useful life of 4 to 17 years. The amortisation period and the amortisation method are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in profit or loss through the 'depreciation and amortisation' line item.

### 2.10 Intangible assets

#### (a) Goodwill

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

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

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

#### (b) Internet protocol (IP) address

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

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

### 2.11 Investments

The Group classifies its investments in financial assets in the following categories: held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

Investments are initially measured at fair value plus transaction costs less any accumulated impairment losses. For unquoted equity investments whose fair value cannot be reliably measured using alternative valuation methods, they are carried at cost less any accumulated impairment losses.

The fair value of investments that are traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price is the current bid prices. The fair value of investments that are not traded in an active market is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the underlying net asset value of the investee companies or discounted cash flow analysis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.12 Financial assets

#### *Initial recognition and measurement*

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification as follows:

#### (a) Trade and other receivables

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

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

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

Accrued handset revenue relates to revenue recognised for handsets sold with services. The accounting policy relating to specific recognition criteria for handset revenue and service revenue is disclosed in Note 2.22.

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.

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

#### (b) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

#### (c) Held-to-maturity financial asset

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.12 Financial assets (cont'd)

*Initial recognition and measurement (cont'd)*

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and time deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### 2.13 Financial liabilities

*Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

The accounting policies adopted for specific financial liabilities are set out below.

*Borrowings*

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

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

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

*Trade and other payables*

Liabilities for trade and other payables, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 Impairment of financial assets

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

#### *Financial assets carried at amortised cost*

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 impairment loss is recognised in profit or loss.

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

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

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

#### *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

### 2.15 Derecognition of financial assets and liabilities

#### (a) *Financial assets*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income 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, gains and losses are recognised in profit or loss when the liabilities are derecognised or impaired, and through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost incurred in bringing the inventories to their present location and condition is accounted for on weighted average basis.

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

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

### 2.17 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 resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period 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. 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. When discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

### 2.18 Government grants

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

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

### 2.19 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 based payment plans*

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity-settled transactions on date of grant, which takes into account market conditions and non-vesting conditions.

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 shares 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 Employee benefits (cont'd)

#### (b) Employee share based payment plans (cont'd)

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

### 2.20 Taxes

#### (a) Current income tax

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

#### (b) Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred 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 reporting period 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 reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.20 Taxes (cont'd)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of each reporting period.

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 on a purchase of goods and services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services tax included.

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

### 2.21 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to 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.

### 2.22 Revenue recognition

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

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **2.22 Revenue recognition (cont'd)**

- 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 and equipment is recognised upon the transfer of significant risk and reward of the handset and equipment to the customer which generally coincides with delivery and acceptance of the handsets and equipment sold.
- Revenue on award credits are recognised based on the number of award credits that have been redeemed in exchange for free or discounted goods and services, relative to the total numbers of awards expected to be redeemed.
- Interest income is recognised using the effective interest rate method.

### **2.23 Customer acquisition costs**

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

### **2.24 Operating leases**

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

### **2.25 Foreign currency**

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

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

### **2.26 Segment reporting**

The Company and its subsidiaries operate in Singapore in one business segment, that of provision of telecommunications services, international call services and fixed services, retail sales of telecommunications equipment and accessories, and customer services.

### **2.27 Share capital and share issuance expenses**

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

### **2.28 Treasury shares**

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.29 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. 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.

### **Key sources of estimation uncertainty**

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

- *Useful lives of network and related application systems*

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

### *Sensitivity analysis*

The Group's carrying amount of the network and related application systems stated at net book value as at 31 December 2017 was S\$516,683,000 (2016: S\$551,748,000). If the useful lives of the network and related systems increased by 5%, the carrying amount of the network and related application systems for the Group will increase by S\$3,892,000 (2016: S\$3,837,000) and the carrying amount of the network and related application systems for the Company will increase by S\$3,875,000 (2016: S\$3,831,000).

If the useful lives of the network and related systems decreased by 5%, the carrying amount of the network and related application systems for the Group will decrease by S\$4,301,000 (2016: S\$4,241,000) and the carrying amount of the network and related application systems for the Company will decrease by S\$4,283,000 (2016: S\$4,234,000).

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

#### *Key sources of estimation uncertainty (cont'd)*

- *Impairment of non-financial assets*

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

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

- *Impairment of loans and receivables*

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

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 end of the reporting period are disclosed in Note 32 to the financial statements.

### 4. OPERATING REVENUE

	Group	
	2017 S\$'000	2016 S\$'000
Mobile telecommunications services	642,481	639,968
International call services	55,869	61,310
Fixed services	129,725	104,231
Handsets and equipment sales	242,981	255,393
Others	5	-
	<b>1,071,061</b>	1,060,902

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 5. OPERATING EXPENSES

	Group	
	2017 S\$'000	2016 S\$'000
Cost of services	131,771	117,598
Cost of handsets and equipment sold	339,720	344,496
Write-back of inventories (Note 19)	-	(589)
Staff costs	122,548	115,005
Advertising and promotion expenses	19,393	22,093
Depreciation and amortisation	129,903	126,760
Allowance for doubtful debts (Note 20)	9,990	9,767
Bad debts recovered	(944)	(1,398)
Facilities expenses	86,377	86,425
Leased circuit costs	32,779	31,489
General and administrative expenses	28,436	29,283
	<b>899,973</b>	<b>880,929</b>

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

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

Total operating expenses included the following:

	Group	
	2017 S\$'000	2016 S\$'000
Audit fees paid to auditors of the Company	249	219
Non-audit fees paid to auditors of the Company	28	23
CPF contributions	12,145	11,619
Share-based payments	631	1,147
Key executives' remuneration	6,429	6,544
Fees paid to Directors of the Company	812	905
Foreign exchange loss, net	86	16
(Gain)/loss on disposal of fixed assets, net	(2,332)	5

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

Short term employee benefits	5,927	5,843
CPF contributions	236	249
Share-based payments	266	452
Total compensation paid to key executives	<b>6,429</b>	<b>6,544</b>

## 6. OTHER INCOME

	Group	
	2017 S\$'000	2016 S\$'000
Interest income:		
- Interest income from unquoted convertible note	344	136
- Interest income from banks	139	16
	483	152
Government grants	-	3,547
Miscellaneous income	1,233	1,674
	1,716	5,373

Miscellaneous income includes project management fee.

## 7. FINANCE COSTS

	Group	
	2017 S\$'000	2016 S\$'000
Interest expense on bank loans	9,884	6,749

## 8. TAXATION

### *Major components of income tax expense*

Major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group	
	2017 S\$'000	2016 S\$'000
Current income tax		
- Current year	28,137	27,458
- Over provision in respect of prior year	(655)	(5,622)
Deferred income tax		
- Origination and reversal of temporary differences	1,771	5,182
- Under provision in respect of prior year	861	1,875
Income tax expense recognised in profit or loss	30,114	28,893

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 8. TAXATION (CONT'D)

### *Relationship between statutory tax rate and effective tax rate*

A reconciliation of the statutory tax rate with the effective tax rate applicable to profit before tax of the Group for the years ended 31 December 2017 and 2016 are as follows:

	2017 S\$'000	2016 S\$'000
Profit before tax	162,634	178,544
Tax calculated using Singapore tax rates of 17% (2016: 17%)	27,648	30,352
Adjustments:		
Expenses not deductible for tax purposes	3,072	3,779
Income not subject to taxation	(513)	(5)
Under/(over) provision in respect of prior years	206	(3,747)
Effects of tax relief	(326)	(880)
Benefits from previously unrecognised tax losses	(177)	(616)
Deferred tax assets not recognised	201	-
Others	3	10
Tax expense	30,114	28,893

At the end of the reporting period, the Group has tax losses of approximately Nil (2016: Nil) and capital allowances Nil (2016: Nil).

### *Deferred tax liabilities*

Deferred taxation at 31 December 2017 and 2016 are related to the following:

	Group				Company	
	Consolidated statement of financial position		Consolidated statement of comprehensive income		Statement of financial position	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<b>Deferred tax liabilities</b>						
Difference in depreciation	120,617	117,985	2,632	7,057	117,175	115,681

## 9. EARNINGS PER SHARE

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

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

	Group	
	2017 S\$'000	2016 S\$'000
Net profit attributable to owners of the Company for basic and diluted earnings per share	132,520	149,651
	No. of shares 2017 '000	No. of shares 2016 '000
Weighted average number of ordinary shares on issue applicable for basic earnings per share computation	928,228	931,361
Effect of dilution:		
Share options	23	144
Adjusted weighted average of ordinary shares on issue applicable for diluted earnings per share computation	928,251	931,505

## 10. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

EBITDA is derived as follows:

	Group	
	2017 S\$'000	2016 S\$'000
Profit before tax	162,634	178,544
Adjustments for:		
Amortisation of licences, spectrum rights and other intangibles	15,573	14,354
Depreciation of fixed assets	114,330	112,406
Finance costs	9,884	6,749
EBITDA	302,421	312,053

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 11. FIXED ASSETS

	Leasehold buildings S\$'000	Networks and related application systems S\$'000	Application systems and computers S\$'000	Motor vehicles S\$'000	Furniture, fittings and equipment S\$'000	Capital work-in-progress S\$'000	Total S\$'000
<b>Group</b>							
<b>Cost:</b>							
At 1 January 2016	115,913	1,818,051	316,462	1,685	75,669	13,545	2,341,325
Additions	11,831	99,520	23,079	-	3,533	2,583	140,546
Disposals	-	-	(173)	-	(46)	-	(219)
At 31 December 2016 and 1 January 2017	127,744	1,917,571	339,368	1,685	79,156	16,128	2,481,652
Additions	3,470	63,044	23,833	-	3,455	57,325	151,127
Disposals	-	(693,888)	(15,479)	-	(1,954)	-	(711,321)
At 31 December 2017	131,214	1,286,727	347,722	1,685	80,657	73,453	1,921,458
<b>Accumulated depreciation:</b>							
At 1 January 2016	55,607	1,285,238	216,080	997	69,476	-	1,627,398
Depreciation charge for the year	5,081	80,585	22,257	213	4,270	-	112,406
Disposals	-	-	(172)	-	(15)	-	(187)
At 31 December 2016 and 1 January 2017	60,688	1,365,823	238,165	1,210	73,731	-	1,739,617
Depreciation charge for the year	5,362	81,726	23,079	213	3,950	-	114,330
Disposals	-	(677,505)	(15,447)	-	(1,883)	-	(694,835)
At 31 December 2017	66,050	770,044	245,797	1,423	75,798	-	1,159,112
<b>Net carrying amount:</b>							
At 31 December 2016	67,056	551,748	101,203	475	5,425	16,128	742,035
At 31 December 2017	65,164	516,683	101,925	262	4,859	73,453	762,346

## 11. FIXED ASSETS (CONT'D)

	Leasehold buildings S\$'000	Networks and related application systems S\$'000	Application systems and computers S\$'000	Motor vehicles S\$'000	Furniture, fittings and equipment S\$'000	Capital work-in- progress S\$'000	Total S\$'000
<b>Company</b>							
<b>Cost:</b>							
At 1 January 2016	115,823	1,816,754	295,230	1,685	54,594	13,545	2,297,631
Additions	11,831	97,981	20,024	-	158	2,583	132,577
Disposals	-	-	(109)	-	-	-	(109)
At 31 December 2016 and 1 January 2017	127,654	1,914,735	315,145	1,685	54,752	16,128	2,430,099
Additions	3,470	61,252	12,532	-	72	50,933	128,259
Disposals	-	(693,887)	(15,285)	-	(1)	-	(709,173)
At 31 December 2017	131,124	1,282,100	312,392	1,685	54,823	67,061	1,849,185
<b>Accumulated depreciation:</b>							
At 1 January 2016	55,557	1,284,005	206,380	997	53,386	-	1,600,325
Depreciation charge for the year	5,079	80,441	18,439	213	487	-	104,659
Disposals	-	-	(109)	-	-	-	(109)
At 31 December 2016 and 1 January 2017	60,636	1,364,446	224,710	1,210	53,873	-	1,704,875
Depreciation charge for the year	5,362	81,370	18,175	213	287	-	105,407
Disposals	-	(677,505)	(15,256)	-	(1)	-	(692,762)
At 31 December 2017	65,998	768,311	227,629	1,423	54,159	-	1,117,520
<b>Net carrying amount:</b>							
At 31 December 2016	67,018	550,289	90,435	475	879	16,128	725,224
At 31 December 2017	65,126	513,789	84,763	262	664	67,061	731,665

During the financial year, total fixed assets addition amounted to \$151,127,000, which includes \$18,818,000 arising from trade-in for network upgrade.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 12. LICENCES AND SPECTRUM RIGHTS

	Licences S\$'000	Spectrum rights S\$'000	Total S\$'000
<b>Group and Company</b>			
<b>Cost:</b>			
At 1 January 2016	2,453	181,707	184,160
Addition	-	64,064	64,064
At 31 December 2016 and 1 January 2017	2,453	245,771	248,224
Addition	-	20,000	20,000
At 31 December 2017	2,453	265,771	268,224
<b>Accumulated amortisation:</b>			
At 1 January 2016	2,420	92,626	95,046
Amortisation charge for the year	21	14,188	14,209
At 31 December 2016 and 1 January 2017	2,441	106,814	109,255
Amortisation charge for the year	12	15,473	15,485
At 31 December 2017	2,453	122,287	124,740
<b>Net carrying amount:</b>			
At 31 December 2016	12	138,957	138,969
At 31 December 2017	-	143,484	143,484

The licences and spectrum rights have remaining useful lives ranging from 4 years to 17 years (2016: 0.5 years to 14 years).

## 13. OTHER INTANGIBLES

	Goodwill S\$'000	Others S\$'000	Total S\$'000
<b>Group</b>			
<b>Cost:</b>			
At 1 January 2016	13,177	764	13,941
Additions	-	687	687
At 31 December 2016 and 1 January 2017	13,177	1,451	14,628
Additions	612	-	612
At 31 December 2017	13,789	1,451	15,240
<b>Accumulated amortisation:</b>			
At 1 January 2016	-	153	153
Amortisation charge for the year	-	145	145
At 31 December 2016 and 1 January 2017	-	298	298
Amortisation charge for the year	-	88	88
At 31 December 2017	-	386	386
<b>Net carrying amount:</b>			
At 31 December 2016	13,177	1,153	14,330
At 31 December 2017	13,789	1,065	14,854

### 13. OTHER INTANGIBLES (CONT'D)

Other intangibles includes club memberships and internet protocol addresses. As at 31 December 2017, the internet protocol addresses have remaining useful lives ranges from 10 years to 13 years (2016: 11 years to 14 years).

	<b>Club Membership S\$'000</b>
<b>Company</b>	
<b>Cost:</b>	
At 31 December 2016 and 1 January 2017	125
Disposals	(125)
At 31 December 2017	-
<b>Accumulated amortisation:</b>	
At 31 December 2016 and 1 January 2017	(125)
Disposals	125
At 31 December 2017	-
<b>Net carrying amount:</b>	
At 31 December 2016	-
At 31 December 2017	-

#### ***Impairment testing of goodwill***

The Group previously, acquired a 100% equity interest in M1 Connect Pte. Ltd. (M1 Connect). Subsequently, the Group has transferred M1 Connect's broadband business to another wholly owned subsidiary, M1 Net Ltd. (M1 Net).

Management has allocated the goodwill to M1 Net as a cash-generating unit (CGU) for impairment testing. The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projections covering a five-year period. The discount rate applied to the cash flow projections and terminal growth rate used to extrapolate cash flow projections beyond the five-year period are 8% (2016: 8%) and Nil (2016: Nil) respectively.

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

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

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

No impairment loss (2016: Nil) was recognised in profit or loss.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 13. OTHER INTANGIBLES (CONT'D)

### Acquisition of a business

On 17 November 2017, the Group's subsidiary, M1 Net Ltd. (M1 Net) has acquired the core business of GMS Enterprise Pte Ltd (GMS) for a purchase consideration of S\$2.0 million.

The fair value of the identifiable asset and liabilities of business division for GMS as at the acquisition date were:

	2017 S\$'000
Cash and cash equivalents	1,064
Trade and other receivables	1,342
	2,406
Trade and other payables	(1,018)
Total identifiable net asset at fair value	1,388
Goodwill arising from acquisition	612
Total consideration transferred	2,000

Effect of the acquisition of a business division from GMS Pte Ltd on cash flows:

	2017 S\$'000
Total consideration	2,000
Less: Cash and cash equivalents of a business division acquired	(1,064)
Net cash outflow on acquisition of a business division	936

## 14. STAFF LOANS

	Group and Company	
	2017 S\$'000	2016 S\$'000
Repayable within one year (included in Note 21)	144	109
Repayable after one year	442	331
	586	440

Staff loans are repayable in equal monthly instalments over periods of up to seven years and interest bearing at rates of up to 2% (2016: 2%) per annum.

## 15. INTERESTS IN SUBSIDIARIES

	Company	
	2017 S\$'000	2016 S\$'000
Unquoted shares:		
At cost	8,660	8,660
Impairment loss	(1,560)	(1,560)
	7,100	7,100

## 15. INTERESTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries of the Company as at 31 December 2017 and 2016 are as follows:

Name of Company	Country of incorporation	Principal activities	Effective interest of the Company	
			2017 %	2016 %
<b>Held by the Company:</b>				
M1 Shop Pte Ltd	Singapore	Retail sales of telecommunication equipment and accessories	100	100
M1 Net Ltd.	Singapore	Provision of fixed and other related telecommunication services	100	100
M1 TeliNet Pte. Ltd.	Singapore	Licensor of intellectual property rights and investment holding	100	100
Kliq Pte. Ltd.	Singapore	Remittances services	100	100
<b>Held through M1 Net Ltd.:</b>				
M1 Connect Pte. Ltd.	Singapore	Strike off in progress*	100	100

\* The strike off has been completed on 13 February 2018.

All subsidiaries are audited by Ernst & Young LLP.

## 16. DUE FROM/(TO) RELATED PARTIES AND SUBSIDIARIES

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Due from subsidiaries (non-trade)	-	-	30,667	40,207
Due from related parties	944	1,374	828	1,372
Due to subsidiaries	-	-	(23,704)	(54,773)
Due to related parties	(307)	(465)	(211)	(373)
	(307)	(465)	(23,915)	(55,146)

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing and are not expected to be repaid by the subsidiaries in the next twelve months.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 17. INVESTMENT IN AN ASSOCIATE

In 2016, M1 TeliNet Pte .Ltd., a subsidiary of the Company invested S\$3.0 million into Octopus Retail Management Pte Ltd (ORM). The contribution of 30% of the shareholding in ORM has resulted in ORM to be an associated company of the Group. As at the end of financial period, no restatement was required to be made to the previous financial year.

The Group's material investment in associate is as follows:

	Group	
	2017 S\$'000	2016 S\$'000
Cost	3,000	3,000
Share of post-acquisition loss	(339)	(53)
	<b>2,661</b>	2,947

Name of Company	Country of incorporation	Principal activities	Effective interest of the Company	
			2017 %	2016 %
<b>Held by the Company:</b>				
Octopus Retail Management Pte Ltd	Singapore	Mobile Point-of-sale solutions provider for retails	30%	30%

The summarised financial information in respect of Octopus Retail Management Pte Ltd, based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

### Summarised balance sheet

	As at 31 December 2017 S\$'000	As at 31 December 2016 S\$'000
Current assets	2,033	3,197
Non-current assets	7,015	7,021
Total assets	9,048	10,218
Current liabilities	176	395
Total liabilities	176	395
Net assets	8,872	9,823
Proportion of the Group's ownership	30%	30%
Group's share on net assets	2,661	2,947

### Summarised statement of comprehensive income

	2017 S\$'000	2016 S\$'000
Revenue	1,406	355
Loss after tax	(953)	(279)
Total comprehensive income	(953)	(279)

## 18. INVESTMENT SECURITIES

	Group	
	2017 S\$'000	2016 S\$'000
<b>Current:</b>		
Held-to-maturity financial asset		
- Unquoted convertible note	6,688	-
<b>Non-current:</b>		
Available-for-sale financial assets		
- Unquoted equity	18,483	8,849
- Unquoted investment fund	4,392	3,022
- Quoted equity	2,671	2,044
Held-to-maturity financial asset		
- Unquoted convertible note	-	6,695
	<b>25,546</b>	<b>20,610</b>

The held-to-maturity financial asset relates to investment in a mezzanine financing amounting to US\$5.0 million with a coupon rate of 5% per annum and matures in August 2018.

## 19. INVENTORIES

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<b>Balance sheet:</b>				
Handsets and equipment	48,681	21,952	-	-
Accessories	1,143	1,020	153	121
Total inventories at the lower of cost and net realisable value	<b>49,824</b>	<b>22,972</b>	<b>153</b>	<b>121</b>
<b>Income statement:</b>				
Inventories recognised as a gain in operating expense is inclusive of the following:				
- Write-back of obsolete inventories	-	(589)	-	(135)
	-	(589)	-	(135)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 20. TRADE RECEIVABLES

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

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

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Billed trade receivables	53,515	55,255	53,515	55,255
Other billed trade receivables	23,885	20,357	11,129	13,993
Accrued handset revenue	85,237	87,104	85,237	87,104
Accrued service revenue	10,792	14,883	10,792	14,884
	173,429	177,599	160,673	171,236
Allowance for doubtful debts	(10,110)	(12,032)	(10,075)	(11,877)
	163,319	165,567	150,598	159,359

### Receivables that are past due but not impaired

The Group and Company have unsecured trade receivables that are past due at the end of the reporting period but not impaired and the analysis of their ageing at the end of the reporting period is as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Trade receivables past due:				
30 – 60 days	8,037	7,518	7,626	7,383
61 – 90 days	4,886	4,535	3,505	3,729
More than 90 days	6,626	10,449	4,541	10,069
	19,549	22,502	15,672	21,181

### Receivables that are impaired

The Group's and Company's trade receivables 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		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Trade receivables – gross amount	17,546	18,494	17,511	18,445
Less: Allowance for doubtful debts	(10,110)	(12,032)	(10,075)	(11,877)
	7,436	6,462	7,436	6,568
Movement in allowance accounts:				
Balance at beginning of financial year	12,032	14,415	11,877	14,258
Allowance charge for the year (Note 5)	9,990	9,767	10,110	9,769
Written-off	(11,912)	(12,150)	(11,912)	(12,150)
Balance at end of financial year	10,110	12,032	10,075	11,877

## 21. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Deposits	6,112	6,039	4,398	4,290
Staff loans (Note 14)	144	109	144	109
Other receivables	32,843	7,942	27,403	5,133
	<b>39,099</b>	14,090	<b>31,945</b>	9,532

## 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Cash and bank balances	46,480	11,016	43,402	10,122

Cash at banks earns interest at floating rates offered by short-term money market at 0.39% to 0.86% (2016: 0.30% to 0.95%) per annum.

Cash at bank denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
United States Dollar	481	6,212	371	6,155
Euro	101	102	101	102

## 23. TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Trade payables	116,520	91,448	63,661	49,232
Accrued operating expenses	58,644	47,773	54,651	44,950
Accrued capital expenditure	26,802	20,211	27,384	19,992
Interest payable	1,881	710	1,881	710
Directors' fees payable	812	905	812	905
Other payables	4,733	4,436	4,186	4,031
	<b>209,392</b>	165,483	<b>152,575</b>	119,820

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 24. BORROWINGS

	Group and Company	
	2017 S\$'000	2016 S\$'000
<b>Current:</b>		
Short term bank loan	-	151,000
<b>Non-current:</b>		
Long term bank loan	450,000	250,000
	<b>450,000</b>	<b>401,000</b>

As at 31 December 2017, the \$450,000,000 long term bank loan comprises:

- \$250,000,000 long term loan that was refinanced in May 2016 at an effective interest rate of 2.65% per annum and is repayable in full in May 2021.
- \$200,000,000 long term loans with an effective interest rate at 2.45% per annum and are repayable in full by July 2020.

## 25. SHARE CAPITAL AND TREASURY SHARES

### (a) Share capital

	Group and Company S\$'000
<b>Issued and fully-paid:</b>	
Balance as at 1 January 2016	
937,187,782 ordinary shares	217,086
Less: 7,215,000 treasury shares purchased on the Singapore Exchange (285,000 treasury shares purchased and issued during the year)	(17)
Issued during the financial year	
50,000 shares issued	111
Balance as at 31 December 2016 and 1 January 2017	
930,022,782 ordinary shares	217,180
Less: 4,908,000 treasury shares purchased on the Singapore Exchange (92,000 treasury shares purchased and issued during the year)	(50)
Issued during the financial year	
NIL shares issued	-
Balance as at 31 December 2017	
925,114,782 ordinary shares	217,130

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

The Company has employee share option schemes (see Note 29) under which options to subscribe for the Company's ordinary shares may have been granted to employees (including executive director) and non-executive directors of the Group.

## 25. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

### (b) *Treasury shares*

Treasury shares relate to ordinary shares of the Company that are held by the Company. The Company acquired 5,000,000 (2016: 7,500,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was S\$8,949,000 (2016: S\$19,328,000) and this was presented as a component within shareholders' equity.

	Group and Company			
	2017		2016	
	Number of treasury shares		Number of treasury shares	
	'000	S\$'000	'000	S\$'000
Balance at beginning of financial year	7,215	18,607	-	-
Purchased from open market	5,000	8,949	7,500	19,328
Reissued pursuant to employee share option plans:				
- For cash on exercise on employee share options	(92)	(172)	(285)	(657)
- Loss transferred to share option reserve	-	(65)	-	(64)
Issued to employee as exercise of share option	(92)	(237)	(285)	(721)
	12,123	27,319	7,215	18,607

## 26. OTHER RESERVES

### (a) *Share option reserve*

Share option reserve represents the equity-settled share options or share plans granted to employees (Note 29). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options or share plans, and is reduced by the expiry or exercise of the share options or share plans.

### (b) *Fair value adjustment reserve*

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed off or impaired.

## 27. RELATED PARTY TRANSACTIONS

### *Sale and purchase of services*

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

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<b><i>Substantial shareholders and their subsidiaries</i></b>				
Telecommunications services rendered	12,991	13,738	12,859	13,721
Telecommunications services received	(13,233)	(17,110)	(13,231)	(17,108)
Rental and maintenance services received	(5,097)	(4,880)	(2,438)	(2,266)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 28. COMMITMENTS

### (a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group and Company	
	2017 S\$'000	2016 S\$'000
Capital commitments	199,797	40,495

Capital commitment as at 31 December 2017 includes S\$188.0 million for the 700 MHz spectrum.

### (b) Operating lease commitments

Rental expenses (principally for land, offices, retail outlets, service centres and base stations) under operating leases were S\$30,195,000 and S\$29,601,000 for the financial year ended 31 December 2017 and 2016 respectively.

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

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Not later than one year	14,023	13,225	8,753	8,552
Later than one year but not later than five years	14,258	13,280	9,448	10,879
Later than five years	3,322	1,366	3,322	1,366
	31,603	27,871	21,523	20,797

## 29. 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.

The Remuneration Committee (Committee) is responsible for administering the 2002 Scheme and 2013 Scheme (collectively, the Schemes). The Committee members are Mr Moses Lee Kim Poo (Chairman), Mr Choo Chiau Beng (resigned on 1 January 2018), Mr Danny Teoh Leong Kay (appointed on 13 February 2018), Mr Chow Kok Kee, Mr Low Huan Ping, Mr Alan Ow Soon Sian and Mr Tan Wah Yeow (appointed on 13 February 2018). The majority of the Committee comprises of independent directors, including the Committee Chairman.

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

### (a) *Share options (cont'd)*

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:

<b>Date of grant</b>	<b>Balance as at 1 January 2017 or date of grant</b>	<b>Exercised</b>	<b>Expired/ cancelled*</b>	<b>Balance as at 31 December 2017</b>	<b>Subscription price</b>
<b>2002 Scheme</b>					
6 February 2007	120,000	-	(120,000)	-	S\$2.17
11 February 2008	155,000	(80,000)	-	75,000	S\$1.90
2 February 2009	115,000	(12,000)	-	103,000	S\$1.60
3 February 2010	298,000	-	-	298,000	S\$2.04
7 February 2011	1,726,700	-	-	1,726,700	S\$2.44
30 January 2012	3,138,000	-	(125,000)	3,013,000	S\$2.43
<b>2013 Scheme</b>					
2 May 2013	6,279,000	-	(554,000)	5,725,000	S\$3.24
23 January 2014	7,496,000	-	(822,000)	6,674,000	S\$3.31
22 January 2015	8,680,000	-	(980,000)	7,700,000	S\$3.64
22 January 2016	9,200,000	-	(1,140,000)	8,060,000	S\$2.48
	<b>37,207,700</b>	<b>(92,000)</b>	<b>(3,741,000)</b>	<b>33,374,700</b>	

\* 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 10<sup>th</sup> anniversary of the date of grant.

The weighted average share price at the date of exercise of the options during the financial year was S\$2.20 (2016: S\$2.48).

The weighted average remaining contractual life for options outstanding at the end of the financial year was 6.3 years (2016: 7.2 years).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

### (a) *Share options (cont'd)*

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)	-	10,115,000	(5,049,300)	(400,000)	4,665,700	\$S1.25 - \$S3.64
Patrick Michael Scodeller	-	5,960,000	(4,410,000)	-	1,550,000	\$S1.25 - \$S3.64

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

Date of grant	22-Jan-16	22-Jan-15	23-Jan-14	2-May-13	30-Jan-12	7-Feb-11
Dividend Yield (%)	6.59	5.07	6.09	4.32	5.88	7.14
Expected Volatility (%)	19.00	17.00	17.00	16.00	27.00	28.00
Risk-free interest rate (%)	1.58	0.71	0.33	0.33	0.30	1.03
Expected life of option (years)	3.30	3.10	3.10	3.10	3.10	3.10
Share price (\$)	2.32	3.73	3.45	3.38	2.43	2.45
Exercise price (\$)	2.48	3.64	3.31	3.24	2.43	2.44

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

### (b) *Share plan*

The M1 Share Plan 2016 (2016 Plan) was approved by shareholders in Annual General Meeting on 6 April 2016.

Under the 2016 Plan, the aggregate number of shares which are fully paid to be finally awarded to the participants free of charge will be based on the achievement of certain predetermined performance targets and conditions as determined by the Remuneration Committee 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, as determined by the Remuneration Committee, after meeting the time-based service conditions where the participant has served the Company or, as the case may be, a relevant associate, for a specified number of years. Currently, awarded shares vest over a period of 3 years.

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

### (b) *Share plan (cont'd)*

Pursuant to the M1 2016 Plan which were provisionally granted on 1 August 2016, the final number of shares which were awarded is 295,700 shares. 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.

Pursuant to the M1 2016 Plan which were provisionally granted on 1 February 2017, the provisional number of shares which were subject to the award is up to 988,800. 30% of the award will be released and vested in 2019 and 2020 while the remaining 40% of the award will be released and vested in 2021.

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

At the end of the year, there were 295,700 shares granted (final award) and up to 988,800 shares granted (provisional award) under the 2016 Plan as follows:

#### Total shares awarded

	At beginning of financial year	Final award granted	At end of financial year
Date of grant	Up to		
1 August 2016	854,400	295,700	295,700

	At beginning of financial year	Provisional award granted	At end of financial year
Date of grant		Up to	Up to
1 February 2017	-	988,800	988,800

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

Name of director	Date of Grant	At beginning of financial year	Final award granted	At end of financial year
Karen Kooi Lee Wah	1 Aug 2016	Up to 60,000	21,000	21,000

Name of director	Date of Grant	At beginning of financial year	Provisional award granted	At end of financial year
Karen Kooi Lee Wah	1 Feb 2017	-	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

On 1 February 2018, the Company had granted the Final Award for performance period ended 31 December 2017. 741,900 shares were granted, which includes 52,800 shares granted to Karen Kooi Lee Wah (Director/Chief Executive Officer).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### **Credit risk**

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

The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations as of 31 December 2017 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

#### *Financial assets that are neither past due nor impaired*

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

#### *Financial assets that are either past due or impaired*

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

### **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.

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	1 year or less S\$'000	1 to 5 years S\$'000	> 5 years S\$'000	No maturity date S\$'000	Total S\$'000
<b>2017</b>					
<b>Group</b>					
<b>Financial assets</b>					
Trade and other receivables	202,418	442	-	-	202,860
Due from related parties	944	-	-	-	944
Cash and cash equivalents	46,480	-	-	-	46,480
Investment securities	6,688	-	-	25,546	32,234
<b>Total undiscounted financial assets</b>	<b>256,530</b>	<b>442</b>	<b>-</b>	<b>25,546</b>	<b>282,518</b>
<b>Financial liabilities</b>					
Trade payables and accruals	209,392	-	-	-	209,392
Due to related parties	307	-	-	-	307
Borrowings	-	484,210	-	-	484,210
<b>Total undiscounted financial liabilities</b>	<b>209,699</b>	<b>484,210</b>	<b>-</b>	<b>-</b>	<b>693,909</b>
<b>Total net undiscounted financial assets/(liabilities)</b>	<b>46,831</b>	<b>(483,768)</b>	<b>-</b>	<b>25,546</b>	<b>(411,391)</b>
<b>2016</b>					
<b>Group</b>					
<b>Financial assets</b>					
Trade and other receivables	179,657	331	-	-	179,988
Due from related parties	1,374	-	-	-	1,374
Cash and cash equivalents	11,016	-	-	-	11,016
Investment securities	-	6,695	-	13,915	20,610
<b>Total undiscounted financial assets</b>	<b>192,047</b>	<b>7,026</b>	<b>-</b>	<b>13,915</b>	<b>212,988</b>
<b>Financial liabilities</b>					
Trade payables and accruals	163,847	-	-	-	163,847
Due to related parties	465	-	-	-	465
Borrowings	151,057	279,114	-	-	430,171
<b>Total undiscounted financial liabilities</b>	<b>315,369</b>	<b>279,114</b>	<b>-</b>	<b>-</b>	<b>594,483</b>
<b>Total net undiscounted financial (liabilities)/assets</b>	<b>(123,322)</b>	<b>(272,088)</b>	<b>-</b>	<b>13,915</b>	<b>(381,495)</b>

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## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	1 year or less S\$'000	1 to 5 years S\$'000	> 5 years S\$'000	No maturity date S\$'000	Total S\$'000
<b>2017</b>					
<b>Company</b>					
<b>Financial assets</b>					
Trade and other receivables	182,543	442	-	-	182,985
Due from related parties	828	-	30,667	-	31,495
Cash and cash equivalents	43,402	-	-	-	43,402
<b>Total undiscounted financial assets</b>	<b>226,773</b>	<b>442</b>	<b>30,667</b>	<b>-</b>	<b>257,882</b>
<b>Financial liabilities</b>					
Trade payables and accruals	152,575	-	-	-	152,575
Due to related parties and subsidiaries	23,915	-	-	-	23,915
Borrowings	-	484,210	-	-	484,210
<b>Total undiscounted financial liabilities</b>	<b>176,490</b>	<b>484,210</b>	<b>-</b>	<b>-</b>	<b>660,700</b>
<b>Total net undiscounted financial assets/(liabilities)</b>	<b>50,283</b>	<b>(483,768)</b>	<b>30,667</b>	<b>-</b>	<b>(402,818)</b>
<b>2016</b>					
<b>Company</b>					
<b>Financial assets</b>					
Trade and other receivables	168,891	331	-	-	169,222
Due from related parties	1,372	-	40,207	-	41,579
Cash and cash equivalents	10,122	-	-	-	10,122
<b>Total undiscounted financial assets</b>	<b>180,385</b>	<b>331</b>	<b>40,207</b>	<b>-</b>	<b>220,923</b>
<b>Financial liabilities</b>					
Trade payables and accruals	116,675	-	-	-	116,675
Due to related parties and subsidiaries	55,146	-	-	-	55,146
Borrowings	151,057	279,114	-	-	430,171
<b>Total undiscounted financial liabilities</b>	<b>322,878</b>	<b>279,114</b>	<b>-</b>	<b>-</b>	<b>601,992</b>
<b>Total net undiscounted financial (liabilities)/assets</b>	<b>(142,493)</b>	<b>(278,783)</b>	<b>40,207</b>	<b>-</b>	<b>(381,069)</b>

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### ***Foreign currency risk***

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

The Group is also exposed to currency translation risk arising from its investment securities denominated in USD and HKD.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes as disclosed in Note 22.

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.

#### ***Market price risk***

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity securities. These quoted equity securities are quoted on the Growth Enterprise Market, set up by the Hong Kong Stock Exchange, and are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

#### ***Sensitivity analysis for equity price risk***

At the end of the reporting period, if the price per share had been 5% (2016: 5%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been S\$125,000 (2016: S\$102,000) higher/lower, arising as a result of an increase/decrease in the share price of investment in quoted equity securities.

### 31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

### *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

<b>Group</b>			
<b>2017</b>			
	Quoted prices in active markets for identical assets (Level 1) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Total S\$'000
<b>Financial assets:</b>			
Available-for-sale financial assets (Note 18)			
- Unquoted equity	-	10,953	10,953
- Unquoted equity, at cost	-	7,530	7,530
- Unquoted investment fund	-	4,392	4,392
- Quoted equity	2,671	-	2,671
	2,671	22,875	25,546

<b>Group</b>			
<b>2016</b>			
	Quoted prices in active markets for identical assets (Level 1) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Total S\$'000
<b>Financial assets:</b>			
Available-for-sale financial assets (Note 18)			
- Unquoted equity	-	7,402	7,402
- Unquoted equity, at cost	-	1,447	1,447
- Unquoted investment fund	-	3,022	3,022
- Quoted equity	2,044	-	2,044
	2,044	11,871	13,915

### 31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

#### **Determination of fair value**

##### *Level 3 fair value measurements*

Unquoted equity instruments and investment fund are valued based on the net asset value per share as reported by the managers of these funds, less impairment or at cost because fair value cannot be measured reliably. The equity securities that are measured at cost represent investment in companies that are not quoted on any market and does not have any comparable industry peer that is listed.

##### *Financial instruments whose carrying amount approximate fair value*

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

##### *Financial instrument by classes that is not carried at fair value, for which fair value is disclosed*

The fair value of financial liability by classes that is not carried at fair value, for which fair value is disclosed as follows:

	Group and Company			
	2017		2016	
	Carrying Amount S\$'000	Fair value S\$'000	Carrying amount S\$'000	Fair value S\$'000
Financial liability:				
- Fixed rate bank loan	450,000	446,214	250,000	247,208

The fair value of fixed rate bank loan is determined using market observable inputs such as prevailing term loan interest rates (Level 2 of the fair value hierarchy).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 32. 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 at the end of the reporting period:

	2017 S\$'000	2016 S\$'000
<b>Group</b>		
<b>Assets</b>		
<b>Available-for-sale financial assets:</b>		
Long-term investments	25,546	13,915
<b>Held-to-maturity financial asset:</b>		
Unquoted convertible note	6,688	6,695
<b>Loans and receivables:</b>		
Staff loans	586	440
Trade receivables	163,319	165,567
Deposits	6,112	6,039
Other receivables	32,843	7,942
Due from related parties	944	1,374
Cash and cash equivalents	46,480	11,016
	<b>250,284</b>	<b>192,378</b>
<b>Liabilities</b>		
<b>Liabilities at amortised cost:</b>		
Trade payables and accruals	209,392	163,847
Due to related parties	307	465
Borrowings	450,000	401,000
	<b>659,699</b>	<b>565,312</b>

### 32. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	2017 S\$'000	2016 S\$'000
<b>Company</b>		
<b>Assets</b>		
<b>Loans and receivables:</b>		
Staff loans	586	440
Due from subsidiaries	30,667	40,207
Trade receivables	150,598	159,359
Deposits	4,398	4,290
Other receivables	27,403	5,133
Due from related parties	828	1,372
Cash and cash equivalents	43,402	10,122
	<b>257,882</b>	<b>220,923</b>
<b>Liabilities</b>		
<b>Liabilities at amortised cost:</b>		
Trade payables and accruals	152,575	116,675
Due to related parties and subsidiaries	23,915	55,146
Borrowings	450,000	401,000
	<b>626,490</b>	<b>572,821</b>

### 33. CAPITAL MANAGEMENT

The objective of the Group's capital management policy is to provide capital 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 dividend payout ratio.

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

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

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Borrowings				
- Current	-	151,000	-	151,000
- Non-current	450,000	250,000	450,000	250,000
Less: Cash and cash equivalents	(46,480)	(11,016)	(43,402)	(10,122)
Net debts	<b>403,520</b>	389,984	<b>406,598</b>	390,878
Equity	<b>428,880</b>	403,413	<b>356,000</b>	358,893

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 34. DIVIDENDS

	Group and Company	
	2017 S\$'000	2016 S\$'000
<b>Declared and paid during the financial year:</b>		
Final – the previous year		
5.9 cents (2016: 8.3 cents) per ordinary share (one-tier tax)	<b>54,875</b>	77,168
Interim – the current year		
5.2 cents (2016: 7.0 cents) per ordinary share (one-tier tax)	<b>48,366</b>	65,093
	<b>103,241</b>	142,261
<b>Proposed but not recognised as a liability as at 31 December:</b>		
Final		
6.2 cents (2016: 5.9 cents) per ordinary share (one-tier tax)	<b>57,357</b>	54,871

The directors propose a final dividend of 6.2 cents per ordinary share (one-tier tax) in respect of the financial year ended 31 December 2017 for approval by shareholders at the forthcoming Annual General Meeting of the Company.

## 35. SEGMENT INFORMATION

The company and its subsidiaries operate in Singapore in one business segment, that of provision of telecommunications services, international call services and fixed services, retail sales of telecommunications equipment and accessories, and customer services.

The Group has a diversified customer base which comprises individuals and corporates. There was no single customer that contributed to 10% or more of the Group's revenue.

### 35. SEGMENT INFORMATION (CONT'D)

The Group's reportable segment information is as follows:

	Group	
	2017 S\$'000	2016 S\$'000
Mobile telecommunications services	642,481	639,968
International call services	55,869	61,310
Fixed services	129,725	104,231
Handsets and equipment sales	242,981	255,393
Others	5	-
<b>Total revenue</b>	<b>1,071,061</b>	<b>1,060,902</b>
EBITDA	302,421	312,053
Depreciation and amortisation	(129,903)	(126,760)
Finance costs	(9,884)	(6,749)
<b>Profit before taxation</b>	<b>162,634</b>	<b>178,544</b>
Taxation	(30,114)	(28,893)
<b>Profit for the year</b>	<b>132,520</b>	<b>149,651</b>
<b>Assets and liabilities</b>		
Non-current assets	949,333	919,222
Current assets	319,677	227,383
<b>Total assets</b>	<b>1,269,010</b>	<b>1,146,605</b>
Borrowings	450,000	401,000
Other non-current liabilities	120,617	117,985
Other current liabilities	269,513	224,207
<b>Total liabilities</b>	<b>840,130</b>	<b>743,192</b>
<b>Other information</b>		
Capital expenditure	151,127	140,546
Free cash flow	106,708	129,566

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

In October 2017, the Company entered into a share subscription agreement (Agreement) with its subsidiary, Kliq Pte. Ltd. (Kliq) and Merchantrade Asia Sdn. Bhd. (Merchantrade). Merchantrade is a leading provider of online and mobile applications for remittance and money-changing in Malaysia.

The transaction was completed on 26 February 2018, pursuant to the conditions precedent in the Agreement. Accordingly, the Company increased its investment in Kliq from S\$100,000 to S\$2,550,000 through the subscription of an additional 2,450,000 ordinary shares at a subscription price of S\$1.00 per ordinary share. Merchantrade in turn subscribed for 2,450,000 ordinary shares at a subscription price of S\$1.05 per ordinary share. This transaction resulted in Kliq having an enlarged total issued and paid-up share capital of S\$5,122,500 comprising 5,000,000 ordinary shares. Following completion, the Company holds 51% of Kliq, with Merchantrade holding the remaining 49% stake.

## 37. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 5 March 2018.