

TELEKOM MALAYSIA BERHAD (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad is pleased to announce the following audited results of the Group for the fourth quarter ended 31 December 2013.

AUDITED CONSOLIDATED INCOME STATEMENT

| | 4TH QUARTER ENDED | | FINANCIAL YEAR ENDED | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31/12/2013 RM Million | 31/12/2012 RM Million | 31/12/2013 RM Million | 31/12/2012 RM Million |
| OPERATING REVENUE | 2,979.8 | 2,809.3 | 10,628.7 | 9,993.5 |
| OPERATING COSTS | | | | |
| - depreciation, impairment and amortisation | (578.8) | (508.0) | (2,159.7) | (2,046.4) |
| - other operating costs | (2,057.6) | (1,981.7) | (7,218.6) | (6,925.6) |
| OTHER OPERATING INCOME (net) | 35.8 | 74.2 | 121.5 | 165.4 |
| OTHER (LOSSES)/GAINS (net) | (0.7) | 0.5 | 1.7 | 0.3 |
| OPERATING PROFIT BEFORE FINANCE COST | 378.5 | 394.3 | 1,373.6 | 1,187.2 |
| FINANCE INCOME | 36.8 | 31.6 | 144.9 | 139.6 |
| FINANCE COST | (97.6) | (86.3) | (371.2) | (331.5) |
| FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS | (8.7) | 5.4 | (105.2) | 73.4 |
| NET FINANCE COST | (69.5) | (49.3) | (331.5) | (118.5) |
| ASSOCIATES | | | | |
| - share of results (net of tax) | 0.7 | 1.2 | 3.9 | 0.9 |
| PROFIT BEFORE TAXATION AND ZAKAT | 309.7 | 346.2 | 1,046.0 | 1,069.6 |
| TAXATION AND ZAKAT (part B, note 5) | 45.3 | 31.4 | 1.8 | 236.3 |
| PROFIT FOR THE FINANCIAL PERIOD/YEAR | 355.0 | 377.6 | 1,047.8 | 1,305.9 |
| ATTRIBUTABLE TO: | | | | |
| - equity holders of the Company | 344.2 | 363.2 | 1,012.2 | 1,263.7 |
| - non-controlling interests | 10.8 | 14.4 | 35.6 | 42.2 |
| PROFIT FOR THE FINANCIAL PERIOD/YEAR | 355.0 | 377.6 | 1,047.8 | 1,305.9 |
| EARNINGS PER SHARE (sen) (part B, note 12) | | | | |
| - basic/diluted | 9.6 | 10.2 | 28.3 | 35.3 |

(The above audited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012)

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 4TH QUARTER ENDED | | FINANCIAL YEAR ENDED | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31/12/2013 RM Million | 31/12/2012 RM Million | 31/12/2013 RM Million | 31/12/2012 RM Million |
| PROFIT FOR THE FINANCIAL PERIOD/YEAR | 355.0 | 377.6 | 1,047.8 | 1,305.9 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that may be reclassified | | | | |
| subsequently to income statement: | | | | |
| - decrease in fair value of available-for-sale investments | (1.4) | (6.5) | (6.5) | (5.3) |
| - (decrease)/increase in fair value of available-for-sale receivables | (0.2) | (1.3) | 0.4 | (1.1) |
| - reclassification adjustments relating to available-for-sale investments disposed | 0.1 | (0.1) | (0.2) | (3.3) |
| - cash flow hedge: | | | | |
| - increase/(decrease) in fair value of cash flow hedge | 30.6 | (32.1) | 20.5 | (34.9) |
| - reclassification to foreign exchange gain/(loss) | 2.9 | 18.3 | (0.9) | 29.7 |
| - currency translation differences | | | | |
| - subsidiaries | 1.7 | (0.2) | 3.1 | (3.6) |
| - associate | # | - | 0.3 | - |
| Other comprehensive income/(loss) for the financial period/year | 33.7 | (21.9) | 16.7 | (18.5) |
| TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD/YEAR | 388.7 | 355.7 | 1,064.5 | 1,287.4 |
| ATTRIBUTABLE TO: | | | | |
| - equity holders of the Company | 377.9 | 341.3 | 1,028.9 | 1,245.2 |
| - non-controlling interests | 10.8 | 14.4 | 35.6 | 42.2 |
| TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD/YEAR | 388.7 | 355.7 | 1,064.5 | 1,287.4 |

Amount less than RM0.1 million

(The above audited consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012)

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | AS AT 31/12/2013 RM Million | AS AT 31/12/2012 RM Million | AS AT 1/1/2012 RM Million |
|--|-----------------------------------|-----------------------------------|---------------------------------|
| SHARE CAPITAL | 2,504.2 | 2,504.2 | 3,577.4 |
| SHARE PREMIUM | 43.2 | 43.2 | 43.2 |
| OTHER RESERVES | 173.9 | 157.2 | 175.7 |
| RETAINED PROFITS | 4,415.4 | 4,190.2 | 3,627.7 |
| TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 7,136.7 | 6,894.8 | 7,424.0 |
| NON-CONTROLLING INTERESTS | 162.6 | 165.2 | 162.9 |
| TOTAL EQUITY | 7,299.3 | 7,060.0 | 7,586.9 |
| Borrowings | 4,865.0 | 5,130.2 | 6,402.7 |
| Derivative financial instruments | 51.4 | 51.5 | 18.9 |
| Deferred tax liabilities | 1,151.0 | 1,202.6 | 1,541.8 |
| Deferred income | 1,999.5 | 2,129.4 | 2,072.7 |
| Other payables | 9.8 | - | - |
| DEFERRED AND NON-CURRENT LIABILITIES | 8,076.7 | 8,513.7 | 10,036.1 |
| | 15,376.0 | 15,573.7 | 17,623.0 |
| Property, plant and equipment | 14,572.0 | 14,721.7 | 14,226.7 |
| Investment property | - | 5.6 | - |
| Intangible assets | 319.8 | 322.1 | 320.9 |
| Associates | 10.7 | 1.5 | 0.6 |
| Available-for-sale investments | 99.7 | 98.7 | 104.8 |
| Available-for-sale receivables | 7.6 | 7.6 | 11.1 |
| Other non-current receivables | 314.9 | 252.3 | 199.5 |
| Derivative financial instruments | 80.3 | 43.1 | 66.2 |
| Deferred tax assets | 19.3 | 18.6 | 21.7 |
| NON-CURRENT ASSETS | 15,424.3 | 15,471.2 | 14,951.5 |
| Inventories | 154.0 | 151.2 | 220.3 |
| Non-current assets held for sale | 22.3 | 8.0 | - |
| Customer acquisition costs | 73.8 | 100.1 | 106.1 |
| Trade and other receivables | 2,288.6 | 2,207.0 | 2,323.2 |
| Derivative financial instruments | 27.1 | 2.6 | - |
| Available-for-sale investments | 624.3 | 500.6 | 418.1 |
| Financial assets at fair value through profit or loss | 17.2 | 16.5 | 20.1 |
| Cash and bank balances | 2,514.9 | 3,738.7 | 4,213.0 |
| CURRENT ASSETS | 5,722.2 | 6,724.7 | 7,300.8 |
| Trade and other payables | 3,172.8 | 3,545.5 | 3,552.1 |
| Customer deposits | 502.1 | 518.2 | 544.5 |
| Advance rental billings | 380.8 | 423.6 | 443.1 |
| Derivative financial instruments | 11.0 | - | - |
| Borrowings | 1,590.2 | 2,010.2 | 7.7 |
| Taxation and zakat | 113.6 | 124.7 | 81.9 |
| CURRENT LIABILITIES | 5,770.5 | 6,622.2 | 4,629.3 |
| NET CURRENT (LIABILITIES)/ASSETS | (48.3) | 102.5 | 2,671.5 |
| | 15,376.0 | 15,573.7 | 17,623.0 |
| NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen) | 199.5 | 192.7 | 207.5 |

(The above audited consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012)

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|--------------------------------|--------------------------------------|----------------------------------|--|--|-----------------------------------|--|-------------------------------|
| | Share Capital RM Million | Share Premium RM Million | Fair Value Reserves RM Million | Hedging Reserve RM Million | Capital Redemption Reserve RM Million | Currency Translation Differences RM Million | Retained Profits RM Million | Non- controlling Interests RM Million | Total Equity RM Million |
| At 1 January 2013 | 2,504.2 | 43.2 | 62.6 | 26.9 | 71.6 | (3.9) | 4,190.2 | 165.2 | 7,060.0 |
| Profit for the financial year | - | - | - | - | - | - | 1,012.2 | 35.6 | 1,047.8 |
| Other comprehensive income | | | | | | | | | |
| Items that may be reclassified subsequently to income statement: | | | | | | | | | |
| - decrease in fair value of available-for-sale investments | - | - | (6.5) | - | - | - | - | - | (6.5) |
| - increase in fair value of available-for-sale receivables | - | - | 0.4 | - | - | - | - | - | 0.4 |
| - reclassification adjustments relating to available-for-sale investments disposed | - | - | (0.2) | - | - | - | - | - | (0.2) |
| - cash flow hedge: | | | | | | | | | |
| - increase in fair value of cash flow hedge | - | - | - | 20.5 | - | - | - | - | 20.5 |
| - reclassification to foreign exchange loss | - | - | - | (0.9) | - | - | - | - | (0.9) |
| - currency translation differences | | | | | | | | | |
| - subsidiaries | - | - | - | - | - | 3.1 | - | - | 3.1 |
| - associate | - | - | - | - | - | 0.3 | - | - | 0.3 |
| Total comprehensive (loss)/income for the financial year | - | - | (6.3) | 19.6 | - | 3.4 | 1,012.2 | 35.6 | 1,064.5 |
| Transactions with owners | | | | | | | | | |
| - final dividends paid for the financial year ended 31 December 2012 (part A, note 6) | - | - | - | - | - | - | (436.4) | - | (436.4) |
| - interim dividends paid for the financial year ended 31 December 2013 (part A, note 6) | - | - | - | - | - | - | (350.6) | - | (350.6) |
| - dividends paid to non-controlling interests | - | - | - | - | - | - | - | (38.2) | (38.2) |
| Total transactions with owners | - | - | - | - | - | - | (787.0) | (38.2) | (825.2) |
| At 31 December 2013 | 2,504.2 | 43.2 | 56.3 | 46.5 | 71.6 | (0.5) | 4,415.4 | 162.6 | 7,299.3 |

(The above audited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012)

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

| | Attributable to equity holders of the Company | | | | | | | | |
|--|---|--------------------------------|--------------------------------------|----------------------------------|--|--|-----------------------------------|--|-------------------------------|
| | Share Capital RM Million | Share Premium RM Million | Fair Value Reserves RM Million | Hedging Reserve RM Million | Capital Redemption Reserve RM Million | Currency Translation Differences RM Million | Retained Profits RM Million | Non- controlling Interests RM Million | Total Equity RM Million |
| At 1 January 2012 | 3,577.4 | 43.2 | 72.3 | 32.1 | 71.6 | (0.3) | 3,627.7 | 162.9 | 7,586.9 |
| Profit for the financial year | - | - | - | - | - | - | 1,263.7 | 42.2 | 1,305.9 |
| Other comprehensive income | | | | | | | | | |
| Items that may be reclassified subsequently to income statement: | | | | | | | | | |
| - decrease in fair value of available-for-sale investments | - | - | (5.3) | - | - | - | - | - | (5.3) |
| - decrease in fair value of available-for-sale receivables | - | - | (1.1) | - | - | - | - | - | (1.1) |
| - reclassification adjustments relating to available-for-sale investments disposed | - | - | (3.3) | - | - | - | - | - | (3.3) |
| - cash flow hedge: | | | | | | | | | |
| - decrease in fair value of cash flow hedge | - | - | - | (34.9) | - | - | - | - | (34.9) |
| - reclassification to foreign exchange gain | - | - | - | 29.7 | - | - | - | - | 29.7 |
| - currency translation differences - subsidiaries | - | - | - | - | - | (3.6) | - | - | (3.6) |
| Total comprehensive (loss)/income for the financial year | - | - | (9.7) | (5.2) | - | (3.6) | 1,263.7 | 42.2 | 1,287.4 |
| Transactions with owners | | | | | | | | | |
| - capital repayment | (1,073.2) | - | - | - | - | - | - | - | (1,073.2) |
| - capital return to non-controlling interests on winding up of a subsidiary | - | - | - | - | - | - | - | (0.6) | (0.6) |
| - final dividends paid for the financial year ended 31 December 2011 | - | - | - | - | - | - | (350.6) | - | (350.6) |
| - interim dividends paid for the financial year ended 31 December 2012 | - | - | - | - | - | - | (350.6) | - | (350.6) |
| - dividends paid to non-controlling interests | - | - | - | - | - | - | - | (39.3) | (39.3) |
| Total transactions with owners | (1,073.2) | - | - | - | - | - | (701.2) | (39.9) | (1,814.3) |
| At 31 December 2012 | 2,504.2 | 43.2 | 62.6 | 26.9 | 71.6 | (3.9) | 4,190.2 | 165.2 | 7,060.0 |

(The above audited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012)

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

| | FINANCIAL YEAR ENDED | |
|---|-----------------------------|-------------------|
| | 31/12/2013 | 31/12/2012 |
| | RM Million | RM Million |
| Receipts from customers | 10,063.6 | 9,817.3 |
| Payments to suppliers and employees | (6,831.3) | (6,569.1) |
| Payment of finance cost | (363.7) | (331.8) |
| Payment of income taxes and zakat (net) | (72.9) | (68.5) |
| CASH FLOWS FROM OPERATING ACTIVITIES | 2,795.7 | 2,847.9 |
| Contribution for purchase of property, plant and equipment | 47.1 | 251.9 |
| Disposal of property, plant and equipment | 5.8 | 10.9 |
| Purchase of property, plant and equipment | (2,415.2) | (2,672.1) |
| Acquisition of an associate (part A, note 9) | (12.7) | - |
| Disposal of available-for-sale investments | 337.8 | 432.0 |
| Purchase of available-for-sale investments | (467.0) | (513.0) |
| Disposal of financial assets at fair value through profit or loss | 0.8 | 0.5 |
| Disposal of non-current assets held for sale | 14.4 | 10.4 |
| Long term deposit | (16.6) | (16.6) |
| Repayments of loans by employees | 8.4 | 12.4 |
| Loans to employees | (26.0) | (17.5) |
| Disposal of housing loan | 9.9 | 11.3 |
| Interests received | 137.6 | 136.4 |
| Dividends received | 13.3 | 1.3 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | (2,362.4) | (2,352.1) |
| Capital repayment | - | (1,073.2) |
| Capital return to non-controlling interests on winding up of a subsidiary | - | (0.6) |
| Proceeds from borrowings | 1,553.5 | 1,479.4 |
| Repayments of borrowings | (2,379.5) | (632.0) |
| Repayments of finance lease | (3.8) | (3.6) |
| Dividend paid to shareholders (part A, note 6) | (787.0) | (701.2) |
| Dividend paid to non-controlling interests | (38.2) | (39.3) |
| CASH FLOWS USED IN FINANCING ACTIVITIES | (1,655.0) | (970.5) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,221.7) | (474.7) |
| EFFECT OF EXCHANGE RATE CHANGES | (2.1) | 0.4 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | 3,738.3 | 4,212.6 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 2,514.5 | 3,738.3 |

(The above audited consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012)

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The audited interim financial statements for the 4th quarter ended 31 December 2013 of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board (MASB), paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2012. The accounting policies, method of computation and basis of consolidation applied in the audited interim financial statements are consistent with those used in the preparation of the 2012 audited financial statements except for the changes arising from the adoption of the new MFRSs issued by MASB that are effective for the Group’s financial year beginning on 1 January 2013.

(I) New standards and amendments to published standards that are effective and applicable for the Group’s financial year beginning on 1 January 2013

The new standards and amendments to published standards issued by the MASB that are effective and applicable for the Group’s financial year beginning on 1 January 2013 are as follows:

| | |
|---|--|
| Amendments to MFRS 1, 101, 116, 132 and 134 | Amendments to MFRSs contained in the document entitled “Annual Improvements 2009 – 2011 Cycle” |
| Amendments to MFRS 7 | Disclosure – Offsetting Financial Assets and Financial Liabilities |
| Amendments to MFRS 10, 11 and 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| MFRS 3 | Business Combinations (IFRS 3 issued by International Accounting Standards Board (IASB) in March 2004) |
| MFRS 10 | Consolidated Financial Statements |
| MFRS 11 | Joint Arrangements |
| MFRS 12 | Disclosure of Interests in Other Entities |
| MFRS 13 | Fair Value Measurement |
| MFRS 119 | Employee Benefits (IAS 19 as amended by IASB in June 2011) |
| MFRS 127 | Separate Financial Statements (IAS 27 as amended by IASB in May 2011) |

TELEKOM MALAYSIA BERHAD (128740-P)
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

(I) New standards and amendments to published standards that are effective and applicable for the Group's financial year beginning on 1 January 2013 (continued)

The new standards and amendments to published standards issued by the MASB that are effective and applicable for the Group's financial year beginning on 1 January 2013 are as follows: (continued)

| | |
|----------|--|
| MFRS 127 | Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003) |
| MFRS 128 | Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011) |

- MFRS 10 “Consolidated Financial Statements” changes the definition of control. An investor 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. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 “Consolidated and Separate Financial Statements” and IC Interpretation 112 “Consolidation – Special Purpose Entities”. The adoption of MFRS 10 has called for the reassessment of the Company's involvement with its investees, which led to the consolidation of an additional entity, Yayasan Telekom Malaysia from its inception. The impact of this change on the Group's reported financial position, financial performance and cash flows is not material.
- MFRS 13 “Fair Value Measurement” has given rise to consequential amendments to MFRS 134 “Interim Financial Reporting” and requires additional fair value disclosures of financial instruments in the Group's interim financial reports, which has been disclosed in part A, note 13.
- Amendments to MFRS 116 “Property, Plant and Equipment” clarify the classification of servicing equipment such as spare parts, stand-by equipment and servicing equipment to be recognised as property, plant and equipment (PPE) when the definition of property, plant and equipment is met. With the amendments to MFRS 116, servicing items that are used for more than 1 period are reclassified and disclosed as PPE. The impact of the reclassification which has been applied retrospectively is as disclosed in part A, note 14.
- With the amendments to MFRS 134 “Interim Financial Reporting” which require consistency with MFRS 8 “Operating Segments” to disclose total assets and liabilities for reportable segments when there are material changes from the amount disclosed in the last annual financial statements, the Group has disclosed its segment liabilities in part A, note 7.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

(II) Standards and amendments to published standards that are not yet effective and have not been early adopted

The new standards and amendments to published standards that are applicable to the Group, which the Group have not early adopted, are as follows:

Effective for annual periods beginning on or after 1 January 2014

| | |
|-----------------------------------|--|
| Amendments to MFRS 132 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to MFRS 10, 12 and 127 | Investment Entities |
| Amendments to MFRS 136 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to MFRS 139 | Novation of Derivatives and Continuation of Hedge Accounting |
| IC Interpretation 21 | Levies |

Effective for annual periods beginning on or after 1 July 2014

| | |
|---|--|
| Amendments to MFRS 119 | Defined Benefit Plans: Employee Contribution |
| Amendments to MFRS 2, 3, 8, 13, 116, 124, and 138 | Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRSs 2010 – 2012 Cycles” |
| Amendments to MFRS 1, 3, 13 and 140 | Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRSs 2011 – 2013 Cycles” |

Effective for annual periods to be announced by MASB

| | |
|--------|--|
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in November 2009) |
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in October 2010) |
| MFRS 9 | Financial Instruments (Hedge Accounting and Amendments to MFRS 7, 9 and 139) |

The adoption of the above applicable standards and amendments to published standards are not expected to have a material impact on the financial statements of the Group except for MFRS 9 as explained in the 2012 audited annual financial statements and IC Interpretation 21.

The group has yet to assess the full impact of MFRS 9 and IC Interpretation 21. The Group will also consider the impact of the remaining phases of MFRS 9 when completed by MASB.

There are no other standards, amendments to published standards or Interpretation Committee (IC) Interpretation that are not yet effective that would be expected to have a material impact on the Group.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

2. Seasonal or Cyclical Factors

The operations of the Group were not materially affected by any seasonal or cyclical factors.

3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the 4th quarter and financial year ended 31 December 2013.

4. Material Changes in Estimates

There was no material changes in estimates reported in the prior interim period or prior financial year.

5. Issuances, Repurchases and Repayments of Debt and Equity Securities

On 30 August 2013, the Group received approval from the Securities Commission Malaysia for the establishment of an Islamic Commercial Papers (ICP) programme and Islamic Medium Term Notes (IMTN) programme with a total combined limit of up to RM3.0 billion in nominal value, which have respective tenures of 7 and 20 years from the date of first issue. The ICP shall have a tenure of not more than 12 months whilst the IMTN between 1 to 20 years provided that the respective debt securities mature before the expiry of the respective programmes.

On 18 December 2013, the Group made the first issuance of IMTN under this programme with details as follows:

| Issuance Date | Nominal value RM million | Rate per annum | Maturity Date |
|----------------------|-------------------------------------|-----------------------|----------------------|
| 18 December 2013 | 200.0 | 4.30% | 18 December 2020 |

During the financial year, the Group also issued the following ICP and IMTN from the previous ICP programme and IMTN programme with a combined limit of up to RM2.0 billion in nominal value, approved by the Securities Commission Malaysia on 5 April 2011.

| Issuance Date (by debt securities) | Nominal value RM million | Rate per annum | Maturity Date |
|---|-------------------------------------|---------------------------|----------------------|
| 1. Islamic Commercial Papers | | | |
| 20 February 2013 | 200.0 | 3.20% | 30 April 2013 |
| 15 April 2013 | 50.0 | 3.11% | 30 April 2013 |
| Total | 250.0 | | |
| 1. Islamic Medium Term Notes | | | |
| 30 April 2013 | 400.0 | 3.95% | 28 April 2023 |
| 24 June 2013 | 250.0 | 3.93% | 23 June 2023 |
| Total | 650.0 | | |

All of the above ICP have been fully repaid on their maturity dates.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

5. Issuances, Repurchases and Repayments of Debt and Equity Securities (continued)

With the issuance of IMTN in June 2013, the Group has, cumulatively a total of RM2.0 billion IMTN in issue under the previous programme.

The proceeds from the issuance of the ICP and/or IMTN are used by the Group to meet its capital expenditure and business operating requirements.

Save for the above, there were no other issuances, repurchases and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the 4th quarter and financial year ended 31 December 2013.

6. Dividends Paid

- (i) A final single-tier dividend of 12.2 sen per share amounting to RM436.4 million in respect of financial year ended 31 December 2012 was paid on 27 May 2013.
- (ii) An interim single-tier dividend of 9.8 sen per share amounting to RM350.6 million for the financial year ended 31 December 2013 was paid on 27 September 2013.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information

Segmental information for the Group are as follows:

By Business Segment

| All amounts are in RM Million 4th Quarter Ended 31 December 2013 Operating Revenue | Retail Business | | | | Total Retail Business | Global & Wholesale Business | Shared Services /Others | Total |
|---|-----------------|-------|------------|------------|--------------------------|-----------------------------------|----------------------------|-----------|
| | Consumer | SME | Enterprise | Government | | | | |
| Total operating revenue | 769.9 | 515.4 | 314.9 | 623.7 | 2,223.9 | 551.3 | 1,636.7 | 4,411.9 |
| Inter-segment @ | (13.3) | (0.1) | (3.1) | - | (16.5) | (72.9) | (1,342.7) | (1,432.1) |
| External operating revenue | 756.6 | 515.3 | 311.8 | 623.7 | 2,207.4 | 478.4 | 294.0 | 2,979.8 |
| Results | | | | | | | | |
| Segment profits | 25.2 | 110.1 | 60.7 | 180.6 | 376.6 | 96.7 | 3.0 | 476.3 |
| Unallocated income/other losses* | | | | | | | | 4.8 |
| Unallocated costs^ | | | | | | | | (102.6) |
| Operating profit before finance cost | | | | | | | | 378.5 |
| Finance income | | | | | | | | 36.8 |
| Finance cost | | | | | | | | (97.6) |
| Foreign exchange loss on borrowings | | | | | | | | (8.7) |
| Associates | | | | | | | | |
| - share of results (net of tax) | | | | | | | | 0.7 |
| Profit before taxation and zakat | | | | | | | | 309.7 |
| Taxation and zakat | | | | | | | | 45.3 |
| Profit for the financial period | | | | | | | | 355.0 |

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

| All amounts are in RM Million 4th Quarter Ended 31 December 2012 Operating Revenue | Retail Business | | | | Total Retail Business | Global & Wholesale Business | Shared Services /Others | Total |
|---|-----------------|-------|------------|------------|--------------------------|-----------------------------------|----------------------------|-----------|
| | Consumer | SME | Enterprise | Government | | | | |
| Total operating revenue | 705.0 | 487.3 | 277.6 | 571.2 | 2,041.1 | 564.8 | 1,570.7 | 4,176.6 |
| Inter-segment @ | (5.4) | (0.4) | (0.8) | # | (6.6) | (107.9) | (1,252.8) | (1,367.3) |
| External operating revenue | 699.6 | 486.9 | 276.8 | 571.2 | 2,034.5 | 456.9 | 317.9 | 2,809.3 |
| Results | | | | | | | | |
| Segment profits | 32.8 | 89.1 | 38.6 | 176.1 | 336.6 | 119.9 | 12.5 | 469.0 |
| Unallocated income/other gains* | | | | | | | | 39.9 |
| Unallocated costs^ | | | | | | | | (114.6) |
| Operating profit before finance cost | | | | | | | | 394.3 |
| Finance income | | | | | | | | 31.6 |
| Finance cost | | | | | | | | (86.3) |
| Foreign exchange gain on borrowings | | | | | | | | 5.4 |
| Associates | | | | | | | | |
| - share of results (net of tax) | | | | | | | | 1.2 |
| Profit before taxation and zakat | | | | | | | | 346.2 |
| Taxation and zakat | | | | | | | | 31.4 |
| Profit for the financial period | | | | | | | | 377.6 |

Amount less than RM0.1 million

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

| All amounts are in RM Million Financial Year Ended 31 December 2013 | Retail Business | | | | Total Retail Business | Global & Wholesale Business | Shared Services /Others | Total |
|---|-----------------|---------|------------|------------|--------------------------|-----------------------------------|----------------------------|-----------|
| | Consumer | SME | Enterprise | Government | | | | |
| Operating Revenue | | | | | | | | |
| Total operating revenue | 2,966.1 | 1,933.0 | 1,173.3 | 1,936.7 | 8,009.1 | 2,013.2 | 6,265.1 | 16,287.4 |
| Inter-segment @ | (37.2) | (1.1) | (6.1) | - | (44.4) | (307.3) | (5,307.0) | (5,658.7) |
| External operating revenue | 2,928.9 | 1,931.9 | 1,167.2 | 1,936.7 | 7,964.7 | 1,705.9 | 958.1 | 10,628.7 |
| Results | | | | | | | | |
| Segment profits | 150.6 | 357.8 | 234.2 | 580.9 | 1,323.5 | 305.7 | 3.0 | 1,632.2 |
| Unallocated income/other gains* | | | | | | | | 17.8 |
| Unallocated costs^ | | | | | | | | (276.4) |
| Operating profit before finance cost | | | | | | | | 1,373.6 |
| Finance income | | | | | | | | 144.9 |
| Finance cost | | | | | | | | (371.2) |
| Foreign exchange loss on borrowings | | | | | | | | (105.2) |
| Associates | | | | | | | | |
| - share of results (net of tax) | | | | | | | | 3.9 |
| Profit before taxation and zakat | | | | | | | | 1,046.0 |
| Taxation and zakat | | | | | | | | 1.8 |
| Profit for the financial year | | | | | | | | 1,047.8 |

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

| All amounts are in RM Million Financial Year Ended | Retail Business | | | | Total Retail Business | Global & Wholesale Business | Shared Services /Others | Total |
|---|-----------------|---------|------------|------------|--------------------------|-----------------------------------|----------------------------|-----------|
| | Consumer | SME | Enterprise | Government | | | | |
| 31 December 2012 | | | | | | | | |
| Operating Revenue | | | | | | | | |
| Total operating revenue | 2,724.0 | 1,912.2 | 1,100.0 | 1,754.7 | 7,490.9 | 1,997.5 | 5,801.3 | 15,289.7 |
| Inter-segment @ | (31.7) | (1.7) | (3.7) | (0.1) | (37.2) | (348.1) | (4,910.9) | (5,296.2) |
| External operating revenue | 2,692.3 | 1,910.5 | 1,096.3 | 1,754.6 | 7,453.7 | 1,649.4 | 890.4 | 9,993.5 |
| Results | | | | | | | | |
| Segment profits | 94.7 | 353.4 | 210.6 | 364.5 | 1,023.2 | 310.0 | 73.2 | 1,406.4 |
| Unallocated income/other gains* | | | | | | | | 47.7 |
| Unallocated costs^ | | | | | | | | (266.9) |
| Operating profit before finance cost | | | | | | | | 1,187.2 |
| Finance income | | | | | | | | 139.6 |
| Finance cost | | | | | | | | (331.5) |
| Foreign exchange gain on borrowings | | | | | | | | 73.4 |
| Associates | | | | | | | | |
| - share of results (net of tax) | | | | | | | | 0.9 |
| Profit before taxation and zakat | | | | | | | | 1,069.6 |
| Taxation and zakat | | | | | | | | 236.3 |
| Profit for the financial year | | | | | | | | 1,305.9 |

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

| All amounts are in RM Million Segment assets and liabilities | Retail Business | | | | Total Retail Business | Global & Wholesale Business | Shared Services /Others | Total |
|---|-----------------|-------|------------|------------|--------------------------|-----------------------------------|----------------------------|------------------------|
| | Consumer | SME | Enterprise | Government | | | | |
| As at 31 December 2013 | | | | | | | | |
| Segment assets | 305.4 | 237.5 | 223.0 | 882.4 | 1,648.3 | 1,059.0 | 15,252.6 | 17,959.9 |
| Associates | | | | | | | | 10.7 |
| Unallocated assets ^{<} | | | | | | | | 3,175.9 |
| Total assets | | | | | | | | <u>21,146.5</u> |
| Segment liabilities | 209.2 | 409.1 | 289.9 | 393.0 | 1,301.2 | 613.1 | 4,074.7 | 5,989.0 |
| Borrowings | | | | | | | | 6,455.2 |
| Unallocated liabilities ⁺ | | | | | | | | 1,403.0 |
| Total liabilities | | | | | | | | <u>13,847.2</u> |
| As at 31 December 2012 | | | | | | | | |
| Segment assets | 461.7 | 224.5 | 88.9 | 894.7 | 1,669.8 | 1,073.0 | 15,276.7 | 18,019.5 |
| Associates | | | | | | | | 1.5 |
| Unallocated assets ^{<} | | | | | | | | 4,174.9 |
| Total assets | | | | | | | | <u>22,195.9</u> |
| Segment liabilities | 338.5 | 395.7 | 121.6 | 538.9 | 1,394.7 | 576.2 | 4,586.9 | 6,557.8 |
| Borrowings | | | | | | | | 7,140.4 |
| Unallocated liabilities ⁺ | | | | | | | | 1,437.7 |
| Total liabilities | | | | | | | | <u>15,135.9</u> |

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7. Segmental Information (continued)

- @ Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. These inter-segment trading arrangements are subject to periodic review. The inter-company revenue was entered into in the normal course of business.
- * Unallocated income/other gains or losses comprises other operating income and other gains or losses such as dividend income and gain or losses on disposal of available-for-sale investments which has not been allocated to a particular business segment.
- ^ Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital Management, Group Finance, Group Legal, Compliance & Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which were not allocated to a particular business segment.
- < Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets, cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.
- + Unallocated liabilities mainly include interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

The prior year comparatives have been restated in line with business structure realignment in the current financial year to cluster the Global Business and Wholesale Business segments as part of the Group's new market approach to increase focus on key customer segments. In addition, the basis of allocation of certain cost elements has been revised to better reflect the consumption of network services by the different business segments.

8. Material Events Subsequent to the End of the Quarter

Acquisition of Equity Interest in GTC Global Sdn Bhd (GTC) from Gapurna Global Solutions Sdn Bhd (GGS)

On 27 November 2013, TM entered into a conditional Share Sale Agreement (SSA) with GGS to acquire the entire equity interest held by GGS in GTC (Sale Shares) for a total consideration of RM45.0 million to be satisfied by way of cash (Proposed Acquisition).

The SSA is conditional upon fulfillment of several Conditions Precedent, within three (3) months from the date of the SSA or such other date as may be agreed upon between TM and GGS.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

8. Material Events Subsequent to the End of the Quarter (continued)

Acquisition of Equity Interest in GTC Global Sdn Bhd (GTC) from Gapurna Global Solutions Sdn Bhd (GGS) (continued)

The Proposed Acquisition was completed on 10 January 2014 upon fulfilment of the Conditions Precedent, and GTC became TM's wholly owned subsidiary with effect from the same date.

Save for the above, there is no other material event subsequent to the reporting date that requires disclosure or adjustment to the audited interim financial statements.

9. Effects of Changes in the Composition of the Group

There is no change in the composition of the Group for the 4th quarter and financial year ended 31 December 2013 save as below:

(i) Bluetel Networks Pte Ltd

On 15 August 2012, TM via its wholly owned subsidiary, Telekom Malaysia (S) Pte Ltd (TMS) has entered into a Subscription Agreement and Shareholders' Agreement with the shareholders of Bluetel Networks Pte Ltd (BTN), for the subscription by TMS of 1,266,000 ordinary shares (Shares Subscription) for a purchase consideration of SGD5.1 million, representing 29.0% of the total number of issued ordinary shares in BTN.

BTN is a provider of telecommunications and network solutions. Upon satisfaction of the conditions precedents, the Shares Subscription was duly completed on 26 March 2013 and BTN effectively became an associate of the Group. The financial impact of the acquisition for the current financial year is not material to the Group.

(ii) Telekom Malaysia (Australia) Pty Ltd (TMA)

On 18 December 2013, TM incorporated a wholly-owned subsidiary, Telekom Malaysia (Australia) Pty Ltd under the Australian Corporations Act 2001 with an initial issued and paid-up share capital of AUD\$2 comprising 2 shares of AUD\$1 each. The incorporation of TMA is part of TM's expansion effort to cover Australasia and the Philippines markets. TMA will assume the role of TM's regional sales office supporting sales requirements coming from Australia, New Zealand, the Philippines and the Pacific Islands.

The incorporation of TMA has no material effect to the Group.

10. Changes in Contingent Liabilities Since the Last Annual Reporting Period

Other than material litigations disclosed in part B, note 11 of this announcement, there were no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2012.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

11. Capital Commitments

| | Group | |
|---|-------------------|-------------------|
| | 31/12/2013 | 31/12/2012 |
| | RM Million | RM Million |
| Property, plant and equipment: | | |
| Commitments in respect of expenditure approved and contracted for | 2,793.8 | 3,156.7 |
| Commitments in respect of expenditure approved but not contracted for | 1,119.7 | 1,570.3 |

12. Related Party Transactions

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.73% equity interest and is a related party of the Group. Khazanah is a wholly owned entity of MoF Inc, which is in turn owned by the Ministry of Finance, a ministry of the Federal Government of Malaysia. Therefore, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group.

The individually significant transactions that the Group entered into with identified related parties and their corresponding balances for the provision of telecommunications related services as at the respective reporting dates are as follows:

| | Total amount of individually significant transactions for the financial year ended | | Corresponding outstanding balances as at | |
|------------------------------|---|-------------------|---|-------------------|
| | 31/12/2013 | 31/12/2012 | 31/12/2013 | 31/12/2012 |
| | RM Million | RM Million | RM Million | RM Million |
| Sales and Receivables | 740.5 | 670.9 | 121.0 | 102.3 |

The Group also has individually significant contracts with other Government-related entities where the Group was provided funding for projects of which the amortisation of grants to the income statement in the current year was RM170.2 million (2012: RM136.7 million) with corresponding receivables of nil (2012: nil).

In addition to the above, the Group has transactions that are collectively, but not individually significant with other Government-related entities in respect of the provision of telecommunications related services as well as procurement of telecommunications and related equipments and services in the normal course of business.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

13. Fair Value

The following should be read in conjunction with note 45 of the Group's audited financial statements for the financial year ended 31 December 2012.

(a) Financial Instruments Carried at Fair Value

The following table presents the Group's financial assets and liabilities that are measured at fair value as at the respective reporting date.

| | 31/12/2013 | | | | 31/12/2012 | | | |
|---|---------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------|
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
| Assets | | | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | | | |
| -quoted securities | 17.2 | - | - | 17.2 | 16.5 | - | - | 16.5 |
| Derivatives at fair value through profit or loss | - | 27.1 | - | 27.1 | - | 0.3 | - | 0.3 |
| Derivatives accounted for under hedge accounting | - | 80.3 | - | 80.3 | - | 45.4 | - | 45.4 |
| Available-for-sale financial assets | | | | | | | | |
| -investments | - | 675.6 | 48.4 | 724.0 | - | 550.0 | 49.3 | 599.3 |
| -receivables | - | 7.6 | - | 7.6 | - | 7.6 | - | 7.6 |
| Total | 17.2 | 790.6 | 48.4 | 856.2 | 16.5 | 603.3 | 49.3 | 669.1 |
| Liabilities | | | | | | | | |
| Derivatives at fair value through profit or loss | - | 11.0 | - | 11.0 | - | 25.6 | - | 25.6 |
| Derivatives accounted for under hedge accounting | - | 51.4 | - | 51.4 | - | 25.9 | - | 25.9 |
| Total | - | 62.4 | - | 62.4 | - | 51.5 | - | 51.5 |

There has not been any change to the valuation techniques applied for the different financial instruments since 31 December 2012 and there were no transfers of any instruments between level 1, 2 and 3 of the fair valuation hierarchy during the year.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

13. Fair Value (continued)

(b) Financial Instruments Other Than Those Carried at Fair Value.

There has not been significant changes in the differences between the carrying amount and fair value of financial instruments carried at other than fair value from the disclosures in note 45(b) of the Group's audited financial statements for the financial year ended 31 December 2012, other than below:

| | As at 31/12/2013 | | As at 31/12/2012 | |
|--------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
| | Carrying amount RM Million | Net fair value RM Million | Carrying amount RM Million | Net fair value RM Million |
| Liabilities | | | | |
| Borrowings | 6,455.2 | 6,813.7 | 7,140.4 | 7,784.9 |

14. Changes to Comparatives

The Group's inventories as reported in the previous periods include materials and servicing equipment namely cables, wires, network materials, maintenance spares and supplies which have been assessed in accordance with the amendments to MFRS 116 "Property, Plant and Equipment" and met the definition of property, plant and equipment (PPE). This has led to the retrospective reclassification of these items formerly classified and disclosed as inventories to PPE as well as the corresponding write off charges and cash flows as below:

| | 4th Quarter Ended 31/12/2012 | | | Financial Year Ended 31/12/2012 | | |
|---|--------------------------------------|--------------------------------|---------------------------|--------------------------------------|--------------------------------|---------------------------|
| | As previously reported RM Million | Reclassification RM Million | As restated RM Million | As previously reported RM Million | Reclassification RM Million | As restated RM Million |
| <u>Consolidated Income Statement</u> | | | | | | |
| Operating Cost | | | | | | |
| - depreciation, impairment and amortisation | (506.3) | (1.7) | (508.0) | (2,044.7) | (1.7) | (2,046.4) |
| - other operating cost | (1,983.4) | 1.7 | (1,981.7) | (6,927.3) | 1.7 | (6,925.6) |

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

14. Changes to Comparatives (continued)

| | As previously reported RM Million | Reclassification RM Million | As restated RM Million |
|--|--|--|-----------------------------------|
| <u>Consolidated Statement of Financial Position</u> | | | |
| At 31 December 2012 | | | |
| Non-current Assets | | | |
| Property, plant and equipment | 14,637.6 | 84.1 | 14,721.7 |
| Current Assets | | | |
| Inventories | 235.3 | (84.1) | 151.2 |
| At 1 January 2012 | | | |
| Non-current Assets | | | |
| Property, plant and equipment | 14,121.7 | 105.0 | 14,226.7 |
| Current Assets | | | |
| Inventories | 325.3 | (105.0) | 220.3 |
| <u>Consolidated Statement of Cash Flows</u> | | | |
| For financial year ended 31 December 2012 | | | |
| Cash Flows From Operating Activities | | | |
| Payment to suppliers and employees | (6,693.3) | 124.2 | (6,569.1) |
| Cash Flows Used In Investing Activities | | | |
| Purchase of property, plant and equipment | (2,547.9) | (124.2) | (2,672.1) |

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance

(a) Quarter-on-Quarter

(i) Group Performance

For the current quarter under review, Group revenue increased by 6.1% to RM2,979.8 million as compared to RM2,809.3 million in the same quarter last year, mainly due to higher revenue from data, Internet and multimedia and other telecommunications related services partially offset by decline in non-telecommunications related services.

Other telecommunications related services grew by 28.8% to RM573.0 million in the current quarter primarily due to higher revenue from customer projects.

Internet and multimedia services registered higher revenue by 13.2% to RM709.1 million in the current year quarter mainly arising from increase in UniFi customers from 482,513 in the last year quarter to 634,809 in the current quarter.

Operating profit before finance cost decreased by 4.0% to RM378.5 million as compared to RM394.3 million recorded in the fourth quarter last year mainly due to lower other operating income.

Group profit after tax and non-controlling interests (PATAMI) decreased by 5.2% to RM344.2 million as compared to RM363.2 million in the corresponding quarter last year mainly due to foreign exchange loss on translation of foreign currency borrowings of RM8.7 million in the current quarter as compared to a gain of RM5.4 million in last year quarter and the absence of deferred tax income on unutilised tax incentives.

(ii) Segment Performance

Consumer

Higher revenue by 9.2% to RM769.9 million in the current quarter arising from the increase in UniFi customers to 530,314 as at 31 December 2013 (2012: 406,009). Increase in the number of buys for Premium Channels and Video On Demand (VOD) on UniFi and up-selling or higher speed-mix taken up by Streamyx customers also contributed to the revenue growth. Profit for the quarter reduced slightly by RM7.6 million mainly due to higher direct costs in line with the higher revenue in the current quarter.

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance (continued)

(a) Quarter-on-Quarter (continued)

SME

SME segment registered 5.8% higher revenue of RM515.4 million in current quarter as compared to RM487.3 million in previous year's corresponding quarter driven by growth in Internet and multimedia services. UniFi customers at the end of the current year quarter stood at 101,841 as compared to 75,384 in the corresponding quarter last year. Correspondingly, profit increased by 23.6% to RM110.1 million in the current quarter from RM89.1 million recorded in the corresponding quarter of previous year.

Enterprise

Revenue increased by 13.4% to RM314.9 million from the RM277.6 million in the corresponding quarter last year mainly due to higher revenue from data and customer projects. Internet and multimedia and voice services also saw increase in the current quarter. Consequent from the higher revenue and lower operating costs, profit increased by 57.3% to RM60.7 million from RM38.6 million in the previous year's corresponding quarter.

Government

Government segment registered RM623.7 million revenue in the current quarter, an increase of 9.2% from the corresponding quarter last year. Other telecommunication related services revenue arising mainly from ongoing customer projects, was the main growth contributor with a 20% increase when compared to the corresponding quarter last year. Correspondingly, profit was also higher by 2.5% (RM4.5 million).

Global & Wholesale

Global & Wholesale recorded lower revenue by 2.4% to RM551.3 million in the current quarter, from RM564.8 million recorded in last year quarter mainly due to drop in both domestic and international voice usage minutes. Consequent from the lower revenue and higher operating costs, profit for the quarter reduced by 19.3% to RM96.7 million.

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance (continued)

(b) Year-on-Year

(i) Group Performance

For the year under review, Group revenue grew by 6.4% to RM10,628.7 million as compared to RM9,993.5 million recorded last year, primarily contributed by higher revenue from data, Internet and multimedia and other telecommunications related services, which mitigated the decline in voice and non-telecommunications related services.

Operating profit before finance cost of RM1,373.6 million was higher by 15.7% as compared to RM1,187.2 million recorded in the preceding year mainly due to higher revenue.

Group PATAMI decreased by 19.9% to RM1,012.2 million as compared to RM1,263.7 million recorded last year primarily due to foreign exchange loss on borrowings of RM105.2 million in the current financial year as compared to a gain of RM73.4 million last year as well as lower deferred tax income on unutilised tax incentives.

(ii) Segment Performance

Consumer

Revenue for the financial year grew by 8.9% from RM2,724.0 million to RM2,966.1 million recorded in the current financial year, driven primarily by the increase in UniFi customer base which stood at 530,314 at the end of the current financial year compared to 406,009 at the end of the previous financial year. In addition, higher take-up of Premium Channels and VOD as well as up-selling of Streamyx also contributed to the revenue growth. Profit increased by RM55.9 million to RM150.6 million in the current year.

SME

SME recorded 1.1% higher revenue to RM1,933.0 million in the current financial year. The increase was driven by growth in UniFi customer base that grew by 34.9% to 101,301 from 75,089 at the end of the previous financial year, which mitigated the decline in voice and other telecommunications related services. Consequent from the higher revenue, current year profit improved by 1.2% to RM357.8 million from RM353.4 million.

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance (continued)

(b) Year-on-Year (continued)

Enterprise

Revenue increased by 6.7% from RM1,100.0 million in the previous financial year to RM1,173.3 million in the current financial year mainly contributed by higher revenue from all key services and customer projects. Profit increased by 11.2% to RM234.2 million for the current financial year from RM210.6 million in the previous financial year in line with higher operating revenue.

Government

Government segment recorded higher revenue by 10.4% to RM1,936.7 million in the current financial year. The increase was mainly due to higher revenue from data, Internet and multimedia services arising from additional number of circuits as well as upgrade to higher bandwidth. Consequent from the higher revenue, profit increased to RM580.9 million in the current financial year.

Global & Wholesale

Revenue for the current financial year increased by 0.8% to RM2,013.2 million from RM1,997.5 million reported in the previous financial year contributed by growth in data and infrastructure services in particular High Speed Broadband Access (HSBA) despite drop in both domestic and international minutes of usage for voice services. Profit for the current year of RM305.7 million is lower by 1.4% compared to RM310.0 million recorded in the previous financial year due to higher operating costs.

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1. Review of Performance (continued)

(b) Economic Profit Statement

| | 4th Quarter Ended | | Financial Year Ended | |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31/12/2013 RM Million | 31/12/2012 RM Million | 31/12/2013 RM Million | 31/12/2012 RM Million |
| EBIT | 379.2 | 393.8 | 1,371.9 | 1,186.9 |
| Adjusted Tax | 94.8 | 98.5 | 343.0 | 296.7 |
| NOPLAT | 284.4 | 295.3 | 1,028.9 | 890.2 |
| AIC | 3,319.2 | 3,210.2 | 13,276.8 | 12,840.8 |
| WACC | 6.66% | 6.13% | 6.67% | 6.10% |
| ECONOMIC CHARGE | 221.0 | 196.8 | 885.5 | 783.3 |
| ECONOMIC PROFIT | 63.4 | 98.5 | 143.4 | 106.9 |

Definitions:

EBIT = Earnings before Interest & Taxes

NOPLAT = Net Operating Profit less Adjusted Tax

AIC = Average Invested Capital

WACC = Weighted Average Cost of Capital

Economic Profit (EP) is a yardstick to measure shareholder value as it provides a more accurate picture of underlying economic performance of TM Group vis-à-vis its financial accounting reports, i.e. it explains how much returns a business generates over its cost of capital. This is measured by the difference of NOPLAT and Economic Charge.

TM Group recorded a lower EP during fourth quarter 2013 due to lower NOPLAT and higher economic charge. The lower NOPLAT was mainly attributed to lower other income and higher operational cost despite higher operational revenue recorded. On full financial year basis, TM Group recorded a higher EP due to higher NOPLAT despite higher economic charge. The higher NOPLAT was mainly attributed to the increase in operating revenue which was higher than the increase in operating cost whilst the higher economic charge was mainly due to higher WACC arising from higher cost of equity.

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2. Comparison with Preceding Quarter's Results

The current quarter Group revenue increased by 14.1% to RM2,979.8 million as compared to RM2,610.5 million recorded in the third quarter 2013 primarily due to higher revenue from all services.

Consequent from the higher operating revenue, operating profit before finance cost increased by 3.9% to RM378.5 million as compared to RM364.4 million recorded in the preceding quarter.

Group PATAMI increased by 42.9% to RM344.2 million from RM240.9 million in the preceding quarter mainly due to lower foreign exchange loss on translation of borrowings and the impact of change in tax rate in the current year quarter.

3. Prospects for the Next Financial Year Ending 31 December 2014

2013 was a productive year for TM. The take up of our broadband offerings continued to grow with 2.21 million customers presently, driven by our UniFi offering. In another milestone move, we extended our HyppTV services beyond UniFi areas with the launch of 'HyppTV Over Broadband', which now enables our Streamyx 4Mbps and Streamyx 8Mbps customers to enjoy HyppTV's exciting channels. Moreover, HyppTV's content can also be viewed on multiple platforms such as smartphones, tablets, PCs and laptops as an add-on service via 'HyppTV Everywhere'. This year also witnessed the launch of My1Hub, Iskandar International Gateway (IIGW) and our first privately-owned international submarine cable system, Cahaya Malaysia, connecting Malaysia with Hong Kong and Japan. These initiatives aimed to further strengthen TM's position as the nation's "Information Exchange" where all communications needs are met with or through TM, and as the trusted ICT partner to propel Malaysia into becoming an international and regional hub.

We believe the outlook for the telecommunications industry for 2014 will remain positive, with data, broadband and ICT continuing to be our key drivers for growth. This is supported by the projected Malaysian Institute of Economic Research (MIER) 2014 GDP growth outlook of 5.5%, with expected measures to rein in the budget deficit, tighter monetary conditions and enhanced downside risk (source: Malaysian Economic Outlook, MIER, 28 January 2014).

Demand for bandwidth continue to increase as customers become more savvy of the value of broadband, encouraged by the proliferation of smart devices as well as increased usage of applications and Over-the-Top (OTT) video content.

TM foresees 2014 to be another good year for us, despite the higher cost of doing business. We remain steadfast in our commitment as Malaysia's Broadband Champion, with TM continuing to provide holistic broadband services to the nation across all segments and locations. New offerings launched in 2013 such as Streamyx 8Mbps, 'HyppTV Everywhere'

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3. Prospects for the Next Financial Year Ending 31 December 2014 (continued)

and ‘HyppTV Over Broadband’ will boost broadband take-up for 2014. We will continue to introduce more new and exciting content on our HyppTV, especially local content. 2014 will also see TM expanding our wireless broadband services, especially in under-served areas and complement TM’s existing suite of fixed broadband services. For the business segment, particularly for SMEs, we will continue to offer new ICT and value added services, designed to meet customers’ ever growing business requirements. With all these initiatives in place, TM is well positioned to deliver our brand promise of “Life and Business Made Easier”.

Barring unforeseen circumstances, the Board of Directors expects 2014 to be another positive year for the Group.

4. Variance of Actual Profit from Forecast Profit/Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the 4th quarter and financial year ended 31 December 2013.

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5. Taxation

The taxation charge for the Group comprises:

| | 4th Quarter Ended | | Financial Year Ended | |
|---------------------------|--------------------------|-------------------|-----------------------------|-------------------|
| | 31/12/2013 | 31/12/2012 | 31/12/2013 | 31/12/2012 |
| | RM Million | RM Million | RM Million | RM Million |
| <u>Malaysia</u> | | | | |
| Income Tax: | | | | |
| Current year | (2.5) | 14.9 | 59.0 | 72.8 |
| Prior year | (2.3) | 13.1 | (12.1) | 19.3 |
| Deferred tax (net) | (43.4) | (63.6) | (54.7) | (341.3) |
| | (48.2) | (35.6) | (7.8) | (249.2) |
| <u>Overseas</u> | | | | |
| Income Tax: | | | | |
| Current year | (1.2) | 1.9 | 0.3 | 4.8 |
| Prior year | 0.1 | - | (1.3) | 0.3 |
| Deferred tax (net) | (0.1) | 0.1 | 2.7 | 5.5 |
| | (1.2) | 2.0 | 1.7 | 10.6 |
| Taxation | (49.4) | (33.6) | (6.1) | (238.6) |
| Zakat | 4.1 | 2.2 | 4.3 | 2.3 |
| Taxation and Zakat | (45.3) | (31.4) | (1.8) | (236.3) |

The current quarter effective tax rate of the Group is lower than the statutory tax rate primarily due to recognition of lower net deferred tax liability arising from the change in tax rate from 25% to 24% in Year of Assessment 2016. On financial year basis, the effective tax rate is lower following the impact of change in tax rate and recognition of deferred tax income on unutilised tax incentives.

6. Status of Corporate Proposals

There is no corporate proposal announced and not completed as at the latest practicable date.

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7. Group Borrowings and Debt Securities

(a) Analysis of the Group's borrowings and debt securities are as follows:

| | 31/12/2013 | | 31/12/2012 | |
|------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| | Short Term Borrowings RM Million | Long Term Borrowings RM Million | Short Term Borrowings RM Million | Long Term Borrowings RM Million |
| Total Unsecured | 1,590.2 | 4,865.0 | 2,010.2 | 5,130.2 |

(b) Foreign currency borrowings and debt securities are as follows:

| | 31/12/2013 | 31/12/2012 |
|------------------|----------------|------------|
| Foreign Currency | RM Million | RM Million |
| US Dollar | 2,832.4 | 2,337.7 |
| Canadian Dollars | 3.3 | 3.5 |
| Japanese Yen | 242.8 | 275.0 |
| Total | 3,078.5 | 2,616.2 |

8. Derivative Financial Instruments

(a) Analysis of the Group's Derivative Financial Instruments is as follows:

| Derivatives (by maturity) | Contract or notional amount RM Million | Fair value as at 31/12/2013 | | Fair value as at 31/12/2012 | |
|--|---|--------------------------------|---------------------------|--------------------------------|---------------------------|
| | | Assets RM Million | Liabilities RM Million | Assets RM Million | Liabilities RM Million |
| 1. <u>Forward Foreign Currency Contracts</u> | | | | | |
| - less than 1 year | | | | | |
| - existing at 31 December 2012 | 593.6 | 11.1 | 11.0 | 0.3 | 25.6 |
| - additions | 316.9 | 16.0 | - | - | - |
| | 910.5 | 27.1 | 11.0 | 0.3 | 25.6 |
| 2. <u>Interest Rate Swaps</u> | | | | | |
| - less than 1 year | 1,500.0 | - | - | 2.6 | - |
| - more than 3 years | 500.0 | 7.5 | - | 16.0 | - |
| | 2,000.0 | 7.5 | - | 18.6 | - |
| 3. <u>Cross Currency Interest Rate Swaps</u> | | | | | |
| - more than 3 years | 926.2 | 72.8 | 51.4 | 26.8 | 25.9 |
| | 926.2 | 72.8 | 51.4 | 26.8 | 25.9 |
| Total | 3,836.7 | 107.4 | 62.4 | 45.7 | 51.5 |

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8. Derivative Financial Instruments (continued)

(b) Changes to Derivative Financial Instruments

The changes to derivative financial instruments since the last financial year are as follows:

(i) Forward Foreign Currency Contracts

Underlying Liability

USD465.1 million 5.25% Guaranteed Notes due in 2014

In 2004, TM Global Incorporated issued USD500.0 million 5.25% Guaranteed Notes due in 2014. The Notes are redeemable in full on 22 September 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes.

Hedging Instruments

On 3 January 2013 and 11 January 2013, the Company entered into two forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million and USD40.0 million from the counterparties in return for a payment of RM94.8 million and RM125.6 million respectively.

On 18 October 2013, the company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the company would receive USD30.0million from the counterparty in return for a payment of RM96.5 million.

The forward foreign currency contracts effectively convert part of the USD liability into RM principal liability.

(ii) Cross Currency Interest Rate Swap Contracts

Underlying Liability

USD100.0 million 3 months LIBOR plus 0.91% Loan due in 2020

In 2013, the Company, through its wholly owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from a financial institution.

Hedging Instrument

On 12 November 2013, the Company entered into two CCIRS agreements with notional amount of USD70.0 million and USD30.0 million respectively. The former CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 4.02% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The latter CCIRS entitles the Company to receive

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8. Derivative Financial Instruments (continued)

(b) Changes to Derivative Financial Instruments (continued)

(ii) Cross Currency Interest Rate Swap Contracts (continued)

Hedging Instrument (continued)

interest at a floating rate of 3 months LIBOR plus 0.91% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 4.00% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The swap, will mature on 30 October 2020. On the maturity date, the Company would receive the USD notional amount and pay the counterparties an equivalent combined RM amount of RM316.8 million.

The CCIRS contracts effectively convert the USD liability into RM liability.

(c) Financial Risk Management Objectives and Policies

There have been no changes since the end of the previous financial year in respect of the following:

- (i) The types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts; and
- (ii) The risk management policies in place for mitigating and controlling the risks associated with these derivative financial instrument contracts.

The details on the above, the valuation and the financial effects of derivative financial instruments that the Group has entered into are discussed in note 4, 18 and 44 to 47 to the audited financial statements for the financial year ended 31 December 2012.

(d) Related Accounting Policies

The related accounting policies of the Group in respect of derivative financial instruments and hedge accounting are disclosed in note 2 to the audited financial statements for the financial year ended 31 December 2012.

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8. Derivative Financial Instruments (continued)

(e) Gains/(Losses) Arising from Fair Value Changes of Financial Instruments

The amount of gains/(losses) arising from fair value changes of financial instruments for the current and cumulative quarters ended 31 December 2013 are as follows:

| Derivatives (by maturity) | Contract or notional value RM Million | Fair value RM Million | Gains/(Losses) arising from fair value changes for the | |
|--|--|--------------------------|--|----------------------------|
| | | | 4th quarter RM Million | Year to date RM Million |
| Financial Liabilities | | | | |
| 1. <u>Forward Foreign Currency Contracts</u> ⁽ⁱ⁾ - less than 1 year | 344.3 | 11.0 | 0.2 | 14.6 |
| | 344.3 | 11.0 | 0.2 | 14.6 |
| 2. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱⁱ⁾ - more than 3 years | 298.9 | 51.4 | 11.3 | (25.5) |
| | 298.9 | 51.4 | 11.3 | (25.5) |
| Total | 643.2 | 62.4 | 11.5 | (10.9) |
| Financial Assets | | | | |
| 1. <u>Forward Foreign Currency Contracts</u> ⁽ⁱ⁾ - less than 1 year | 566.2 | 27.1 | 5.2 | 26.8 |
| | 566.2 | 27.1 | 5.2 | 26.8 |
| 2. <u>Interest Rate Swaps</u> ⁽ⁱⁱ⁾ - more than 3 years | 500.0 | 7.5 | (4.6) | (11.1) |
| | 500.0 | 7.5 | (4.6) | (11.1) |
| 3. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱⁱ⁾ - more than 3 years | 627.3 | 72.8 | 41.8 | 46.0 |
| | 627.3 | 72.8 | 41.8 | 46.0 |
| Total | 1,693.5 | 107.4 | 42.4 | 61.7 |

(i) Forward foreign currency contracts are carried at fair value through profit or loss (FVTPL).

(ii) Fair value hedges accounted for under hedge accounting.

(iii) Cash flow hedges accounted for under hedge accounting.

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8. Derivative Financial Instruments (continued)

(e) Gains/(Losses) Arising from Fair Value Changes of Financial Instruments (continued)

The fair value of existing interest rate swaps arise from the changes in present value of its future cash flows against the prevailing market interest rates. The fair value of existing forward foreign exchange contracts is determined by comparing forward exchange market rates at the balance sheet date against its prevailing foreign exchange rates.

The Marked to Market (MTM) on the IRS is positive when the expectation of relevant future interest rate decreases and vice versa. The MTM on forward contract is positive when the expectation of USD against RM currency is strengthened and vice versa.

The MTM on the CCIRS is positive when the expectation of the relevant foreign currency against RM strengthens or the expectation of future RM interest rate increases and vice versa.

9. Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits is as follows:

| | Group | |
|--|-------------------|-------------------|
| | 31/12/2013 | 31/12/2012 |
| | RM Million | RM Million |
| Retained profits | | |
| - realised | 3,051.2 | 2,801.1 |
| - unrealised - in respect of deferred tax recognised in the income statement | (1,131.7) | (1,184.0) |
| - in respect of other items of income and expense | 860.8 | 973.2 |
| Share of accumulated profit from associates | | |
| - realised | 3.9 | - |
| | 2,784.2 | 2,590.3 |
| Add: consolidation adjustments | 1,631.2 | 1,599.9 |
| Total Retained Profits | 4,415.4 | 4,190.2 |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

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10. Additional Disclosures

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the consolidated Income Statements for the 4th quarter and financial year ended 31 December 2013:

| | 4th Quarter Ended | | Financial Year Ended | |
|---|--------------------------|-------------------|-----------------------------|-------------------|
| | 31/12/2013 | 31/12/2012 | 31/12/2013 | 31/12/2012 |
| | RM Million | RM Million | RM Million | RM Million |
| Impairment of trade and other receivables (net of recoveries) | (27.2) | 4.0 | (89.9) | (63.6) |
| Inventory write off and obsolescence | (1.9) | (0.7) | (3.9) | (2.6) |
| Loss on disposal of quoted securities | - | (0.1) | - | - |
| (Loss)/Gain on disposal of fixed income securities | (0.1) | 0.1 | 0.2 | 3.3 |
| (Loss)/Gain on foreign exchange on settlements and placements | (0.6) | 5.0 | 13.2 | (2.5) |

11. Material Litigation

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 48 to the audited financial statements of the Group for the financial year ended 31 December 2012, listed below are updates of the relevant cases since the date of the last audited financial statements:

(a) Mohd Shuaib Ishak (MSI) vs TM, TESB, Celcom and 11 Others

On 6 July 2012, the High Court proceeded with the hearing of the Striking Out Application. On 20 July 2012, the High Court found in favour of TM and granted an order in terms of the Striking Out Application.

On 13 August 2012, MSI filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal was dismissed on 30 October 2013.

On 28 November 2013, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above stated. The application is fixed for hearing on 30 April 2014.

The Directors, based on legal advice, are of the view that TM and TESB have a good chance of success in defending the legal suit.

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11. Material Litigation (continued)

(b) Network Guidance (M) Sdn Bhd (NGSB) vs TM and TM Net Sdn Bhd (TM Net)

On 2 July 2012, the Court has dismissed NGSB's legal suit with cost.

On 1 August 2012, NGSB filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal is fixed for hearing on 22 May 2014.

The Directors, based on legal advice, are of the view that TM has a good chance of success in the appeal.

(c) One Visa Sdn Bhd vs TM

The legal suit went on full trial from 17 to 19 February 2014. The High Court will deliver its decision on 8 May 2014.

The Directors, based on legal advice, are of the view that TM has a reasonably good arguable defence to dismiss the legal suit.

II. The following is a new material litigation case arising during the current financial year:

(a) Menara Intan Langkawi Sdn Bhd & HBA Development Bhd vs TM Facilities Sdn Bhd

On 6 March 2013, TM Facilities Sdn Bhd (TMF), a wholly owned subsidiary of the Group, has through its solicitors, been served with a Writ and Statement of Claim by Menara Intan Langkawi Sdn Bhd (MIL) and HBA Development Bhd (HBA), through their solicitors.

The claim by HBA is premised upon an alleged wrongful termination of an Agreement to Lease dated 14 August 2003 between MIL and TMF (Agreement). Under the Agreement, TMF had agreed to take a lease of a telecommunication tower to be constructed at the Mukim of Kuah in Langkawi, from MIL, a joint venture company between Lembaga Pembangunan Langkawi and HBA, for a lease period of 15 years and at a lease rental of RM17.0 million per annum.

The Lease Agreement was subsequently terminated by TMF on 6 February 2007, as TMF was of the view that MIL has failed to secure the necessary approvals and commence construction of the telecommunication tower despite the time given.

Based on the Amended Writ and Statement of Claim (Statement of Claim), MIL and HBA are seeking for the following:-

- (a) Damages in respect of loss of profit of RM168,701,922.00;

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11. Material Litigation (continued)

(a) Menara Intan Langkawi Sdn Bhd & HBA Development Bhd vs TM Facilities Sdn Bhd (continued)

- (b) Damages in respect of works and expenses of RM86,298,078.60;
- (c) Damages in respect of the value of a land measuring 28.49 acres of RM80,600,000.00;
- (d) General Damages;
- (e) Interest; and
- (f) Costs.

On 28 March 2013, TMF filed an application to strike out the Statement of Claim by the 2nd Plaintiff, HBA against TMF (Striking Out Application).

On 1 April 2013, TMF was served with an Amended Statement of Claim dated 29 March 2013 by both the Plaintiffs in the legal suit. In the Amended Statement of Claim, the Plaintiffs have amended their claim of loss of profits from RM168,701,922.00 to RM225,000,000.00.

On 17 May 2013, the Striking Out Application was allowed with cost by the High Court. On the same day, TMF filed its Defence to the Amended Statement of Claim by the 1st Plaintiff, MIL.

On 1 July 2013, the High Court ordered MIL to provide security for cost in the sum of RM175,000.00 within a period of 45 days and further ordered for the legal suit to be stayed pending payment of the same. On 26 August 2013, MIL paid the security for costs into TMF's solicitor's account.

On 18 November 2013, TMF's solicitors were served with a Summary Judgment Application in which MIL seeks for the following Orders from the High Court:

- (i) An Order for declaration that TMF has wrongfully and unlawfully terminated the Agreement;
- (ii) An Order for assessment of damages to be paid by TMF to MIL for all the damages and losses suffered by MIL as compensation for the termination of the Agreement wrongfully and unlawfully;
- (iii) An Order for TMF to pay MIL immediately after the assessment of damages by the Court; and
- (iv) Interest and cost.

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11. Material Litigation (continued)

(a) Menara Intan Langkawi Sdn Bhd & HBA Development Bhd vs TM Facilities Sdn Bhd (continued)

The hearing date of the Summary Judgment Application is fixed on 26 May 2014. The High Court has also fixed 26 and 27 May 2014 as the trial dates for the legal suit.

The Directors, based on legal advice, are of the view that TMF has more than reasonable prospects of successfully defending and dismissing the legal suit.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of the Company and/or its subsidiaries.

12. Earnings per Share (EPS)

| | 4th Quarter Ended | | Financial Year Ended | |
|--|--------------------------|-------------------|-----------------------------|-------------------|
| | 31/12/2013 | 31/12/2012 | 31/12/2013 | 31/12/2012 |
| Basic/Diluted earnings per share | | | | |
| Profit attributable to equity holders of the Company (RM million) | 344.2 | 363.2 | 1,012.2 | 1,263.7 |
| Weighted average number of ordinary shares (million) | 3,577.4 | 3,577.4 | 3,577.4 | 3,577.4 |
| Basic/Diluted earnings per share (sen) attributable to equity holders of the Company | 9.6 | 10.2 | 28.3 | 35.3 |

Basic earnings per share was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of issued and paid-up ordinary shares during the financial year.

There is no dilutive potential ordinary share as at 31 December 2013. Thus, diluted earnings per share is equal to basic earnings per share.

13. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2012 were not subject to any qualification.

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14. Dividends

- (i) The Board of Directors has declared an interim single-tier dividend of 9.8 sen per share for the financial year ended 31 December 2013 (2012: an interim single-tier dividend of 9.8 sen per share). The dividend was paid on 27 September 2013 to shareholders whose names appear in the Register of Members and Record of Depositors on 12 September 2013.

- (ii) The Board is now recommending a final dividend of 16.3 sen per share (2012: a final single-tier dividend of 12.2 sen per share) for shareholders' approval at the forthcoming Twenty-Ninth Annual General Meeting of the Company.

By Order of the Board

Idrus Ismail (LS0008400)
Hamizah Abidin (LS0007096)
Zaiton Ahmad (MAICSA 7011681)

Secretaries

Kuala Lumpur
27 February 2014