TELEKOM MALAYSIA BERHAD (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad is pleased to announce the following unaudited results of the Group for the first quarter ended 31 March 2014.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/03/2014 RM Million	31/03/2013 RM Million	31/03/2014 RM Million	31/03/2013 RM Million
OPERATING REVENUE	**2,620.0**	2,424.6	**2,620.0**	2,424.6
OPERATING COSTS				
- depreciation, impairment and amortisation	**(579.9)**	(508.7)	**(579.9)**	(508.7)
- other operating costs	**(1,773.5)**	(1,648.6)	**(1,773.5)**	(1,648.6)
OTHER OPERATING INCOME (net)	**50.2**	30.7	**50.2**	30.7
OTHER LOSSES (net)	**(0.5)**	(0.1)	**(0.5)**	(0.1)
OPERATING PROFIT BEFORE FINANCE COST	**316.3**	297.9	**316.3**	297.9
FINANCE INCOME	**31.2**	38.1	**31.2**	38.1
FINANCE COST	**(71.7)**	(87.7)	**(71.7)**	(87.7)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	**2.9**	(18.6)	**2.9**	(18.6)
NET FINANCE COST	**(37.6)**	(68.2)	**(37.6)**	(68.2)
ASSOCIATES				
- share of results (net of tax)	**0.9**	(0.2)	**0.9**	(0.2)
PROFIT BEFORE TAXATION AND ZAKAT	**279.6**	229.5	**279.6**	229.5
TAXATION AND ZAKAT (part B, note 5)	**(60.8)**	(7.2)	**(60.8)**	(7.2)
PROFIT FOR THE FINANCIAL PERIOD	**218.8**	222.3	**218.8**	222.3
ATTRIBUTABLE TO:				
- equity holders of the Company	**210.6**	213.2	**210.6**	213.2
- non-controlling interests	**8.2**	9.1	**8.2**	9.1
PROFIT FOR THE FINANCIAL PERIOD	**218.8**	222.3	**218.8**	222.3
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic/diluted	**5.9**	6.0	**5.9**	6.0

(The above unaudited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/03/2014	**31/03/2013**	**31/03/2014**	**31/03/2013**
	RM Million	**RM Million**	**RM Million**	**RM Million**
PROFIT FOR THE FINANCIAL PERIOD	**218.8**	222.3	**218.8**	222.3
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to income statement:				
- (decrease)/increase in fair value of available-for-sale investments	**(2.5)**	0.1	**(2.5)**	0.1
- decrease in fair value of available-for-sale receivables	**(0.6)**	#	**(0.6)**	#
- reclassification adjustments relating to available-for-sale investments disposed	**(0.6)**	(0.1)	**(0.6)**	(0.1)
- cash flow hedge:				
- decrease in fair value of cash flow hedge	**(8.4)**	(25.4)	**(8.4)**	(25.4)
- reclassification to foreign exchange (loss)/gain	**(1.1)**	15.3	**(1.1)**	15.3
- currency translation differences				
- subsidiaries	**(0.1)**	1.0	**(0.1)**	1.0
- associate	**(0.1)**	-	**(0.1)**	-
Other comprehensive loss for the financial period	**(13.4)**	(9.1)	**(13.4)**	(9.1)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	**205.4**	213.2	**205.4**	213.2
ATTRIBUTABLE TO:				
- equity holders of the Company	**197.2**	204.1	**197.2**	204.1
- non-controlling interests	**8.2**	9.1	**8.2**	9.1
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	**205.4**	213.2	**205.4**	213.2

Amount less than RM0.1 million

(The above unaudited consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31/03/2014 RM Million	AS AT 31/12/2013 RM Million
SHARE CAPITAL	2,504.2	2,504.2
SHARE PREMIUM	43.2	43.2
OTHER RESERVES	160.5	173.9
RETAINED PROFITS	4,626.0	4,415.4
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,333.9	7,136.7
NON-CONTROLLING INTERESTS	170.8	162.6
TOTAL EQUITY	7,504.7	7,299.3
Borrowings	5,288.2	4,865.0
Derivative financial instruments	51.1	51.4
Deferred tax liabilities	1,190.4	1,151.0
Deferred income	1,980.5	1,999.5
Other payables	12.3	9.8
DEFERRED AND NON-CURRENT LIABILITIES	8,522.5	8,076.7
	16,027.2	**15,376.0**
Property, plant and equipment	14,217.5	14,572.0
Intangible assets	318.7	319.8
Associates	11.5	10.7
Available-for-sale investments	99.7	99.7
Available-for-sale receivables	6.7	7.6
Other non-current receivables	329.4	314.9
Derivative financial instruments	71.4	80.3
Deferred tax assets	18.2	19.3
NON-CURRENT ASSETS	15,073.1	15,424.3
Inventories	131.8	154.0
Non-current assets held for sale	15.9	22.3
Customer acquisition costs	67.4	73.8
Trade and other receivables	2,915.5	2,288.6
Derivative financial instruments	24.3	27.1
Available-for-sale investments	614.8	624.3
Financial assets at fair value through profit or loss	13.2	17.2
Cash and bank balances	2,799.2	2,514.9
CURRENT ASSETS	6,582.1	5,722.2
Trade and other payables	2,920.5	3,172.8
Customer deposits	498.9	502.1
Advance rental billings	505.5	380.8
Derivative financial instruments	14.8	11.0
Borrowings	1,592.7	1,590.2
Taxation and zakat	95.6	113.6
CURRENT LIABILITIES	5,628.0	5,770.5
NET CURRENT ASSETS/(LIABILITIES)	954.1	(48.3)
	16,027.2	**15,376.0**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	205.0	199.5

(The above unaudited consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	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 2014	2,504.2	43.2	56.3	46.5	71.6	(0.5)	4,415.4	162.6	7,299.3
Profit for the financial period	-	-	-	-	-	-	210.6	8.2	218.8
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- decrease in fair value of available-for-sale investments	-	-	(2.5)	-	-	-	-	-	(2.5)
- decrease in fair value of available-for-sale receivables	-	-	(0.6)	-	-	-	-	-	(0.6)
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(0.6)	-	-	-	-	-	(0.6)
- cash flow hedge:									
- decrease in fair value of cash flow hedge	-	-	-	(8.4)	-	-	-	-	(8.4)
- reclassification to foreign exchange loss	-	-	-	(1.1)	-	-	-	-	(1.1)
- currency translation differences									
- subsidiaries	-	-	-	-	-	(0.1)	-	-	(0.1)
- associate	-	-	-	-	-	(0.1)	-	-	(0.1)
Total comprehensive (loss)/income for the financial period	-	-	(3.7)	(9.5)	-	(0.2)	210.6	8.2	205.4
At 31 March 2014	**2,504.2**	**43.2**	**52.6**	**37.0**	**71.6**	**(0.7)**	**4,626.0**	**170.8**	**7,504.7**

(The above unaudited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 period	-	-	-	-	-	-	213.2	9.1	222.3
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- increase in fair value of available-for-sale investments	-	-	0.1	-	-	-	-	-	0.1
- increase in fair value of available-for-sale receivables	-	-	#	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(0.1)	-	-	-	-	-	(0.1)
- cash flow hedge:									
- decrease in fair value of cash flow hedge	-	-	-	(25.4)	-	-	-	-	(25.4)
- reclassification to foreign exchange gain	-	-	-	15.3	-	-	-	-	15.3
- currency translation differences - subsidiaries	-	-	-	-	-	1.0	-	-	1.0
Total comprehensive (loss)/income for the financial period	-	-	#	(10.1)	-	1.0	213.2	9.1	213.2
At 31 March 2013	**2,504.2**	**43.2**	**62.6**	**16.8**	**71.6**	**(2.9)**	**4,403.4**	**174.3**	**7,273.2**

Amount less than RM0.1 million

(The above unaudited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	31/03/2014	**31/03/2013**
	RM Million	**RM Million**
Receipts from customers	2,138.6	2,280.3
Payments to suppliers and employees	(1,635.4)	(1,812.9)
Payment of finance cost	(80.7)	(75.3)
Payment of income taxes and zakat (net)	(16.1)	(11.5)
CASH FLOWS FROM OPERATING ACTIVITIES	**406.4**	**380.6**
Disposal of property, plant and equipment	3.4	1.3
Purchase of property, plant and equipment	(452.7)	(601.2)
Acquisition of a subsidiary* (part A, note 14)	(33.4)	-
Disposal of available-for-sale investments	77.6	94.7
Purchase of available-for-sale investments	(69.9)	(79.0)
Disposal of financial assets at fair value through profit or loss	2.9	-
Disposal of non-current assets held for sale	12.3	-
Long term deposit	(8.3)	(8.3)
Repayments of loans by employees	2.2	1.8
Loans to employees	(10.4)	(5.4)
Disposal of housing loan	3.9	2.7
Interests received	23.6	32.7
Dividends received	4.4	5.1
CASH FLOWS USED IN INVESTING ACTIVITIES	**(444.4)**	**(555.6)**
Proceeds from borrowings	317.8	198.8
Repayments of borrowings	(4.1)	(0.2)
Repayments of finance lease	(1.0)	(0.9)
CASH FLOWS FROM FINANCING ACTIVITIES	**312.7**	**197.7**
NET INCREASE IN CASH AND CASH EQUIVALENTS	274.7	22.7
EFFECT OF EXCHANGE RATE CHANGES	(0.3)	(2.3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,514.5	3,738.3
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	**2,788.9**	**3,758.7**

*Net of cash and cash equivalents acquired

(The above unaudited consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The unaudited interim financial statements for the 1st quarter ended 31 March 2014 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 2013. The accounting policies, method of computation and basis of consolidation applied in the unaudited interim financial statements are consistent with those used in the preparation of the 2013 audited financial statements except for the changes arising from the adoption of the amendments to MFRS and Interpretation Committee (IC) Interpretation issued by MASB that are effective for the Group's financial year beginning on 1 January 2014.

(I) Amendments to published standards and IC Interpretation that are effective and applicable for the Group's financial year beginning on 1 January 2014

The amendments to published standards and IC Interpretation issued by MASB that are effective and applicable for the Group's financial year beginning on 1 January 2014 are as follows:

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

The adoption of the above amendments to published standards and IC Interpretation does not have any material impact to the Group's financial result, position or disclosure for the current or previous periods nor any of the Group's significant accounting policies.

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 has not early adopted, are as follows:

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 Group's 2013 audited annual financial statements.

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

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 1st quarter ended 31 March 2014.

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 21 March 2014, the Company issued RM300.0 million nominal value Islamic Medium Term Note at 4.83% per annum which will mature on 21 March 2024.

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 1st quarter ended 31 March 2014.

6. Dividends Paid

No dividends have been paid during the 1st quarter ended 31 March 2014.

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 1st Quarter Ended 31 March 2014	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
Operating Revenue								
Total operating revenue	773.6	485.7	287.7	445.0	1,992.0	464.6	1,605.6	4,062.2
Inter-segment @	(6.8)	(0.8)	(1.0)	-	(8.6)	(76.3)	(1,357.3)	(1,442.2)
External operating revenue	766.8	484.9	286.7	445.0	1,983.4	388.3	248.3	2,620.0
Results								
Segment profits	37.0	106.4	45.1	108.7	297.2	64.5	25.7	387.4
Unallocated income/other losses*								3.1
Unallocated costs^								(74.2)
Operating profit before finance cost								316.3
Finance income								31.2
Finance cost								(71.7)
Foreign exchange gain on borrowings								2.9
Associates								
- share of results (net of tax)								0.9
Profit before taxation and zakat								279.6
Taxation and zakat								(60.8)
Profit for the financial period								218.8

7. Segmental Information (continued)

All amounts are in RM Million 1st Quarter Ended 31 March 2013	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
Operating Revenue								
Total operating revenue	720.4	468.0	269.7	406.3	1,864.4	454.6	1,455.8	3,774.8
Inter-segment @	(8.9)	(0.4)	(1.4)	-	(10.7)	(81.1)	(1,258.4)	(1,350.2)
External operating revenue	711.5	467.6	268.3	406.3	1,853.7	373.5	197.4	2,424.6
Results								
Segment profits/(losses)	48.3	79.6	51.3	133.8	313.0	48.3	(15.4)	345.9
Unallocated income/other losses*								6.6
Unallocated costs^								(54.6)
Operating profit before finance cost								297.9
Finance income								38.1
Finance cost								(87.7)
Foreign exchange loss on borrowings								(18.6)
Associates								
- share of results (net of tax)								(0.2)
Profit before taxation and zakat								229.5
Taxation and zakat								(7.2)
Profit for the financial period								222.3

7. Segmental Information (continued)

All amounts are in RM Million	Retail Business				Total Retail	Global & Wholesale	Shared Services	
Segment assets and liabilities	**Consumer**	**SME**	**Enterprise**	**Government**	**Business**	**Business**	**/Others**	**Total**
As at 31 March 2014								
Segment assets	366.1	283.7	312.6	848.7	1,811.1	1,187.1	15,157.1	18,155.3
Associates								11.5
Unallocated assets[<]								3,488.4
Total assets								**21,655.2**
Segment liabilities	333.5	391.8	237.5	340.0	1,302.8	622.5	3,922.9	5,848.2
Borrowings								6,880.9
Unallocated liabilities[+]								1,421.4
Total liabilities								**14,150.5**
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								**21,146.5**
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								**13,847.2**

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.

8. Material Events Subsequent to the End of the Quarter

There is no material event subsequent to the reporting date that requires disclosure or adjustment to the unaudited 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 1st quarter ended 31 March 2014 save as disclosed in part A, note 14 of this announcement.

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

Other than material litigations as 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 2013.

11. Capital Commitments

	Group	
	31/3/2014 RM Million	31/12/2013 RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**2,754.8**	2,793.8
Commitments in respect of expenditure approved but not contracted for	**523.9**	1,119.7

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 1st quarter ended		Corresponding outstanding balances as at	
	31/3/2014 RM Million	31/3/2013 RM Million	31/3/2014 RM Million	31/12/2013 RM Million
Sales and Receivables	**208.3**	180.5	**129.7**	121.0

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 period was RM47.7 million (YTD March 2013: RM42.1 million) with corresponding receivables of nil (31 December 2013: 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.

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 2013.

(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.

	31/3/2014				31/12/2013			
	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	**13.2**	**-**	**-**	**13.2**	17.2	-	-	17.2
Derivatives at fair value through profit or loss	**-**	**24.3**	**-**	**24.3**	-	27.1	-	27.1
Derivatives accounted for under hedge accounting	**-**	**71.4**	**-**	**71.4**	-	80.3	-	80.3
Available-for-sale financial assets								
-investments	**-**	**666.1**	**48.4**	**714.5**	-	675.6	48.4	724.0
-receivables	**-**	**6.7**	**-**	**6.7**	-	7.6	-	7.6
Total	**13.2**	**768.5**	**48.4**	**830.1**	17.2	790.6	48.4	856.2
Liabilities								
Derivatives at fair value through profit or loss	**-**	**14.8**	**-**	**14.8**	-	11.0	-	11.0
Derivatives accounted for under hedge accounting	**-**	**51.1**	**-**	**51.1**	-	51.4	-	51.4
Total	**-**	**65.9**	**-**	**65.9**	-	62.4	-	62.4

There has not been any change to the valuation techniques applied for the different financial instruments since 31 December 2013 and there were no transfers of any instruments between level 1, 2 and 3 of the fair valuation hierarchy during the financial period.

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 2013, other than below:

	As at 31/3/2014		As at 31/12/2013	
	Carrying amount RM Million	Net fair value RM Million	Carrying amount RM Million	Net fair value RM Million
Liabilities				
Borrowings	**6,880.9**	**7,334.8**	6,455.2	6,813.7

14. Business Combination

GTC Global Sdn Bhd (GTC)

On 27 November 2013, TM entered into a conditional Share Sale Agreement (SSA) with Gapurna Global Solutions Sdn Bhd (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 was 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.

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

As a result of the acquisition, GTC is expected to complement TM's core competencies as well as broaden TM Group's capabilities in the information and communications technology (ICT) to better serve its range of customers, particularly in the Enterprise and Government segments.

The following table summarises the consideration paid for GTC and the provisional fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration at 10 January 2014	**RM Million**
Cash (Total Consideration)	45.0

14. Business Combination (continued)

GTC Global Sdn Bhd (GTC) (continued)

The following table summarises the consideration paid for GTC and the provisional fair value of assets acquired and liabilities assumed at the acquisition date: (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed	**RM Million**
Cash and bank balances	23.4
Property, plant and equipment	0.6
Finance lease receivables	133.6
Trade and other receivables	102.6
Loans and borrowings	(119.6)
Deferred income	(46.8)
Trade and other payables	(26.7)
Current and deferred tax liabilities	(0.2)
Total identifiable net assets	66.9
Negative goodwill credited to Consolidated Income Statement	(21.9)
Total	45.0

Acquisition-related costs of RM0.5 million have been charged to other operating costs in the consolidated income statement. The revenue included in the consolidated income statement since 10 January 2014 contributed by GTC was RM36.8 million whilst its contribution to the Group's profit was RM7.4 million.

The negative goodwill which is currently credited to the Consolidated Income Statement for the period ended 31 March 2014, is provisional until the Group finalises the measurement of the fair value of net assets acquired, pending facts and circumstances on the progress of completion of on-going customer projects of GTC at the date of acquisition, which is reasonably expected to be concluded by end of the financial year. Before finalising the recognition of the negative goodwill from this acquisition, the Group shall continue to reassess to ensure it has correctly identified all of the assets acquired and all of the liabilities assumed and recognise any additional assets or liabilities that are identified in that review.

To ensure that the measurements appropriately reflect consideration of all available information as of the acquisition date, the Group has reviewed the procedures used to measure the amounts to be recognised at the acquisition date for the following:

(a) the identifiable assets acquired and liabilities assumed; and
(b) the consideration transferred.

15. Reclassification of Comparatives

The Group's Consolidated Statement of Cash Flows has been restated to better reflect the cash outflows from acquisition of materials and servicing equipments namely cables, wires, network materials, maintenance spares and supplies formerly classified as inventories in the comparative period but reclassified subsequently as Property, plant and equipment (PPE) in line with the amendments to MFRS 116 PPE effective from the financial year beginning on 1 January 2013.

	1st Quarter Ended 31/3/2013		
	As previously reported RM Million	**Reclassification RM Million**	**As restated RM Million**
<u>**Consolidated Statement of Cash Flows**</u>			
For financial period ended 31 March 2013			
Cash Flows From Operating Activities			
Payment to suppliers and employees	(1,867.2)	54.3	(1,812.9)
Cash Flows Used In Investing Activities			
Purchase of property, plant and equipment	(546.9)	(54.3)	(601.2)

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 8.1% to RM2,620.0 million as compared to RM2,424.6 million in the same quarter last year, mainly due to higher revenue from Internet and multimedia, data and other telecommunications related services.

Other telecommunications related services grew by 38.8% to RM351.3 million in the current quarter primarily contributed by higher revenue from customer projects.

Internet and multimedia services registered higher revenue by 12.7% to RM726.1 million in the current year quarter mainly arising from increase in UniFi customers from 532,237 in the last year quarter to 652,578 in the current quarter and increase in the number of buys for Premium Channels and Video on Demand.

Operating profit before finance cost increased by 6.2% to RM316.3 million as compared to RM297.9 million recorded in the same quarter last year mainly due to higher other operating income arising from the negative goodwill on acquisition of a new wholly owned subsidiary.

Group profit after tax and non-controlling interests (PATAMI) decreased by 1.2% to RM210.6 million as compared to RM213.2 million in the corresponding quarter last year primarily due to the absence of deferred tax income on unutilised tax incentives this year quarter partially offset by foreign exchange gain on borrowings of RM2.9 million as compared to a loss of RM18.6 million in the previous year quarter.

(ii) Segment Performance

Consumer

Revenue increased by 7.4% (RM53.2 million) in the current quarter largely due to continuing increase in UniFi customers which stood at 544,315 as at the end of the current quarter (31.3.2013: 448,404). Increase in the number of buys for Premium Channel and Video on Demand (VOD) has also continued to contribute to the revenue growth. Profit for the current quarter has however reduced by 23.4% (RM11.3 million) mainly due to higher direct and overhead costs.

1. Review of Performance (continued)

(a) Quarter-on-Quarter (continued)

SME

SME recorded a revenue growth of 3.8% (RM17.7 million) to RM485.7 million in the current quarter as compared to RM468.0 million in the previous year corresponding quarter driven by growth in Internet and multimedia services. The growth was in line with the increase in cumulative UniFi and Business Broadband customers which was at 104,741 and 240,097 respectively as at the end of the 1st quarter 2014 (31.3.2013: UniFi (82,659) and Business Broadband: (239,970)). Correspondingly, profit increased by 33.7% (RM26.8 million) to RM106.4 million in the current quarter.

Enterprise

Revenue increased by 6.7% (RM18.0 million) to RM287.7 million from RM269.7 million recorded in the corresponding quarter last year mainly due to additional Internet and multimedia revenue from customers upgraded from the SME segment during the second quarter of the previous financial year as well as higher revenue from data and customer projects. Profit decreased by RM6.2 million to RM45.1 million mainly due to write back of impairment of trade receivables in the previous year corresponding quarter.

Government

Government segment recorded an increase of 9.5% (RM38.7 million) to RM445.0 million in the current quarter contributed by higher revenue from data, Internet and multimedia and other telecommunication services. Profit declined by RM25.1 million (18.8%) due to higher depreciation and maintenance cost for customer projects.

Global & Wholesale

Global & Wholesale posted revenue of RM464.6 million in the current quarter, which is 2.2% (RM10.0 million) higher than 1st quarter 2013 largely contributed by increase in IP data and infra services partially offset by reduction in domestic voice services in line with lower minutes of usage and revision of rate in Mandatory Standard Access Pricing (MSAP). Correspondingly, the revision in MSAP has also contributed to a reduction in direct costs in the current quarter. Overall, Global & Wholesale’s profit has increased by RM16.2 million compared to the corresponding quarter last year.

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) Economic Profit Statement

	1st Quarter Ended	
	31/3/2014 RM Million	**31/3/2013 RM Million**
EBIT	**316.8**	298.0
Adjusted Tax	79.2	74.5
NOPLAT	**237.6**	223.5
AIC	3,415.7	3,310.5
WACC	6.90%	6.04%
ECONOMIC CHARGE	**235.7**	200.0
ECONOMIC PROFIT	**1.9**	23.5

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 lower EP during the first quarter 2014 due to higher economic charge attributed to higher AIC and WACC, despite recording higher NOPLAT. The higher AIC was due to high trade receivables arising from the consolidation of a new subsidiary, GTC Global Sdn Bhd in the first quarter 2014 whilst higher WACC was due to higher cost of equity. TM Group's NOPLAT was higher mainly contributed by higher other operating income.

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

2. Comparison with Preceding Quarter's Results

The current quarter Group revenue decreased by 12.1% to RM2,620.0 million as compared to RM2,979.8 million recorded in the fourth quarter 2013 primarily due to lower revenue from all services except for Internet and Multimedia services.

Operating profit before finance cost decreased by 16.4% to RM316.3 million as compared to RM378.5 million recorded in the preceding quarter mainly due to lower revenue as mentioned above.

Group PATAMI decreased by 38.8% to RM210.6 million from RM344.2 million in the preceding quarter mainly due to higher tax charge following the absence of tax incentive in the current year quarter whereas the preceding quarter included the impact of change in tax rate in Year of Assessment 2016 which lowered net deferred tax liability that will be settled by RM35.0 million.

3. Prospects for the Current Financial Year

The outlook for telecom industry for 2014 remains positive, with data and broadband continuing to be the key driver for growth. TM expects a good year ahead with domestic demand continuing to be the key driver for growth, together with improving external demand and strong private investments. This is supported by the projected Malaysian Institute of Economic Research (MIER) 2014 GDP growth outlook of 5.3%. 2015 sees GDP growth projected to improve to 5.5%, mainly driven by economic efficiency and innovation. (Source: Malaysian Economic Outlook, MIER, 24 April 2014).

2014 is a *Game Changing* year for TM with its ongoing transformation journey towards becoming an Information and Innovation Exchange. We will continue to strengthen our position as the Broadband Champion in Malaysia as we foresee that the take-up of our high value broadband packages will still continue, with more than 665,000 UniFi customers to date. We expect higher HyppTV viewership with the introduction of attractive promotions such as the 'Hypp-Normous Deal' (ended 31st March 2014) and the current 'Stream Champion Deal'. In addition, we will continue to enhance our content such as the recent launch of '*Dunia Sinema',* Malaysia's first dedicated Malay movie channel. HyppTV currently offers customers 117 channels consisting of 28 free channels with 8 Radio Channels and 50 premium channels (of which 34 channels are HD), 18 Video-On-Demand (VOD) genres and 21 interactive channels.

TM will continue with its commitment to push Malaysian SMEs up the value chain. In March this year, we launched TM SME BizFest 2014 which serves as a platform for SMEs to understand how ICT can fulfil their business needs. We had also recently launched UniFi BIZ 100, a dual play (2P) offering enabling SMEs customers to enjoy high speed internet access of 100 Mbps and voice service.

3. Prospects for the Current Financial Year (continued)

In anticipation of customers' needs and their ever increasing expectations, we entered in a partnership in March 2014 with Green Packet Berhad and SK Telekom Co. Ltd. This will reflect our aspiration to become the leading next-generation converged communication services provider. We believe that through P1, we can expand our capabilities into the wireless broadband space more efficiently thus enabling us to provide a complete portfolio of services to our valued customers. This partnership lays the foundation for the development of a new LTE platform and opening up possibilities for us to deliver fully integrated high-quality internet, data and application across all market segments.

We look forward to a 'Game-Changing' year ahead by continuing with our fresh and innovative approaches to the market as we are committed to make '*Life Made Easier'* and '*Business Made Easier'* with TM.

Barring unforeseen circumstances the Board of Directors expects 2014 to be a positive year for TM.

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 1st quarter ended 31 March 2014.

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

5. Taxation

The taxation charge for the Group comprises:

	1st Quarter Ended	
	31/3/2014	**31/3/2013**
	RM Million	**RM Million**
Malaysia		
Income Tax:		
Current year	**23.3**	18.6
Prior year	**(3.7)**	(2.7)
Deferred tax (net)	**40.4**	(10.4)
	60.0	5.5
Overseas		
Income Tax:		
Current year	**0.7**	1.6
Prior year	**0.1**	-
	0.8	1.6
Taxation	**60.8**	7.1
Zakat	#	0.1
Taxation and Zakat	**60.8**	7.2

Amount less than RM0.1 million

The current quarter effective tax rate of the Group is lower than the statutory tax rate primarily due to profit of certain subsidiaries with Pioneer Status which are not subject to tax.

6. Status of Corporate Proposals

(i) Proposed investment by Mobikom Sdn Bhd (Mobikom), a wholly owned subsidiary of TM, in Packet One Networks (Malaysia) Sdn Bhd (P1) (Proposed Investment)

On 27 March 2014, TM announced that its wholly-owned subsidiary, Mobikom had entered into an investment agreement with the following parties in relation to, amongst others, the proposed subscription by Mobikom of new ordinary shares of RM1.00 each in P1 (P1 Shares) to hold approximately 57% of the enlarged issued share capital of P1, subject to closing adjustments for a total consideration of RM350.0 million (Proposed Share Subscription) (Investment Agreement):

(a) Packet One Sdn Bhd (Packet One), a wholly-owned subsidiary of Green Packet Berhad (Green Packet);
(b) SK Telecom Co. Ltd (SKT or SKT Guarantor where applicable);
(c) Green Packet (Packet One Guarantor where applicable);
(d) TM (Mobikom Guarantor where applicable); and
(e) P1.

Mobikom Guarantor, Packet One Guarantor and SKT Guarantor (collectively Guarantors) have agreed to guarantee the obligations under the Investment Agreement of each Mobikom, Packet One and SKT (and their affiliates from time to time that may acquire P1 Shares or any securities in P1) respectively.

Pursuant to the Investment Agreement, the following key agreements will also be entered into:

(i) a subscription agreement between TM and Green Packet in relation to an 8-year redeemable exchangeable secured bond (EB) programme by Green Packet to raise up to RM210.0 million (EB Programme) (EB Programme Agreement). The EBs may be exchangeable into, amongst others, P1 Shares held by Packet One immediately after completion of the Investment Agreement ("Completion") in accordance with the terms of the EB Programme Agreement. The EBs will be secured against the P1 Shares held by Green Packet immediately following Completion and the CBs (as defined below) to be subscribed by Green Packet at any time using part of the proceeds from the issuance of EBs pursuant to the EB Programme (including any P1 Shares issued on conversion of such CBs);

    Upon completion of the Proposed Share Subscription, TM will subscribe for an initial tranche of the EBs to be issued by Green Packet with a subscription value of up to RM120.0 million (Proposed EB Subscription A).

(ii) a subscription agreement between Mobikom (and/or its affiliates), Packet One (and/or its affiliates), SKT (and/or its affiliates) and P1 in relation to an 8-year redeemable convertible unsecured bond (CB) programme by P1 to raise up to RM1.65 billion; and

6. Status of Corporate Proposals (continued)

(i) Proposed investment by Mobikom Sdn Bhd (Mobikom), a wholly owned subsidiary of TM, in Packet One Networks (Malaysia) Sdn Bhd (P1) (Proposed Investment) (continued)

Pursuant to the Investment Agreement, the following key agreements will also be entered into: (continued)

(iii) collaboration agreements between each of TM, Packet One and SKT (on the one hand) and P1 (on the other hand) in relation to the operational and business collaboration between the said parties and various other operational agreements to be entered into (Collaboration Agreements). The Collaboration Agreements govern the parameters of their partnership in principal areas such as the use of infrastructure, transmission networks and distribution channels, the leasing of spectrum and the provision of consulting and technical services, products and/or services, amongst others.

The Proposed Investment is subject to, amongst others, the following approvals being obtained before Completion:

(i) the approvals of the Malaysian Communications and Multimedia Commission (MCMC) for the change in shareholdings of P1, lease of the additional spectrum to be leased by TM (or one of TM's affiliates) pursuant to a spectrum lease agreement to be entered into between TM (or one of TM's affiliates) and P1, and the detailed business plans in relation to the requisite spectrum;

A notification on the change in shareholdings of P1, together with relevant approvals required relating thereto, was made by P1 to the MCMC on 25 April 2014. In furtherance thereto, on 23 May 2014, TM submitted the detailed business plans in relation to the requisite spectrum to the MCMC for MCMC's approval.

(ii) the approvals of the Securities Commission for the issuance of the EBs and CBs;

On 20 May 2014, Green Packet submitted an application to the Securities Commission in respect of the Proposed Issuance of EBs.

(iii) the approval of the shareholders of Green Packet for the transactions contemplated in the Investment Agreement; and

(iv) the approval or consent of the financiers/creditors of Green Packet.

The Proposed Investment is not conditional upon any other corporate exercise undertaken by TM or the Group.

6. Status of Corporate Proposals (continued)

(ii) Proposed Dividend Reinvestment Scheme (DRS)

On 27 March 2014, TM announced a proposal to undertake a dividend reinvestment scheme that will provide shareholders of TM (Shareholders) the option to elect to reinvest, in whole or in part, their cash dividend which includes interim, final, special or any other cash dividend, in new ordinary share(s) of RM0.70 each in TM (TM Share) (DRS).

The DRS was conditional upon approval to be received from the following parties:

(a) Bursa Malaysia Securites Berhad (Bursa Securities) for the listing of and quotation for the New TM shares to be issued pursuant to the DRS; and
(b) Shareholders for the DRS and the issuance of the New TM Shares arising from the DRS at a forthcoming extraordinary general meeting (EGM)

On the same date, TM also announced that it will submit an application to Bursa Securities seeking its concurrence to allow the DRS to be applicable to its final single tier dividend of 16.3 sen per TM Share (Final Dividend) as recommended by the Board on 27 February 2014 for approval by the Shareholders at the forthcoming 29th Annual General Meeting.

On 7 April 2014, the approval from Bursa Securities was obtained to allow the DRS to be applicable to the Final Dividend subject to the following conditions:

(a) the DRS is subject to shareholders' approval on or before the date of the shareholders' approval of the Final Dividend; and
(b) a separate resolution for shareholders' approval for the DRS to be implemented to be applicable to the Final Dividend.

On 28 April 2014, TM had made an application to Bursa Securities for the listing of and quotation for the New TM Shares to be issued pursuant to the DRS in respect of the Final Dividend. The approval from Bursa Securities was duly obtained on 7 May 2014.

On 8 May 2014, the Shareholders had also approved the resolutions for, amongst others, the DRS and the application of the DRS to TM's Final Dividend, at TM's EGM.

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

6. Status of Corporate Proposals (continued)

(ii) Proposed Dividend Reinvestment Scheme (DRS) (continued)

On 9 May 2014, TM announced that the issue price of the new TM Shares to be issued pursuant to the DRS for the Final Dividend has been fixed at RM5.38 and the books closure date has been fixed for 26 May 2014. The notice of election in relation to the DRS for the Final Dividend has been despatched to Shareholders on 28 May 2014.

There are no further approvals required for the Corporate Proposal and the DRS for the Final Dividend will be completed with the listing of new TM Shares for Shareholders who elect the DRS.

Save as disclosed above, there is no other corporate proposal announced and not completed as at the latest practicable date.

7. Group Borrowings and Debt Securities

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

	31/3/2014		31/12/2013	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Secured	**8.4**	**125.0**	-	-
Total Unsecured	**1,584.3**	**5,163.2**	1,590.2	4,865.0
Total Borrowings	**1,592.7**	**5,288.2**	1,590.2	4,865.0

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

	31/3/2014	31/12/2013
Foreign Currency	**RM Million**	**RM Million**
US Dollar	2,820.4	2,832.4
Canadian Dollars	3.2	3.3
Japanese Yen	246.7	242.8
Total	**3,070.3**	3,078.5

8. Derivative Financial Instruments

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

		Fair value as at 31/3/2014		Fair value as at 31/12/2013	
Derivatives (by maturity)	**Contract or notional amount RM Million**	**Assets RM Million**	**Liabilities RM Million**	**Assets RM Million**	**Liabilities RM Million**
1. Forward Foreign Currency Contracts					
- less than 1 year					
- existing at 31 December 2013	910.5	23.9	13.8	27.1	11.0
- additions	182.9	0.4	1.0	-	-
	1,093.4	**24.3**	**14.8**	27.1	11.0
2. Interest Rate Swaps					
- 1 year to 3 years	500.0	7.3	-	7.5	-
	500.0	**7.3**	**-**	7.5	-
3. Cross Currency Interest Rate Swaps					
- more than 3 years	926.2	64.1	51.1	72.8	51.4
	926.2	**64.1**	**51.1**	72.8	51.4
Total	**2,519.6**	**95.7**	**65.9**	107.4	62.4

(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 (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

In February 2014, the Group entered into six (6) forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD45.0 million from the counterparties in return for payment of RM149.9 million.

8. Derivative Financial Instruments (continued)

(b) Changes to Derivative Financial Instruments (continued)

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

Hedging Instruments (continued)

On 6 March 2014, the Group entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Group would receive USD10.0 million from the counterparty in return for a payment of RM33.0 million.

The forward foreign currency contracts effectively convert part of 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 2013.

(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 2013.

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

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 quarter ended 31 March 2014 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 quarter RM Million
Financial Liabilities			
1. Forward Foreign Currency Contracts [(i)] - less than 1 year	460.9	14.8	(3.8)
	460.9	**14.8**	**(3.8)**
2. Cross Currency Interest Rate Swaps[(iii)] - more than 3 years	298.9	51.1	0.3
	298.9	**51.1**	**0.3**
Total	**759.8**	**65.9**	**(3.5)**
Financial Assets			
1. Forward Foreign Currency Contracts [(i)] - less than 1 year	632.5	24.3	(2.8)
	632.5	**24.3**	**(2.8)**
2. Interest Rate Swaps[(ii)] - 1 year to 3 years	500.0	7.3	(0.2)
	500.0	**7.3**	**(0.2)**
3. Cross Currency Interest Rate Swaps[(iii)] - more than 3 years	627.3	64.1	(8.7)
	627.3	**64.1**	**(8.7)**
Total	**1,759.8**	**95.7**	**(11.7)**

[(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.

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

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	
	31/3/2014 RM Million	**31/12/2013 RM Million**
Retained profits		
- realised	**3,344.7**	3,051.2
- unrealised - in respect of deferred tax recognised in the income statement	**(1,172.2)**	(1,131.7)
- in respect of other items of income and expense	**858.2**	860.8
Share of accumulated profit from associates		
- realised	**4.8**	3.9
	3,035.5	2,784.2
Add: consolidation adjustments	**1,590.5**	1,631.2
Total Retained Profits	**4,626.0**	4,415.4

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.

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

10. Additional Disclosures

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the consolidated Income Statements for the 1st quarter ended 31 March 2014:

	1st Quarter Ended	
	31/3/2014	**31/3/2013**
	RM Million	**RM Million**
Impairment of trade and other receivables (net of recoveries)	**(36.4)**	(31.4)
Inventory write off and obsolescence	#	(0.8)
Gain on disposal of fixed income securities	**0.6**	0.1
Gain/(Loss) on foreign exchange on settlements and placements	**1.2**	(2.0)

Amount less than RM0.1 million

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 2013, 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 23 July 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.

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 17 July 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 (OVSB) vs TM

The legal suit went on full trial from 17 to 19 February 2014. On 22 April 2014, OVSB's claim was dismissed except for the claim under item 22(b) of the Statement of Claim where the High Court has allowed special damages in the sum of RM4,818.40 for rental of the Land for 10 months from 18 November 2011 until September 2012. The High Court has further awarded OVSB interest on this sum at 4% per annum from 18 November 2011 until the date of full realization and cost of RM15,000.00.

Both parties have a period until 22 May 2014 to file a notice of appeal to the Court of Appeal against the High Court's decision above. The Directors, based on legal advice, have accepted the High Court's decision and will not proceed with the appeal. Meanwhile, TM has also not been served with any notice of appeal from OVSB.

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

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.

On 26 May 2014, MIL withdrew the Summary Judgment Application. The legal suit then proceeded for trial on the same day and on 27 May 2014. The next trial dates have been fixed on 23 and 24 June 2014.

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.

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

11. Material Litigation (continued)

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)

	1st Quarter Ended	
	31/3/2014	**31/3/2013**
Basic/Diluted earnings per share		
Profit attributable to equity holders of the Company (RM million)	**210.6**	213.2
Weighted average number of ordinary share (million)	**3,577.4**	3,577.4
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	**5.9**	6.0

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 March 2014. 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 2013 were not subject to any qualification.

14. Dividends

No dividend has been recommended during the 1st quarter ended 31 March 2014.

By Order of the Board

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

Secretaries

Kuala Lumpur
28 May 2014