TELEKOM MALAYSIA BERHAD (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad wish to announce the following audited results of the Group for financial year ended 31 December 2018.

CONSOLIDATED INCOME STATEMENT

	4TH QUARTER ENDED (Unaudited)		FINANCIAL YEAR ENDED (Audited)	
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
	RM Million	**RM Million**	**RM Million**	**RM Million**
OPERATING REVENUE	**3,088.9**	3,199.9	**11,819.3**	12,085.1
OPERATING COSTS				
- depreciation, impairment and amortisation	**(663.5)**	(623.2)	**(3,404.8)**	(2,483.7)
- other operating costs	**(2,205.8)**	(2,332.0)	**(8,481.8)**	(8,672.7)
OTHER OPERATING INCOME (net)	**32.3**	25.6	**131.9**	164.0
OTHER GAINS (net)	**0.8**	14.0	**310.9**	8.5
OPERATING PROFIT BEFORE FINANCE COST	**252.7**	284.3	**375.5**	1,101.2
FINANCE INCOME	**21.4**	34.6	**102.3**	131.8
FINANCE COST	**(134.5)**	(91.4)	**(450.1)**	(387.1)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	**2.3**	74.8	**(31.3)**	174.5
NET FINANCE (COST)/INCOME	**(110.8)**	18.0	**(379.1)**	(80.8)
ASSOCIATES				
- share of results (net of tax)	**4.5**	5.3	**21.0**	27.6
PROFIT BEFORE TAX AND ZAKAT	**146.4**	307.6	**17.4**	1,048.0
TAX AND ZAKAT (part B, note 5)	**(130.3)**	(85.4)	**(277.9)**	(317.5)
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD/YEAR	**16.1**	222.2	**(260.5)**	730.5
ATTRIBUTABLE TO:				
- equity holders of the Company	**69.7**	277.0	**153.2**	929.7
- non-controlling interests	**(53.6)**	(54.8)	**(413.7)**	(199.2)
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD/YEAR	**16.1**	222.2	**(260.5)**	730.5
EARNINGS PER SHARE (sen) (part B, note 11)				
- basic	**1.9**	7.3	**4.1**	24.7
- diluted	**1.9**	7.3	**4.1**	24.6

(The above consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	4TH QUARTER ENDED (Unaudited)		FINANCIAL YEAR ENDED (Audited)	
	31/12/2018 RM Million	31/12/2017 RM Million	31/12/2018 RM Million	31/12/2017 RM Million
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD/YEAR	**16.1**	222.2	**(260.5)**	730.5
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to income statement:				
- decrease in fair value of equity investments at fair value through other comprehensive income (FVOCI)	**(11.2)**	-	**(11.2)**	-
Items that may be reclassified subsequently to income statement:				
- (decrease)/increase in fair value of investments at fair value through other comprehensive income (FVOCI)/available-for-sale	**(0.2)**	22.8	**(0.2)**	27.4
- reclassification adjustments relating to FVOCI/ available-for-sale investments disposed	**-**	(0.3)	**(0.1)**	(1.8)
- (decrease)/increase in fair value of receivables at FVOCI/available-for-sale	**(2.4)**	#	**3.7**	#
- cash flow hedge:				
- increase/(decrease) in fair value of cash flow hedge	**33.8**	(22.3)	**39.4**	(103.2)
- change in fair value of currency basis	**(23.4)**	-	**(51.5)**	-
- reclassification of foreign exchange gain/(loss) on borrowings	**1.2**	32.9	**(17.1)**	92.7
- fair value hedge:				
- (decrease)/increase in fair value	**(6.1)**	0.9	**1.5**	0.3
- currency translation differences				
- subsidiaries	**(48.4)**	(9.1)	**(58.6)**	(16.2)
- associate	**0.1**	(0.9)	**0.2**	(0.8)
Other comprehensive (loss)/income for the financial period/year	**(56.6)**	24.0	**(93.9)**	(1.6)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD/YEAR	**(40.5)**	246.2	**(354.4)**	728.9
ATTRIBUTABLE TO:				
- equity holders of the Company	**13.1**	301.0	**59.3**	928.1
- non-controlling interests	**(53.6)**	(54.8)	**(413.7)**	(199.2)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD/YEAR	**(40.5)**	246.2	**(354.4)**	728.9

Amount less than RM0.1 million

(The above consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017)

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31/12/2018 RM Million	AS AT 31/12/2017 RM Million
SHARE CAPITAL	3,667.1	3,667.1
OTHER RESERVES	(159.3)	(81.5)
RETAINED PROFITS	4,017.4	4,257.9
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,525.2	7,843.5
NON-CONTROLLING INTERESTS	(509.7)	(76.7)
TOTAL EQUITY	7,015.5	7,766.8
Borrowings	8,337.2	7,031.2
Derivative financial instruments	-	287.7
Deferred tax liabilities	1,661.3	1,591.3
Deferred income	1,470.9	1,796.5
Trade and other payables	21.5	5.5
NON-CURRENT LIABILITIES	11,490.9	10,712.2
	18,506.4	**18,479.0**
Property, plant and equipment	15,263.3	16,540.7
Intangible assets	490.0	538.6
Associates	74.3	62.8
Available-for-sale investments	-	229.8
Equity investments at fair value through other comprehensive income (FVOCI)	148.0	-
Investments at fair value through profit or loss (FVTPL)	76.7	-
Available-for-sale receivables	-	1.7
Receivables at FVOCI	239.4	-
Other non-current receivables	737.7	966.6
Derivative financial instruments	254.4	265.0
Deferred tax assets	17.9	23.5
NON-CURRENT ASSETS	17,301.7	18,628.7
Inventories	134.6	258.5
Non-current assets held for sale	18.9	18.9
Trade and other receivables	2,405.2	3,710.2
Contract assets	624.5	-
Contract cost assets	224.5	-
Customer acquisition cost	-	57.0
Receivables at FVOCI	13.1	-
Available-for-sale investments	-	364.7
Investments at fair value through other comprehensive income (FVOCI)	147.9	-
Investments at fair value through profit or loss (FVTPL)	6.0	-
Financial assets at fair value through profit or loss (FVTPL)	1.8	4.0
Cash and bank balances	2,826.3	1,719.8
CURRENT ASSETS	6,402.8	6,133.1
Trade and other payables	3,610.3	3,934.2
Contract liabilities	907.9	-
Customer deposits	352.8	398.0
Advance rental billings	-	779.1
Borrowings	234.1	1,119.0
Tax and zakat	93.0	52.5
CURRENT LIABILITIES	5,198.1	6,282.8
NET CURRENT ASSETS/(LIABILITIES)	1,204.7	(149.7)
	18,506.4	**18,479.0**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	200.3	208.7

(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 2017)

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the Company										
	Share Capital RM Million	Fair Value Reserve RM Million	FVOCI Reserve RM Million	Hedging Reserve RM Million	Cost of Hedging Reserve RM Million	Long Term Incentive Plan Reserve RM Million	Other Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non-controlling Interests RM Million	Total Equity RM Million
As reported at 1 January 2018	3,667.1	127.2	-	85.7	-	36.7	(352.9)	21.8	4,257.9	(76.7)	7,766.8
Impacts arising from the application of:											
- MFRS 15 (part A, note 1 and 14)	-	-	-	-	-	-	-	-	74.1	(0.9)	73.2
- MFRS 9 (part A, note 1 and 14)	-	(127.2)	96.6	(81.2)	81.2	-	-	-	(13.1)	-	(43.7)
As restated at 1 January 2018	3,667.1	-	96.6	4.5	81.2	36.7	(352.9)	21.8	4,318.9	(77.6)	7,796.3
Profit/(loss) for the financial year	-	-	-	-	-	-	-	-	153.2	(413.7)	(260.5)
Other comprehensive income											
Items that will not be reclassified subsequently to income statement:											
- decrease in fair value of equity investments at FVOCI	-	-	(11.2)	-	-	-	-	-	-	-	(11.2)
Items that may be reclassified subsequently to income statement:											
- decrease in fair value of investments at fair value through other comprehensive income (FVOCI)/available-for-sale	-	-	(0.2)	-	-	-	-	-	-	-	(0.2)
- reclassification adjustments relating to receivables at FVOCI disposed	-	-	(0.1)	-	-	-	-	-	-	-	(0.1)
- increase in fair value of receivables at FVOCI	-	-	3.7	-	-	-	-	-	-	-	3.7
- cash flow hedge:											
- increase in fair value of cash flow hedge	-	-	-	39.4	-	-	-	-	-	-	39.4
- change in fair value of currency basis	-	-	-	-	(51.5)	-	-	-	-	-	(51.5)
- reclassification of foreign exchange loss on borrowings	-	-	-	(17.1)	-	-	-	-	-	-	(17.1)
- fair value hedge:											
- increase in fair value of fair value hedge	-	-	-	1.5	-	-	-	-	-	-	1.5
- currency translation differences											
- subsidiaries	-	-	-	-	-	-	-	(58.6)	-	-	(58.6)
- associate	-	-	-	-	-	-	-	0.2	-	-	0.2
Total comprehensive (loss)/income for the financial year	-	-	(7.8)	23.8	(51.5)	-	-	(58.4)	153.2	(413.7)	(354.4)
Transactions with owners:											
- second interim dividend paid for the financial year ended 31 December 2017 (part A, note 6)	-	-	-	-	-	-	-	-	(454.7)	-	(454.7)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(18.4)	(18.4)
- Long Term Incentive Plan (LTIP):											
- ordinary shares granted*	-	-	-	-	-	46.7	-	-	-	-	46.7
Total transactions with owners	-	-	-	-	-	46.7	-	-	(454.7)	(18.4)	(426.4)
At 31 December 2018	**3,667.1**	**-**	**88.8**	**28.3**	**29.7**	**83.4**	**(352.9)**	**(36.6)**	**4,017.4**	**(509.7)**	**7,015.5**

* The apportionment over the vesting period of the fair value of the Group's granting of TM shares made to eligible employees of TM and its subsidiaries subject to fulfilment of relevant vesting conditions.

(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 2017)

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the Company										
	Share Capital RM Million	Share Premium RM Million	Fair Value Reserve RM Million	Hedging Reserve RM Million	Long Term Incentive Plan Reserve RM Million	Capital Redemption Reserve RM Million	Other Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non-controlling Interests RM Million	Total Equity RM Million
At 1 January 2017	2,630.6	964.9	101.6	95.9	1.9	71.6	(352.9)	38.8	4,139.9	140.2	7,832.5
Profit/(loss) for the financial year	-	-	-	-	-	-	-	-	929.7	(199.2)	730.5
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
- increase in fair value of available-for-sale investments	-	-	27.4	-	-	-	-	-	-	-	27.4
- increase in fair value of available-for-sale receivables	-	-	#	-	-	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(1.8)	-	-	-	-	-	-	-	(1.8)
- cash flow hedge:											
- decrease in fair value of cash flow hedge	-	-	-	(103.2)	-	-	-	-	-	-	(103.2)
- reclassification to foreign exchange gain on borrowings	-	-	-	92.7	-	-	-	-	-	-	92.7
- fair value hedge:											
- increase in fair value	-	-	-	0.3	-	-	-	-	-	-	0.3
- currency translation differences											
- subsidiaries	-	-	-	-	-	-	-	(16.2)	-	-	(16.2)
- associate	-	-	-	-	-	-	-	(0.8)	-	-	(0.8)
Total comprehensive income/(loss) for the financial year	-	-	25.6	(10.2)	-	-	-	(17.0)	929.7	(199.2)	728.9
Transactions with owners:											
- second interim dividend paid for the financial year ended 31 December 2016	-	-	-	-	-	-	-	-	(458.5)	-	(458.5)
- interim dividend payable for the financial year ended 31 December 2017	-	-	-	-	-	-	-	-	(353.2)	-	(353.2)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(17.7)	(17.7)
- Long Term Incentive Plan (LTIP):											
- shares granted*	-	-	-	-	34.8	-	-	-	-	-	34.8
Total transactions with owners	-	-	-	-	34.8	-	-	-	(811.7)	(17.7)	(794.6)
Transfer to share capital^	1,036.5	(964.9)	-	-	-	(71.6)	-	-	-	-	(0.0)
At 31 December 2017	**3,667.1**	**-**	**127.2**	**85.7**	**36.7**	**-**	**(352.9)**	**21.8**	**4,257.9**	**(76.7)**	**7,766.8**

Amount less than RM0.1 million

* The apportionment over the vesting period of the fair value of the Group's granting of TM shares made to eligible employees of TM and its subsidiaries subject to fulfilment of relevant vesting conditions.

^ The new Companies Act 2016 (CA 2016), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the CA 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(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 2017)

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL YEAR ENDED	
	31/12/2018	**31/12/2017**
	RM Million	**RM Million**
Receipts from customers	11,269.9	11,157.3
Payments to suppliers and employees	(8,060.3)	(8,146.1)
Payment of finance cost	(430.3)	(350.2)
Payment of income taxes and zakat (net)	(194.2)	(243.4)
CASH FLOWS FROM OPERATING ACTIVITIES	**2,585.1**	**2,417.6**
Contribution for purchase of property, plant and equipment	541.4	322.9
Disposal of property, plant and equipment	22.4	44.0
Purchase of property, plant and equipment	(2,276.1)	(3,318.7)
Disposal of current available-for-sale investments	-	393.2
Disposal of current investments at fair value to other comprehensive income	298.1	-
Purchase of current investments at fair value to other comprehensive income	(103.1)	-
Purchase of current available-for-sale investments	-	(236.1)
Purchase of non-current available-for-sale investments	-	(14.2)
Maturity of current investments at fair value to other comprehensive income	14.9	-
Purchase of investment at FVTPL	(6.3)	-
Disposal of non-current assets held for sale	0.2	-
Long term deposit	(16.6)	(16.6)
Repayments of loans by employees	26.9	14.5
Loans to employees	(85.7)	(98.0)
Disposal of housing loan	7.5	17.1
Interests received	87.8	95.8
Dividends received	11.7	12.9
CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,476.9)**	**(2,783.2)**
Proceeds from borrowings	2,707.1	2,492.2
Repayments of borrowings	(2,301.5)	(2,457.2)
Repayments of finance lease	(23.8)	(8.4)
Dividend paid to shareholders (part A, note 6)	(454.7)	(811.7)
Dividend paid to non-controlling interests	(9.2)	(17.7)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(82.1)**	**(802.8)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,026.1	(1,168.4)
EFFECT OF EXCHANGE RATE CHANGES	11.4	(37.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	1,719.0	2,925.2
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**2,756.5**	**1,719.0**

(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 2017)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The interim financial statements for the 4th quarter ended 31 December 2018 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 2017. The accounting policies, method of computation and basis of consolidation applied in the unaudited interim financial statements and audited financial statements for the financial year are consistent with those used in the preparation of the 2017 audited financial statements except for the changes arising from the adoption of the amendments to MFRS issued by MASB that are effective for the Group's financial year beginning on 1 January 2018.

(a) Amendments to published standards that are effective and applicable for the Group's financial year beginning on 1 January 2018

The amendments to published standards issued by MASB that are effective and applicable for the Group's financial year beginning on 1 January 2018 are as follows:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014) (with subsequent amendments)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Annual Improvements to MASBs 2014 – 2016 Cycle – MFRS 128	Investment in Associates and Joint Ventures
Amendments to MFRS 140	Transfers of Investment Property
IC interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above amendments to published standards 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 other than MFRS 9 and 15 as disclosed below:

(i) MFRS 15 Revenue from Contracts with Customers

MFRS 15 is a new Standard to improve financial reporting of revenue and provide better clarity on revenue recognition. MFRS 15 establishes principles for reporting revenue to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Under MFRS 15, revenue is only recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. MFRS 15 replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

(a) Amendments to published standards that are effective and applicable for the Group's financial year beginning on 1 January 2018 (continued)

(i) MFRS 15 Revenue from Contracts with Customers (continued)

In accordance with the transition provisions in MFRS 15, the Company has applied the modified retrospective method for the initial adoption of MFRS 15 with the date of initial application of 1 January 2018. Under this modified retrospective transition method, the Company applies MFRS 15 retrospectively only to those contracts that have not been fulfilled as of 1 January 2018. Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018.

In addition, the Company has elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

Specifically MFRS 15 establishes a five-step model related to revenue recognition:

Step 1: Identify the contract(s) with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies performance obligation

MFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as explained below:

<u>Revenue from unifi, enterprise retail and Customer Projects</u>
A portion of the total consideration expected to be received in a contract which bundles more than one performance obligations will be recognised earlier under MFRS15 as this is attributable to the component delivered at the contract inception or during the beginning of the contract period (i.e. typically a customer premise equipment or content which is only provided during part of the contract period). Consequently, this reduces the revenue to be recognised for monthly services provided over time/ the contract period. This results in the recognition of a contract asset when the device or content is delivered before the payment is due, whereas if the payment happens before the delivery of device or content, then a contract liability is recognised.

1. Basis of Preparation (continued)

(a) Amendments to published standards that are effective and applicable for the Group's financial year beginning on 1 January 2018 (continued)

(i) MFRS 15 Revenue from Contracts with Customers (continued)

Conversely, revenue for certain one-off charges for mobilisation or administrative purposes have been deferred and recognised over time/the contract period, reflective of such elements to be integral and a pre-requisite for the contract as a whole and would not be procured on a stand-alone basis.

Contract cost asset

Under MFRS 15, sales commission and other third party acquisition costs resulting directly from securing a particular contract with a customer will be capitalised as contract cost assets when they are incremental and expected to be recovered over the corresponding contract period that exceeds 12 months. These are subsequently amortised over either the average customer retention period or the contract term, depending on the circumstances.

(ii) MFRS 9 Financial Instruments

MFRS 9 introduces the expected credit loss (ECL) model on impairment instead of the current incurred loss model used in MFRS 139 to be applied to its financial assets classified at amortised cost and contract assets under MFRS 15. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Similarly to MFRS 15 adoption, the Group uses the cumulative catch-up transition method and will therefore not restate comparative periods. Hence, the cumulative effect of initially applying the Standard will be recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018 and comparatives will not be restated.

A summary of the new accounting policies and impact of the new accounting standards and amendments to the published standards and IC Interpretations to existing standards on the financial statements of the Group is set out in part A, note 14.

(b) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

(b) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted (continued)

Effective for annual periods beginning on or after 1 January 2019

Amendments to MFRS 3, 11, 112 and 123	Annual Improvements to MFRS Standards 2015 to 2017 Cycle
Amendments to MFRS 9	Prepayment Features with Negative Compensation
MFRS 16	Leases
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement (Employee Benefits)
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty Over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2020

MFRS 2, 3, 6, 14, 101, 108, 134,137, 138 & IC Interpretations 12, 14, 21, 22 and 132	Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material

Effective for annual periods to be announced by MASB

Amendments to MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The adoption of the above applicable new standards, IC Interpretation and amendments to published standards are not expected to have a material impact on the financial statements of the Group except for MFRS 16.

MFRS 16 requires lessees of operating leases to recognise right-of-use assets and liabilities under an on-balance sheet accounting model that is similar to current finance lease accounting. The Group and Company’s financial statements and key financial ratios would be affected by the recognition of the new assets and liabilities, and difference in the timing and classification of lease income/expense arising from the recognition.

1. Basis of Preparation (continued)

(b) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted (continued)

At inception of a contract, the Group assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contact conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision–making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone price.

The Group would be applying MFRS 16 using the modified retrospective approach and therefore the comparative information would not be restated and continues to be reported under MFRS 117 *Leases* (MFRS 117) and IC interpretation 4 *Determining Whether an Arrangement Contain a Lease* (IC 4). The retrospective impact of applying MFRS 16 for the leasing contracts assessed to be relevant to MFRS 16 as at 1 January 2019 shall be adjusted to the Group and Company's retained earnings as at 1 January 2019

The Group and Company has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at inception or at initial application of MFRS 16 and low-value assets. The Group and Company would recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1. Basis of Preparation (continued)

(b) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted (continued)

The impact of the Group and Company applying MFRS 16 as at 1 January 2019 is expected to reduce the Group and Company's retained earnings as the front-loading impact of the interest charges imputed under MFRS 16 for a given lease arrangement would mean that interest and depreciation charges combined for a particular lease over the earlier part of a lease period would be more that a straight line charging of the lease payment under MFRS 117 over the same lease period. Another impact of MFRS 16 is a net decrease in the Group and Company's net current asset as under MFRS 16, the lease payments for the coming 12 months of the operating leases are recognised as current liabilities whilst the corresponding right-of-use assets for the affected operating leases remain classified as Non-Current Assets.

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.

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

Other than estimates on impact of regulatory pricing in part A, note 4 (a), the impairment of network assets disclosed in part A, note 4 (b), fair value movement of put option liability over shares held by non-controlling interests as disclosed in part B, note 8 (d) footnote (i), and the impairment of goodwill arising from the Group's annual impairment review of goodwill from investment in a subsidiary, 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 2018.

4. Material Changes in Estimates

There were no material changes in estimates reported in the prior interim period or prior financial year except for the following:

(a) Estimates on Impact from Regulatory Pricing

The issuance of the Determination No. 1 of 2017 on Mandatory Standard of Access Pricing (MSAP) (the Determination) by the Malaysian Communication and Multimedia Commission (MCMC) on 20 December 2017 subsequently resulted in the Group engaging MCMC in a series of discussions, clarifications and negotiations to determine the impact and scope of the Determination to the Group.

The Group has recognised a provision of RM169.2 million as at 31 December 2018. This represents an estimated MSAP impact on the Group's revenue under the wholesale segment, from 1 January 2018 to 31 December 2018, based on the latest negotiated rates with the relevant parties involved.

Such estimates including but not limited to future industry actions, decisions, consultations and reviews, and conditions or requirements in the Group's operating areas will continue to be monitored and revised as circumstances surrounding the industry landscape and other related market factors develop. The Group would also assess any reasonably quantifiable impact to revenue under both retail and wholesale segments arising therefrom. Estimates are made on information available today and any changes in actual outcome will have impact to the financials of the Group.

(b) Impairment of Network Assets

During the financial year, the Group has recognised a provision of RM982.5 million for the impairment of fixed and wireless network assets following the continued pressure from challenging business, industry and economic conditions, combined.

The impairment losses were projected based on an assessment of the recoverable value in use of the affected network assets at respective entity levels.

The Group will continue to review the economic circumstances revolving around these assets in coming periods to reflect any potential impairment or recoverable value.

(c) Market and other factors affecting the Group's Business

Other than competitive market dynamics, fiscal and technological changes affecting the Group will continue to be diligently monitored. All these factors may impact our future revenue and earnings. Should material and adverse changes occur, the Group shall respond accordingly which may include review of the Group's capital and operating expenditure as well as Go To Market plans where relevant to ensure sustainability of the Group's business.

4. Material Changes in Estimates (continued)

(c) Market and other factors affecting the Group's Business (continued)

These conditions as stated in the paragraphs above shall continue to be monitored on a regular basis by the Group's Management, the Board and any other professional advisors as well as auditors to provide continuous assessment and assurance on any action plans the Group intends to undertake, as well as any financial impact on future earnings.

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

(a) Islamic Commercial Papers (ICP) and Islamic Medium Term Notes (IMTN) Programmes

On 28 September 2018, the Group (via Telekom Malaysia Berhad) 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 RM4.0 billion in nominal value, which have respective tenures of 7 and 30 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 30 years provided that the respective debt securities mature before the expiry of the respective programmes.

The proceeds from the issuance of the ICP and/or IMTN shall be utilised by TM Group for their capital expenditure and business operating requirements.

Details of IMTN issued during the financial year ended 31 December 2018 are as follows:

Debt Securities	Date of Issue	Nominal Value	Rate per Annum	Maturity Date
IMTN	31 October 2018	RM800.0 million	4.68%	31 October 2028
ICP	27 November 2018	RM1.0 million	3.78%	21 December 2018

The ICP issued on 27 November 2018 was paid in full on 21 December 2018.

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

(b) Issuance of Islamic Medium Term Notes (IMTN)

During the financial year, the Company issued the following tranches under the IMTN programme approved on 30 August 2013, with the following details:

Debt Securities	Date of Issue	Nominal Value	Rate per Annum	Maturity Date
IMTN	18 May 2018	RM250.0 million	4.73%	18 May 2028
IMTN	27 August 2018	RM250.0 million	3.342%	25 August 2023

Details of this IMTN programme are disclosed in note 17 (d) to the financial statement of the Group for the financial year ended 31 December 2017.

(c) Repayment of TM Islamic Stapled Income Securities (TMISIS)

On 28 December 2018, the Company repaid the RM0.925 million Class D NCRPS and RM924.075 million Class B Sukuk in nominal value.

6. Dividends Paid

A second interim cash dividend of 12.1 sen per share amounting to RM454.7 million in respect of financial year ended 31 December 2017 was paid on 13 April 2018.

7. Segmental Information

Segmental information for the Group are as follows:

<u>By Business Segment</u>

All amounts are in RM Million 4th Quarter Ended 31 December 2018	**unifi[>]**	**TM ONE**	**TM GLOBAL**	**Shared Services /Others**	**Total**
Operating Revenue					
Total operating revenue	1,286.6	1,152.3	705.7	1,177.5	4,322.1
Inter-segment @	(10.7)	(73.4)	(97.6)	(1,051.5)	(1,233.2)
External operating revenue	1,275.9	1,078.9	608.1	126.0	3,088.9
Results					
Segment profits/(losses)	102.9	130.4	90.3	(15.7)	307.9
Unallocated income/other gains*					0.7
Unallocated costs^					(55.8)
Operating loss before finance cost					252.8
Finance income					21.4
Finance cost					(134.4)
Foreign exchange gain on borrowings					2.2
Associates					
-share of results (net of tax)					4.5
Profit before tax and zakat					146.5
Tax and zakat					(130.4)
Profit for the financial period					16.1

7. Segmental Information (continued)

All amounts are in RM Million 4th Quarter Ended 31 December 2017	**unifi>**	**TM ONE**	**TM GLOBAL**	**Shared Services /Others**	**Total**
Operating Revenue					
Total operating revenue	1,378.5	1,257.3	660.7	1,308.5	4,605.0
Inter-segment @	(20.9)	(121.7)	(110.5)	(1,152.0)	(1,405.1)
External operating revenue	1,357.6	1,135.6	550.2	156.5	3,199.9
Results					
Segment profits	15.0$^{\alpha}$	190.7	167.1	13.0	385.8
Unallocated income/other gains*					15.8
Unallocated costs^					(117.3)
Operating profit before finance cost					284.3
Finance income					34.6
Finance cost					(91.4)
Foreign exchange gain on borrowings					74.8
Associates					
-share of results (net of tax)					5.3
Profit before tax and zakat					307.6
Tax and zakat					(85.4)
Profit for the financial period					222.2

$^{\alpha}$ Includes accelerated depreciation and write-off of WiMAX assets amounting to RM1.8 million.

7. Segmental Information (continued)

All amounts are in RM Million **Financial Year Ended** **31 December 2018**	**unifi>**	**TM ONE**	**TM GLOBAL**	**Shared Services /Others**	**Total**
Operating Revenue					
Total operating revenue	5,319.7	4,420.0	2,356.4	5,003.3	17,099.4
Inter-segment @	(33.8)	(323.4)	(411.0)	(4,511.9)	(5,280.1)
External operating revenue	5,285.9	4,096.6	1,945.4	491.4	11,819.3
Results					
Segment (loss)/profits	(618.3)	546.3	428.4	(21.5)	334.9
Unallocated income/other gains*					326.1
Unallocated costs^					(285.5)
Operating profit before finance cost					375.5
Finance income					102.3
Finance cost					(450.1)
Foreign exchange loss on borrowings					(31.3)
Associates					
-share of results (net of tax)					21.0
Profit before tax and zakat					17.4
Tax and zakat					(277.9)
Loss for the financial year					(260.5)

7. Segmental Information (continued)

All amounts are in RM Million Financial Year Ended 31 December 2017	**unifi>**	**TM ONE**	**TM GLOBAL**	**Shared Services /Others**	**Total**
Operating Revenue					
Total operating revenue	5,414.1	4,653.9	2,316.5	5,037.8	17,422.3
Inter-segment @	(52.3)	(428.9)	(360.1)	(4,495.9)	(5,337.2)
External operating revenue	5,361.8	4,225.0	1,956.4	541.9	12,085.1
Results					
Segment profits	146.2[α]	754.8	472.9	32.7	1,406.6
Unallocated income/other gains*					31.6
Unallocated costs^					(337.0)
Operating profit before finance cost					1,101.2
Finance income					131.8
Finance cost					(387.1)
Foreign exchange gain on borrowings					174.5
Associates					
-share of results (net of tax)					27.6
Profit before tax and zakat					1,048.0
Tax and zakat					(317.5)
Profit for the financial year					730.5

[α] Includes accelerated depreciation and write-off of WiMAX assets amounting to RM56.5 million.

7. Segmental Information (continued)

All amounts are in RM Million	**unifi[>]**	**TM ONE**	**TM GLOBAL**	**Shared Services /Others**	**Total**
Segment assets and liabilities					
As at 31 December 2018					
Segment assets	792.6	1,805.5	1,280.5	4,920.3	8,798.9
Associates					74.3
Unallocated assets[<]					14,831.3
Total assets					**23,704.5**
Segment liabilities	1,031.7	884.7	1,874.6	2,480.3	6,271.3
Borrowings					8,571.3
Unallocated liabilities[+]					1,846.4
Total liabilities					**16,689.0**
As at 31 December 2017					
Segment assets	1,461.3	1,709.8	1,550.6	5,329.6	10,051.3
Associates					62.8
Unallocated assets[<]					14,647.7
Total assets					24,761.8
Segment liabilities	1,225.3	840.2	1,347.7	3,413.6	6,826.8
Borrowings					8,150.2
Unallocated liabilities[+]					2,018.0
Total liabilities					16,995.0

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 general telecommunication network and information technology property, plant and equipment at business function division as well as those at corporate divisions.

+ Unallocated liabilities mainly include interest payable on borrowings, tax and zakat liabilities, deferred tax liabilities and dividend payable.

> unifi segment for the current quarter and financial period as well as comparatives includes financial information of Webe Digital Sdn Bhd (webe) and its subsidiaries, reflective of webe’s current customer profile in aligning to the Group’s overall operational segmentation.

Certain revenue and cost elements in the comparative year have been revised to better reflect realignment from the movement of Medium Enterprise Business (MEB) customers previously under Enterprise in TM ONE to SME in unifi cluster.

8. Events Subsequent to the End of the Financial Year

Announcement on the Award of 4G Multi Operator Core Network services (4G MOCN) contract

On 21 February 2019, the Group announced that pursuant to its procurement tender exercise, Telekom Malaysia Berhad has awarded a contract to Celcom Axiata Berhad (Celcom) for the provision of 4G Multi Operator Core Network services (4G MOCN) to webe digital Sdn Bhd (webe), a subsidiary of the Group (4G MOCN Award).

The provision of 4G MOCN will further improve webe's services whilst continuing to enhance and expand its existing LTE network coverage. This current initiative is in line with the Group's continuous efforts to improve customers' experience and the Group's aspiration towards a converged digital lifestyle. The period for the provision of the services in the 4G MOCN Award is 3 years.

The terms of the contract includes discounts given to the Group on services relating to financial year ended 31 December 2018. The discount is only recognised in the financials of the Group upon the acceptance and signing of the contract.

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 2018 save as disclosed below:

(a) Telekom Malaysia DMCC

On 29 May 2018, TM has been registered as the registered holder of the entire issued capital of 50 shares of AED1,000.00 each amounting to AED50,000.00 in Telekom Malaysia DMCC resulting in Telekom Malaysia DMCC becoming a wholly-owned subsidiary of TM.

Telekom Malaysia DMCC was established on 23 May 2018 as a limited liability company in Dubai, United Arab Emirates (UAE) under the Dubai Multi Commodities Centre Authority. The formation of Telekom Malaysia DMCC is part of TM's global expansion effort to cover the Middle East markets and will assume the role of TM's regional sales focusing on UAE, Qatar, Bahrain, Kuwait and Oman.

9. Effects of Changes in the Composition of the Group (continued)

(b) Millercom Sdn Bhd (Millercom)

On 6 December 2018, TM commenced the members' voluntary winding up of Millercom, a subsidiary of TM held via webe digital Sdn Bhd in accordance with Section 439(1)(b) of the Companies Act, 2016. Pursuant thereto, Encik Abu Bakar Rajudin of Messrs Abu Bakar Rajudin (Insolvency Services) Sdn Bhd was appointed as the Liquidator.

The members' voluntary winding up of Millercom is part of the rationalisation and streamlining exercise of TM Group.

10. Changes in Contingent Liabilities Since the Last Annual Balance Sheet Date

There was no material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2017.

11. Capital Commitments

	Group	
	As at 31/12/2018 RM Million	**As at 31/12/2017 RM Million**
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**3,323.2**	2,941.2

12. Related Party Transactions

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 26.21% 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 period ended		**Corresponding outstanding balances as at**	
	31/12/2018 RM Million	**31/12/2017 RM Million**	**31/12/2018 RM Million**	**31/12/2017 RM Million**
Sales and Receivables	**706.6**	**648.6**	**111.2**	107.7

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 RM306.5 million (YTD December 2017: RM281.9 million) with corresponding receivables of RM2.2 million (31 December 2017: RM5.1 million).

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 equipment and services in the normal course of business.

13. Fair Value

The following should be read in conjunction with note 47 of the Group's audited financial statements for the financial year ended 31 December 2017.

(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.

	As at 31/12/2018				As at 31/12/2017			
	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	**1.8**	**-**	**-**	**1.8**	4.0	-	-	4.0
Derivatives accounted for under hedge accounting	**-**	**254.4**	**-**	**254.4**	-	99.1	165.9	265.0
Available-for-sale financial assets								
- investments	**-**	**-**	**-**	**-**	-	447.9	146.6	594.5
- receivables	**-**	**-**	**-**	**-**	-	1.7	-	1.7
Investments at fair value through OCI	**-**	**147.9**	**-**	**147.9**	-	-	-	-
Investments at fair value through profit or loss	**-**	**-**	**82.7**	**82.7**	-	-	-	-
Equity investments at fair value through OCI	**-**	**-**	**148.0**	**148.0**	-	-	-	-
Receivables at fair value through OCI	**-**	**-**	**252.5**	**252.5**	-	-	-	-
Total	**1.8**	**402.3**	**483.2**	**887.3**	4.0	548.7	312.5	865.2
Liabilities								
Put option liability over shares held by non-controlling interest	**-**	**-**	**-**	**-**	-	-	287.7	287.7
Total	**-**	**-**	**-**	**-**	-	-	287.7	287.7

Refer to part A, note 14 (a), B, for detail description of investments carried at fair value upon application of MFRS 9.

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 47(b) of the Group's audited financial statements for the financial year ended 31 December 2017, other than below:

	As at 31/12/2018		As at 31/12/2017	
	Carrying amount RM Million	Fair value RM Million	Carrying amount RM Million	Fair value RM Million
Liabilities				
Borrowings	**8,571.3**	**8,918.6**	8,150.2	8,584.8

14. Changes in Accounting Policies

(a) Changes and adoption of new accounting policies applied from 1 January 2018

A. MFRS 15 Revenue from Contracts with Customers (MFRS 15)

Revenue recognition and allocation for bundled contracts with customers

Portions of the total consideration received in a bundled contract are attributed and allocated to each performance obligation in the contract. Some performance obligations are delivered at contract inception or towards the beginning of the contract period e.g. typically a customer premise equipment or a separate performance obligation such as content or services which are only provided for a part of the contract period.

For performance obligations such as the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware. Where installation work is involved and moreover for multiple sites, it is accounted for as a separate performance obligation based on percentage of completion.

Allocation of the total consideration received to the different components of the contract is based on the separate stand-alone selling price of each component. Where these are not directly observable, they are estimated based on expected cost plus margin.

14. Changes in Accounting Policies (continued)

(a) Changes and adoption of new accounting policies applied from 1 January 2018 (continued)

A. MFRS 15 Revenue from Contracts with Customers (MFRS 15) (continued)

Wholesale services

Certain wholesale services are contracted with retrospective volume discounts based on aggregated cumulative volume. Revenue from these contracts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience and expected trends are used to estimate and provide for the discounts, using the expected value method. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

Estimates of revenues, costs or extent of progress toward completion are revised as and when circumstances change. Changes in such estimates are taken to profit or loss.

B. MFRS 9 Financial Instruments (MFRS 9)

Investments and other financial assets Classification

From 1 January 2018, the Group classifies its financial assets as follows:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI), or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

14. Changes in Accounting Policies (continued)

(a) Changes and adoption of new accounting policies applied from 1 January 2018 (continued)

B. MFRS 9 Financial Instruments (MFRS 9) (continued)

Investments and other financial assets Classification (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

14. Changes in Accounting Policies (continued)

(a) Changes and adoption of new accounting policies applied from 1 January 2018 (continued)

B. MFRS 9 Financial Instruments (MFRS 9) (continued)

Investments and other financial assets Classification (continued)

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis any expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applicable depends on whether there has been any significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derivatives and hedging

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income (expenses).

14. Changes in Accounting Policies (continued)

(a) Changes and adoption of new accounting policies applied from 1 January 2018 (continued)

B. MFRS 9 Financial Instruments (MFRS 9) (continued)

Derivatives and hedging (continued)

Cash flow hedges that qualify for hedge accounting (continued)

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(b) Impact from changes and adoption of new accounting policies

The Group's adoption of MFRS15 and 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

An overall view of the impact of the Group's adoption of MFRS 9 and 15 to the Group's retained earnings is as follow:

Reported as at 31 December 2017 RM million	MFRS 9 RM million	MFRS 15 RM million	Restated as at 1 January 2018 RM million
4,257.9	(13.1)	74.1	4,318.9

A. MFRS 15

In accordance with the transition provisions in MFRS 15, the Group has elected to apply the modified retrospective approach for the initial adoption of MFRS 15. In accordance with this transitional method, MFRS 15 is applied retrospectively only for those contracts which have not been fulfilled as of 1 January 2018. The resultant impact of conversion will be recognised in equity as of 1 January 2018, thus having no effect on the income statement. The prior year's amounts will not be restated.

14. Changes in Accounting Policies (continued)

(b) Impact from changes and adoption of new accounting policies (continued)

A. MFRS 15 (continued)

(i) The impact to the Group's retained earnings on 1 January is as follows:

	2018
	RM million
Retained earnings – before MFRS 15 and MFRS 9 restatement	**4,257.9**
Recognition of contract assets from recognition of allocation of revenue to performance obligations fulfilled	121.5
Recognition of contract liability from tiered discounts and other related scenarios	(84.4)
Capitalisation of commission and installation cost related to new customers net of amortisation over contract period	59.1
Increase in deferred tax liabilities	(22.1)
Adjustment to retained earnings from adoption of MFRS 15	74.1
Opening retained earnings 1 January – after MFRS 15 before MFRS 9	**4,332.0**

14. Changes in Accounting Policies (continued)

(b) Impact from changes and adoption of new accounting policies (continued)

A. MFRS 15 (continued)

(ii) MFRS 15 impact to the Group's financial year ended 31 December 2018 reporting is as follows:

	Year ended (Pre-MFRS 15) RM million	Year ended MFRS 15 Impact RM million	Year ended (Post-MFRS 15) RM million
Operating revenue	11,761.4	57.9	11,819.3
Operating expenses	(11,827.5)	(59.1)	(11,886.6)
Other operating income (net)	131.9	-	131.9
Other gains (net)	310.9	-	310.9
Operating profit before finance cost	376.7	(1.2)	375.5
Net finance cost	(379.1)	-	(379.1)
Associates	21.0	-	21.0
(Loss)/Profit before tax and zakat	18.6	(1.2)	17.4
Tax and zakat	(278.2)	0.3	(277.9)
Loss for the financial year	**(259.6)**	**(0.9)**	**(260.5)**
Profit for the financial year attributable to equity holders of the Company	**154.1**	**(0.9)**	**153.2**

Certain estimates were made in applying MFRS 15 for the Group. These estimates were made, amongst others, on volume commitments, transaction prices and future discounts, which took into consideration the circumstances and information that were available at the reporting date. Accordingly, the Group will continue to refine these estimates, where applicable.

B. MFRS 9

	Notes	2018 RM million
Closing retained earnings 31 December 2017 - As reported		**4,257.9**
Reclassify investments from available-for-sale to FVTPL	(i)	6.4
Increase in provision for trade receivables and contract assets	(vii)	(19.6)
Reclassify fair value of corporate bonds from available-for-sale to FVTPL	(v)	0.1
Adjustment to retained earnings from adoption of MFRS 9 on 1 January 2018		(13.1)
Opening retained earnings 1 January 2018 - MFRS 9 (before restatement for MFRS 15)		**4,244.8**

14. Changes in Accounting Policies (continued)

(b) Impact from changes and adoption of new accounting policies (continued)

B. MFRS 9 (continued)

Reclassification & Measurement

On 1 January 2018 (the date of initial application of MFRS 9), the Group's Management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate MFRS 9 categories as follows:

Financial assets- 1 January 2018	**Notes**	**FVTPL* RM million**	**FVOCI RM million**	**Available-for-sale RM million**	**Amortised Cost (Staff Loan Receivables) RM million**
Closing balance 31 December 2017 - MFRS 139		**-**	**-**	**596.2**	**260.2**
Reclassify investments from available-for-sale to FVTPL	(i)	70.6	-	(70.6)	-
Reclassify investments in non-trading equities from available-for-sale to FVOCI	(ii)	-	159.2	(159.2)	-
Reclassify listed and unlisted corporate bonds from available-for-sale to FVOCI	(iii)	-	358.8	(358.8)	-
Reclassify housing loans to employees and education loans to FVOCI	(iv)	-	231.0	(1.7)	(229.3)
Reclassify listed corporate bonds from available-for-sale to FVTPL	(v)	5.9	-	(5.9)	-
Opening balance 1 January 2018 - MFRS 9		**76.5**	**749.0**	**-**	**30.9**

* Excluding derivative financial instruments

14. Changes in Accounting Policies (continued)

(b) Impact from changes and adoption of new accounting policies (continued)

B. MFRS 9 (continued)

Reclassification & Measurement (continued)

The impact of these changes on the Group's equity is as follows:

	Notes	Effect on AFS Reserves RM million	Effect on FVOCI Reserves RM million	Hedging Reserve RM million	Cost of Hedging Reserve RM million	Effect on Retained Earnings RM million
Closing balance 31 December 2017-MFRS 139		**127.2**	**-**	**85.7**	**-**	**4,257.9**
Reclassify investments from available-for-sale to FVTPL	(i)	(6.4)	-	-	-	6.4
Reclassify investments in non-trading equities from available-for-sale to FVOCI	(ii)	(117.1)	117.1	-	-	-
Reclassify listed and unlisted corporate bonds from available-for-sale to FVOCI	(iii)	(1.3)	1.3	-	-	-
Reclassify loans to employees and others from amortised cost and available-for-sale to FVOCI	(iv)	(2.3)	(21.8)	-	-	-
Reclassify listed corporate bonds from available-for-sale to FVTPL	(v)	(0.1)	-	-	-	0.1
Reclassify cost of hedging to cost of hedging reserve	(vi)	-	-	(81.2)	81.2	-
Increase in provision for trade receivables and contract assets	(vii)	-	-	-	-	(19.6)
Total impact		**(127.2)**	**96.6**	**(81.2)**	**81.2**	**(13.1)**
Opening balance 1 January 2018-before MFRS 9 adjustments		**-**	**96.6**	**4.5**	**81.2**	**4,244.8**

(i) Reclassification of investments from available-for-sale to FVTPL

Certain Technology Investment Fund were reclassified from available-for-sale to financial assets at FVTPL (RM70.6 million as at 1 January 2018).

Related fair value gains of RM6.4 million were transferred from the available-for-sale financial assets reserves to retained earnings on 1 January 2018. In the twelve months to 31 December 2018, net fair value gains of RM2.0 million relating to these investments were recognised in profit or loss.

14. Changes in Accounting Policies (continued)

(b) Impact from changes and adoption of new accounting policies (continued)

B. MFRS 9 (continued)

Reclassification & Measurement (continued)

(ii) Reclassification of investments in non-trading equities from available-for-sale to FVOCI

The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RM159.2 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RM117.1 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

There were no fair value movements recognised in OCI during the quarter and financial year ended 31 December 2018 as there were no significant movement in fair value nor disposal of these investments, nor were there any other income recognised in income statement as there were no dividends received from any of the investments.

(iii) Reclassification of investments in listed and unlisted corporate bonds from available-for-sale to FVOCI

Investments in listed and unlisted bonds were reclassified from available-for-sale to FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.

As a result, listed and unlisted bonds with a fair value of RM358.8 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RM1.3 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

(iv) Reclassification of loans to employees and others from available-for-sale to FVOCI

Loans extended to employees arrangement for the disposal of the loans to a third-party when certain pre-determined conditions are met. In addition, RM1.7 million education loans that are convertible to scholarship upon fulfilment of certain performance based criteria are also reclassified to FVOCI. An amount of RM21.8 million had been recognised to Fair Value Reserve arising from recognition of the amortised cost receivables at fair value.

14. Changes in Accounting Policies (continued)

(b) Impact from changes and adoption of new accounting policies (continued)

B. MFRS 9 (continued)

Reclassification & Measurement (continued)

(v) Reclassification of investment in rated corporate bonds from available-for-sale to FVTPL

Certain investments in a rated Corporate Social Responsibility (CSR) sukuk were reclassified from available-for-sale to financial assets at FVTPL (RM5.9 million as at 1 January 2018). The investment do not meet the MFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Related fair value gains of RM0.1 million were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

Derivatives & Hedging Activities

Impact from the adoption of MFRS 9 on prior periods

(vi) Reclassification of cost of hedging to cost of hedging reserve

The cross currency interest rate swaps (CCIRS) in place as at 31 December 2017 qualified as cash flow hedges under MFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of MFRS 9 and these relationships are therefore treated as continuing hedges.

For foreign currency portion of the CCIRS, the Group only designates the spot component of the change in fair value in cash flow hedge relationships. The spot component is determined with reference to the relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as forward points. It is discounted, where material. Changes in the fair value related to forward points were accounted for under hedge accounting and recognised through the OCI prior to 1 January 2018.

Since adoption of MFRS 9, the Group recognises changes in the fair value of foreign currency forwards attributable to forward points in the costs of hedging reserve within equity. The deferred costs of hedging are included within the initial cost of the related hedged item (borrowings) when it is recognised.

14. Changes in Accounting Policies (continued)

(b) Impact from changes and adoption of new accounting policies (continued)

B. MFRS 9 (continued)

Derivatives & Hedging Activities (continued)

(vii) Expected credit loss on trade receivables

MFRS 9 introduces the expected credit loss (ECL) model on impairment instead of the current incurred loss model used in MFRS 139 to be applied to TM's financial assets classified at amortised cost and contract assets under MFRS 15. The ECL model is forward-looking and removes the need for a trigger event before credit losses are recognised. The Group's allowance for impairment has increased by RM19.6 million as at 1 January 2018 as a result of applying the ECL model on receivables and contract assets.

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

Group revenue decreased by 3.5% (RM111.0 million) to RM3,088.9 million from RM3,199.9 million in the same quarter last year due to decrease in data, Internet and multimedia as well as non telecommunication related services.

The reduction in revenue led to the Group recording a lower operating profit before finance cost of RM252.7 million as compared to RM284.3 million in the fourth quarter of 2017.

Group profit after tax and non-controlling interests (PATAMI) however decreased by 74.8% (RM207.3 million) from RM277.0 million to RM69.7 million due to higher finance cost and lower foreign exchange gain on the Group's borrowings as well as tax charges.

(ii) Segment Performance

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Revenue decreased by 6.7% (RM91.9 million) from RM1,378.5 million to RM1,286.6 million in the current quarter mainly due to lower revenue from voice services in line with decrease in customer base and usage. This was partially offset by higher unifi revenue in line with increase in customer base at 1,273,202 as at the end of 4th quarter of 2018 as compared to 1,105,934 as at the end of corresponding quarter last year. Profit for the current quarter increased by RM87.9 million to RM102.9 million compared to RM15.0 million in the corresponding quarter last year due to lower operating costs.

TM ONE

TM ONE recorded 8.4% (RM105.0 million) decrease in revenue from RM1,257.3 million to RM1,152.3 million in the 4th quarter of 2018 due to lower revenue from voice services. Higher operating costs in the current year, resulted in a 31.6% (RM60.3 million) decrease in profit to RM130.4 million in the current quarter from RM190.7 million in the corresponding quarter last year.

TM GLOBAL

Revenue for the current quarter increased by 6.8% (RM45.0 million) from RM660.7 million in 4th quarter last year to RM705.7 million mainly contributed by higher revenue from voice services. Profit for the current quarter decreased by 46.0% (RM76.8 million) from RM167.1 million in the corresponding quarter last year to RM90.3 million mainly due to higher operating costs.

1. Review of Performance (continued)

(b) Year-on-Year

(i) Group Performance

For the financial year under review, Group revenue decreased by 2.2% (RM265.8 million) to RM11,819.3 million as compared to RM12,085.1 million last year, mainly due to lower revenue from voice, data and non-telecommunication related services. Data service was affected by the provision made on estimated impact of regulatory mandated access pricing.

The impairment loss on network assets recognised by the Group in the third quarter 2018 as disclosed in part A, note 4 (b), led to a decrease in operating profit before finance cost by 65.9% (RM725.7 million) to RM375.5 million as compared to RM1,101.2 million recorded in the preceding year.

Consequently, Group profit after tax and non-controlling interests (PATAMI) decreased by 83.5% (RM776.5 million) to RM153.2 million from RM929.7 million in the previous financial year.

(ii) Segment Performance

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Revenue for the current financial year decreased by 1.7% (RM94.4 million) to RM5,319.7 million from RM5,414.1 million contributed by lower revenue from voice services due to lower usage, which was in line with decrease in customer base. This was offset partially by higher unifi revenue in line with increase in customer base from 1,105,934 as at 31 December 2017 to 1,237,202 as at 31 December 2018, resulting in higher number of buys of unifi tv contents.

Profit for the current financial year decreased by 522.9% (RM764.5 million) to RM618.3 million loss from RM146.2 million profit last year with higher operating cost recorded in the current period affected by the impairment loss on network assets recognised during the third quarter of 2018 under this business cluster.

TM ONE

TM ONE recorded a decrease in revenue by 5.0% (RM233.9 million) from RM4,653.9 million to RM4,420.0 million in the current financial year mainly due to decline in voice and data services despite growth in Internet and multimedia. Profit for the current financial year decreased by 27.6% (RM208.5 million) from RM754.8 million to RM546.3 million from the decrease in revenue and increase in operating costs.

1. Review of Performance (continued)

(b) Year-on-Year (continued)

(ii) Segment Performance (continued)

TM GLOBAL

TM GLOBAL registered revenue of RM2,356.4 million for the current financial year, registering a 1.7% (RM39.9 million) increase from RM2,316.5 million reported last year. Profit for the current financial year however decreased by 9.4% (RM44.5 million) from RM472.9 million last year to RM428.4 million in the current financial year mainly due to higher operating cost.

(c) Economic Profit/Loss Statement

	4th Quarter Ended		**Financial Year Ended**	
	31/12/2018 RM Million	**31/12/2017 RM Million**	**31/12/2018 RM Million**	**31/12/2017 RM Million**
EBIT	**251.9**	270.3	**64.6**	1,092.7
Adjusted Tax	**60.5**	64.9	**15.5**	262.2
NOPLAT	**191.4**	205.4	**49.1**	830.5
AIC	**3,936.9**	4,032.6	**15,747.5**	16,130.3
WACC	**7.03%**	6.59%	**7.67%**	6.61%
ECONOMIC CHARGE	**276.8**	265.7	**1,207.8**	1,066.2
ECONOMIC LOSS	**(85.4)**	(60.3)	**(1,158.7)**	(235.7)

Definitions:
EBIT = Earnings before Interest & Taxes
NOPLAT = Net Operating Profit after Tax
AIC = Average Invested Capital
WACC = Weighted Average Cost of Capital

TM Group recorded Economic Loss both in fourth quarter 2018 as well as financial year ended due to the impairment loss on network assets recognised in the third quarter.

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 increased by 4.9% (RM142.9 million) to RM3,088.9 million as compared to RM2,946.0 million recorded in the 3rd quarter of 2018 due to higher revenue from voice, data and other telecommunication related services.

Operating profit before finance cost was RM252.7 million from RM319.8 million loss recorded in the preceding quarter in view of the impairment loss on network assets recognised in third quarter 2018 as disclosed in part A, note 4 (b).

Consequently, Group PATAMI improved by RM245.3 million from RM175.6 million loss in the preceding quarter to RM69.7 million profit in current quarter.

3. Prospects for the Next Financial Year Ending 31 December 2019

Year 2018 has been a challenging year for the industry. TM expects the environment to remain challenging, impacting our business operations. TM will accelerate Convergence and empower Digital in line with its transformation that reinforces Customer Centricity. The transformation plan will be anchored on the Performance Improvement Program 2019-2021 and will focus on bringing a convergence digital lifestyle to all Malaysians and on enabling enterprise and public sector industry verticals to realise their full digital potential whilst being the industry backbone, connecting Malaysia to the world.

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 2018.

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

5. Tax

The tax charge for the Group comprises:

	4th Quarter Ended		Financial Year Ended	
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
	RM Million	**RM Million**	**RM Million**	**RM Million**
Malaysia				
Income Tax:				
Current year	**100.8**	53.6	**231.6**	231.3
Prior year	**0.2**	(1.1)	**(20.0)**	(10.9)
Deferred tax (net)	**25.1**	17.1	**53.0**	78.1
	126.1	69.6	**264.6**	298.5
Overseas				
Income Tax:				
Current year	**0.2**	3.0	**0.8**	4.6
Prior year	#	0.1	**6.0**	0.3
Deferred tax (net)	#	5.2	#	5.2
	0.2	8.3	**6.8**	10.1
Tax	**126.3**	77.9	**271.4**	308.6
Zakat	**4.0**	7.5	**6.5**	8.9
Tax and Zakat	**130.3**	85.4	**277.9**	317.5

Amount less than RM0.1 million

The effective tax rates of the Group for the current year and comparative are higher than the statutory tax rate primarily due to the impairment loss on network assets recognised as disclosed in part A, note 4 (b), combined with losses before tax from webe for which no corresponding tax losses or deferred tax asset has been recognised at this juncture.

6. Status of Corporate Proposals

There is no change in the corporate proposals of the Group during the 4th quarter and financial year ended 31 December 2018 save as disclosed below:

Lodgement of an Islamic Commercial Papers (ICP) Programme (ICP Programme) and an Islamic Medium Term Notes (IMTN) Programme (IMTN Programme) with a Combined Limit of RM4.0 Billion in Nominal Value, based on the Shariah Principle Of Wakalah Bi Al-Istithmar (Sukuk Wakalah Programmes)

On 28 September 2018, TM has lodged with the Securities Commission Malaysia (SC) the proposed establishment of the Sukuk Wakalah Programmes under SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

The ICP Programme and the IMTN Programme, which have respective tenures of seven (7) and thirty (30) years from the date of first issuance, have been assigned short-term rating of P1 and long-term rating of AAA respectively by RAM Rating Services Berhad. Both the ICP and IMTN shall collectively be referred to as the "Sukuk Wakalah".

The proceeds from the issuance of Sukuk Wakalah shall be utilised for TM Group's capital expenditure and business operating requirements, which shall be Shariah compliant.

Subsequently on 31 October 2018, the Group made its first issuance of the IMTN, amounting to RM800.0 million in nominal value and with tenure of 10 years, pursuant to the IMTN Programme.

7. Group Borrowings and Debt Securities

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

	As at 31/12/2018		As at 31/12/2017	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Secured	**34.5**	**25.9**	35.5	67.8
Total Unsecured	**199.6**	**8,311.3**	1,083.5	6,963.4
Total Borrowings	**234.1**	**8,337.2**	1,119.0	7,031.2

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

Foreign Currency	As at 31/12/2018 RM Million	As at 31/12/2017 RM Million
US Dollar	**2,371.6**	2,361.8
Canadian Dollars	**2.6**	2.7
Total	**2,374.2**	2,364.5

7. Group Borrowings and Debt Securities (continued)

(c) There has not been any significant changes in the Group's borrowings since the end of the previous financial year (as disclosed in note 17 of the Group's audited financial statements for financial year ended 31 December 2017) except for issuance of IMTNs disclosed in part A, note 5 (a), drawdown of short-term facilities, repayments of borrowings as they become due and impact of foreign exchange retranslation for the year.

8. Derivative Financial Instruments

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

		Fair value as at 31/12/2018		**Fair value as at 31/12/2017**	
Derivatives (by maturity)	**Contract or notional amount RM Million**	**Assets RM Million**	**Liabilities RM Million**	**Assets RM Million**	**Liabilities RM Million**
1. Interest Rate Swaps (IRS)					
- more than 3 years	206.6	7.0	-	5.5	-
	206.6	**7.0**	**-**	5.5	-
2. Cross Currency Interest Rate Swaps (CCIRS)					
- 1 year to 3 years	316.8	99.2	-	93.5	-
- more than 3 years	310.5	148.2	-	166.0	-
	627.3	**247.4**	**-**	259.5	-
3. Put Option liability over shares held by non-controlling interest					
- more than 3 years	-	-	-	-	287.7
	-	**-**	**-**	-	287.7
Total	**833.9**	**254.4**	**-**	265.0	287.7

8. Derivative Financial Instruments (continued)

(b) 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, 19 and 46 to 49 to the Group's audited financial statements for the financial year ended 31 December 2017.

(c) 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 Group's audited financial statements for the financial year ended 31 December 2017.

8. Derivative Financial Instruments (continued)

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

The amount of gains/(losses) arising from fair value changes of derivative financial instruments for the current and cumulative quarters ended 31 December 2018 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	Financial year RM Million
Financial Liabilities				
1. Put Option liability over shares held by non-controlling interest[(i)] - more than 3 years	-	-	311.0	311.0
	-	**-**	**311.0**	**311.0**
Total	**-**	**-**	**311.0**	**311.0**
Financial Assets				
1. Interest Rate Swaps[(ii)] - more than 3 years	206.6	7.0	(6.1)	1.5
	206.6	**7.0**	**(6.1)**	**1.5**
2. Cross Currency Interest Rate Swaps[(iii)] - 1 year to 3 years - more than 3 years	316.8 310.5	99.2 148.2	(0.6) 11.0	5.7 (17.8)
	627.3	**247.4**	**10.4**	**(12.1)**
Total	**833.9**	**254.4**	**4.3**	**(10.6)**

(i) Derivative relating to equity instrument accounted for under MFRS 132 Financial Instruments: Presentation for which the obligation at inception is recognised in Other Reserves. The significant fair value movement for the year is from a reduction in the valuation of the underlying liability.

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

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

8. Derivative Financial Instruments (continued)

(d) 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.

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

9. Additional Disclosures

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the Consolidated Income Statement for the 4th quarter and financial year ended 31 December 2018:

	4th Quarter Ended		Financial Year Ended	
	31/12/2018 RM Million	31/12/2017 RM Million	31/12/2018 RM Million	31/12/2017 RM Million
Impairment of trade and other receivables (net of recoveries)	**(58.2)**	(18.0)	**(183.6)**	(57.6)
Inventory reversal/(charges) for write off and obsolescence	**0.8**	(7.9)	**0.1**	(7.5)
Gain on disposal of fixed income securities	#	0.3	**0.1**	1.8
Gain/(Loss) on foreign exchange on settlements and placements	**0.6**	(11.1)	**(2.2)**	(57.9)

Amount less than RM0.1 million

10. Material Litigation

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.

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

11. Earnings per Share (EPS)

	4th Quarter Ended		Financial Year Ended	
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
(a) Basic earnings per share				
Profit attributable to equity holders of the Company (RM million)	**69.7**	277.0	**153.2**	929.7
Weighted average number of ordinary shares (million)	**3,757.9**	3,757.9	**3,757.9**	3,757.9
Basic earnings per share (sen) attributable to equity holders of the Company	**1.9**	7.3	**4.1**	24.7

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.

	4th Quarter Ended		Financial Year Ended	
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
(b) Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	**69.7**	277.0	**153.2**	929.7
Weighted average number of ordinary shares (million)	**3,757.9**	3,757.9	**3,757.9**	3,757.9
Adjustment for dilutive effect of Long Term Incentive Plan (million)	**22.0**	21.1	**22.0**	16.0
Weighted average number of ordinary shares (million)	**3,779.9**	3,779.0	**3,779.9**	3,773.9
Diluted earnings per share (sen) attributable to equity holders of the Company	**1.9**	7.3	**4.1**	24.6

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

11. Earnings per Share (EPS) (continued)

(b) Diluted earnings per share (continued)

Diluted earnings per share for the current financial year 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 adjusted for potential conversion of all dilutive ordinary shares from shares granted to employees under the Group's Long Term Incentive Plan (LTIP), as disclosed in note 14 to the Group's audited financial statements for financial year ended 31 December 2017.

12. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2017 were not subject to any qualification.

13. Dividends

The Board of Directors has declared interim single-tier cash dividend of 2.0 sen per share for the financial year ended 31 December 2018 (2017: 1st and 2nd interim single-tier cash dividend of 9.4 and 12.1 sen per share respectively). The dividend will be paid on 12 April 2019 to shareholders whose names appear in the Register of Members and Record of Depositors on 18 March 2019.

By Order of the Board

Hamizah Abidin (LS0007096)
Zaiton Ahmad (MAICSA 7011681)

Secretaries

Kuala Lumpur
26 February 2019