IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering circular (the "**Offering Circular**"). In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Tulip Maple Berhad (the "**Issuer**" or "**Trustee**") or Telekom Malaysia Berhad ("**TM**") as a result of such access.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE U.S., EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE ARRANGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THIS OFFERING CIRCULAR CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

The document and any offer of the securities described in the document when made are only addressed to and directed at persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) ("**Qualified Investors**").

In addition, any securities described in this document which do not constitute "alternative finance investment bonds" ("**AFIBs"**) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the "**FSMA"**)) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this document is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this document, any pricing supplement and any other marketing materials relating to the securities is being addressed to, or directed at: (A) if the securities are AFIBs and the distribution is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"), (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the securities are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"), (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order (all such persons together being referred to as "**Relevant Persons**").

This document must not be acted on or relied on (i) in the United Kingdom, by persons who are not Relevant Persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only to (i) in the United Kingdom, Relevant Persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

Confirmation of Your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Sukuk described herein, (1) each prospective investor in respect of the Sukuk being offered outside of the United States in an offshore transaction pursuant to Regulation S must be outside of the United States and (2) each prospective investor in respect of the securities being offered in the UK must be a Relevant Person. By accessing this Offering Circular you confirm to HSBC Amanah Malaysia Berhad, Maybank Investment Bank Berhad and Standard Chartered Bank as arrangers (together the Arrangers), and the Trustee, as issuer of the Sukuk (as defined in the attached Offering Circular), that (i) you understand and agree to the terms set out herein, (ii) you are not and the email address which you have provided and to which this Offering Circular has been sent is not in the United States, its territories and possessions, (iii) in respect of the Sukuk being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person, (iv) you consent to delivery by electronic transmission, (v) you will not transmit the attached Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Arrangers and (vi) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Sukuk.

You are reminded that the attached Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular, electronically or otherwise, to any other person and in particular to any person or address in the U.S. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this Offering Circular by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your email software, will be ignored or rejected. If you receive this Offering Circular by e-mail, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arrangers or the Dealers or any affiliate of the Arrangers or the Dealers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Arrangers or the Dealers or such affiliate on behalf of the Trustee in such jurisdiction.

Under no circumstances shall the Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase Sukuk are reminded that any subscription or purchase may only be made on the basis of the information contained in this Offering Circular.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers, the Issuer, TM nor any person who controls or is a director, officer, employee or agent of the Arrangers, the Issuer, TM nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers.

The distribution of the Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Arrangers, the Trustee and TM to inform themselves about, and to observe, any such restrictions.

TULIP MAPLE BERHAD

U.S.$750,000,000

Multicurrency Sukuk Issuance Programme

Under the multicurrency sukuk issuance programme described in this Offering Circular (the "**Programme**"), Tulip Maple Berhad (in its capacity as issuer, the "**Issuer**" and, in its capacity as trustee, the "**Trustee**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the "**Sukuk**") in any currency (other than Malaysian Ringgit) agreed between the Issuer and the relevant Dealer (as defined below).

Sukuk may only be issued in registered form. The maximum aggregate face amount of all Sukuk from time to time outstanding under the Programme will not exceed U.S.$750,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Sukuk may be issued on a continuing basis to one or more of the Dealers (each a "**Dealer**" and together the "**Dealers**") specified under General Description of the Programme and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the relevant Dealer shall, in the case of an issue of Sukuk being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Sukuk.

The Sukuk will be limited recourse obligations of the Issuer. An investment in Sukuk issued under the Programme involves certain risks. For a discussion of these risks, see Risk Factors.

Each Series (as defined herein) of Sukuk issued under the Programme will be constituted by (i) a master declaration of trust (the "**Master Declaration of Trust**") dated 20 April 2015 entered into between the Issuer, the Trustee, Telekom Malaysia Berhad ("**TM**") and The Hongkong and Shanghai Banking Corporation Limited as delegate of the Trustee (in such capacity, the "**Delegate**") and (ii) a supplemental declaration of trust (the "**Supplemental Declaration of Trust**") in relation to the relevant Series. Sukuk of each Series confer on the holders of the Sukuk from time to time (the "**Sukukholders**") the right to receive certain payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the "**Trust**") over certain assets.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of Sukuk that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Approval in-principle for the listing of Sukuk on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Programme or Sukuk. Notice of the aggregate nominal amount of Sukuk, Periodic Distribution Amount (if any) payable in respect of Sukuk, the issue price of Sukuk and any other terms and conditions not contained herein which are applicable to each Series (as defined under *Terms and Conditions of the Sukuk*) of Sukuk will be set out in a pricing supplement (each, a "**Pricing Supplement**") which, with respect to Sukuk to be listed on the SGX-ST, will be delivered to the SGX-ST before the date of listing of Sukuk of such Tranche.

The Programme provides that Sukuk may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Sukuk and/or Sukuk not admitted to trading on any market.

The Issuer and TM may agree with any Dealer that Sukuk may be issued with terms and conditions not contemplated by the Terms and Conditions of the Sukuk herein, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Sukuk.

The Programme is expected to be rated by Moody's Investors Service Limited ("**Moody's**"). Sukuk issued under the Programme may be rated or unrated. Where a Series of Sukuk is rated, the relevant ratings for such Sukuk shall be specified in the applicable Pricing Supplement. Such rating will not necessarily be the same as the rating(s) assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The transaction structure relating to the Sukuk (as described in this Offering Circular) has been approved by The Executive Shariah Committee of HSBC Saudi Arabia Limited and the Shariah Supervisory Committee of Standard Chartered Bank. Prospective Sukukholders should not rely on the approvals referred to above in deciding whether to make an investment in the Sukuk and should consult their own Shariah advisers as to whether the proposed transaction described in the approvals referred to above is in compliance with Shariah principles.

Arrangers

HSBC **Maybank** **Standard Chartered Bank**

Dealers

HSBC **Maybank** **Standard Chartered Bank**

The date of this Offering Circular is 20 April 2015.

The Issuer and TM accept responsibility for the information contained in this Offering Circular and confirm that (i) this Offering Circular contains all information with respect to the Issuer, TM and its subsidiaries (together the "**Group**") and the Sukuk which is material in the context of the issue and offering of the Sukuk; (ii) this Offering Circular does not contain an untrue or misleading statement of a material fact or omit to state a material fact that is necessary in order to make the respective statements made in this Offering Circular, in the light of the circumstances under which they are made, not misleading; (iii) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly held and are based on reasonable assumptions; and (iv) all reasonable enquiries have been made by the Issuer and TM to ascertain such facts and to verify the accuracy of all such statements.

This Offering Circular should be read and construed together with any amendments or supplements hereto and, in relation to any Series of Sukuk, should be read and construed together with the applicable Pricing Supplement.

Copies of the applicable Pricing Supplement will be available from the registered office of the Issuer and the specified office set out below of the Principal Paying Agent (as defined below).

None of the Arrangers, Dealers or Delegate has made any independent investigation as to the accuracy, completeness or fairness of any information contained herein and no representation is made by any of the Arrangers, Dealers or Delegate as to the accuracy and completeness of such information.

To the fullest extent permitted by law, none of the Arrangers, the Dealers nor the Delegate accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arrangers, the Dealers or the Delegate or on their behalf in connection with the Issuer, TM or the issue and offering of the Sukuk. The Arrangers, the Dealers and the Delegate accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No person is or has been authorised by the Issuer or TM to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Sukuk and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, TM, the Trustee, the Delegate or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Sukuk (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, TM, the Trustee, the Delegate, any of the Arrangers or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Sukuk should purchase any Sukuk. Each investor contemplating purchasing any Sukuk should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and TM. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Sukuk constitutes an offer or invitation by or on behalf of the Issuer, TM, the Trustee, the Delegate, any of the Arrangers or any of the Dealers to any person to subscribe for or to purchase any Sukuk.

No comment is made or advice given by the Issuer, TM, the Trustee, the Delegate, any of the Arrangers or the Dealers in respect of taxation matters relating to any Sukuk or the legality of the purchase of Sukuk by an investor under applicable or similar laws.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN SHARIAH ADVISER, TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO SHARIAH, TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF SUKUK.

Neither the delivery of this Offering Circular, any applicable Pricing Supplement nor the offering, sale or delivery of any Sukuk shall, in any circumstances, create any implication that the information contained in this Offering Circular is correct subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented, or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or TM since the date hereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. None of the Arrangers, any of the Dealers or the Delegate expressly undertakes to review the financial condition or affairs of the Issuer or TM during the life of the Programme or to advise any investor or potential investor in the Sukuk of any information coming to their attention.

The Sukuk have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, the Sukuk may not be offered, sold or delivered within the U.S. The Sukuk are being offered and sold outside the U.S. in reliance on Regulation S under the Securities Act ("**Regulation S**"). None of the Trustee, TM, the Delegate, the Arrangers or the Dealers represents that this Offering Circular may be lawfully distributed, or that any Sukuk may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. See *Subscription and Sale*.

Neither this Offering Circular nor any applicable Pricing Supplement constitutes an offer to sell or the solicitation of an offer to buy any Sukuk in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Sukuk may be restricted by law in certain jurisdictions. The Issuer, TM, the Trustee, the Delegate, the Arrangers and the Dealers do not represent that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Sukuk may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, TM, the Trustee, the Delegate, the Arrangers or the Dealers which is intended to permit a public offering of any Sukuk or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for that purpose is required. Accordingly, no Sukuk may be offered or sold, directly or indirectly, and neither this Offering Circular nor any applicable Pricing Supplement nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular, any Pricing Supplement or any Sukuk may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Sukuk. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Sukuk in the United States, the European Economic Area (including the United Kingdom), Switzerland, the Dubai International Financial Centre, Hong Kong, Malaysia, Saudi Arabia, Singapore, Kingdom of Bahrain, Qatar (excluding the Qatar Financial Centre) and the United Arab Emirates (excluding the Dubai International Financial Centre), see *Subscription and Sale*.

The Executive Shariah Committee of HSBC Saudi Arabia Limited and the Shariah Supervisory Committee of Standard Chartered Bank have confirmed that the Transaction Documents are Shariah compliant. However, there can be no assurance that the Transaction Documents or any issue and trading of a Series of Sukuk will be deemed to be Shariah compliant by any other Shariah board or Shariah scholars. None of the Issuer, TM, the Delegate, any of the Arrangers or any of the Dealers makes any representation as to the Shariah compliance of any Series of Sukuk and potential investors are reminded that, as with any Shariah views, differences in opinion are possible. Potential investors should obtain their own independent Shariah advice as to the compliance of the Transaction Documents and the issue and trading of a Series of Sukuk with Shariah principles. Questions as to the Shariah permissibility of the structure or the issue and the trading of the Sukuk may limit the liquidity and adversely affect the market value of the Sukuk.

PRESENTATION OF INFORMATION

TM publishes its financial statements in Malaysian Ringgit. In this Offering Circular, references to "**Malaysian Ringgit**", "**Ringgit**" or "**RM**" are to the lawful currency of Malaysia, references to "United States dollars", "**U.S. dollar**", "**U.S. dollars**", "**U.S.$**" are to the lawful currency of the United States, references to "**Sterling**" and "**£**" are to the lawful currency of the United Kingdom, references to "**€**" and to "**euro**" are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, references to "**Singapore Dollars**" or "**S$**" are to the lawful currency of Singapore. References to a "**billion**" are to a thousand million. See "*Exchange Rates and Exchange Controls*" for certain information regarding the rates of exchange between the Ringgit and the U.S. dollar.

For the convenience of the readers, certain Malaysian Ringgit amounts have been translated into U.S. dollar amounts, based on the prevailing exchange rate of RM3.4965 = US$1.00 as of 31 December 2014, being the closing exchange rate for Malaysian Ringgit against U.S. dollars dealt on those dates by Bank Negara Malaysia ("**BNM**"), the Central Bank of Malaysia. Such translations should not be construed as representations that the Malaysian Ringgit or U.S. dollar amounts referred to could have been, or could be, converted into Malaysian Ringgit or U.S. dollars, as the case may be, at that or any other rate or at all.

TM has prepared audited consolidated financial statements as of and for the financial years ended 31 December 2012, 2013 and 2014 in conformity with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965.

Rounding

Certain financial and statistical amounts included in this Offering Circular are approximations or have been subject to rounding adjustments. Accordingly, figures shown as derivations or totals in certain tables may not be exact arithmetic derivatives or aggregations of the figures that precede them.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. All statements other than statements of historical facts included in this Offering Circular may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "**may**", "**will**", "**expect**", "**intend**", "**estimate**", "**anticipate**", "**believe**", "**continue**", "**plan**", "**targets**", "**aims**", "**project**", "**would**", "**could**" or similar terminology. Although TM believes that the expectations reflected in its forward-looking statements are reasonable at this time, there can be no assurance that these expectations will prove to be correct.

STABILISATION

IN CONNECTION WITH THE ISSUE OF ANY SERIES, THE DEALER OR DEALERS (IF ANY) NAMED AS STABILISING MANAGER(S) (OR ANY PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SUKUK AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE CAN BE NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE ISSUE DATE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 DAYS AFTER THE ISSUE DATE OF THE SUKUK. ANY STABILISATION ACTION SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

DUBAI INTERNATIONAL FINANCIAL CENTRE NOTICE

This Offering Circular relates to an Exempt Offer in accordance with the Markets Law 2012 (the "Markets Law") of the Dubai Financial Services Authority. This Offering Circular is intended for distribution only to Persons of a type specified in the Markets Law. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The Sukuk to which this Offering Circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Sukuk offered should conduct their own due diligence on the Sukuk. If you do not understand the contents of this Offering Circular you should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF MALAYSIA

An application has been made to the Securities Commission Malaysia for the approval and authorisation of the Programme on a deemed approval basis. Any Sukuk to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Sukuk in Malaysia may be made, directly or indirectly, and this Offering Circular or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons or in categories falling within (i) Schedule 6 (or Section 229(l)(b)) and (ii) Schedule 7 (or Section 230(l)(b)), read together with Schedule 9 (or Section 257(3)) at issuance, and thereafter to persons falling within any one of the categories of persons specified under Schedule 6 (or Section 229(1)(b)) read together with Schedule 9 (or Section 257(3)) of the Capital Markets and Services Act, 2007 of Malaysia. In accordance with the Capital Markets and Services Act, 2007 of Malaysia, a copy of this Offering Circular will be deposited with the Securities Commission Malaysia. The Securities Commission Malaysia shall not be liable for any non-disclosure on the part of the Issuer or TM and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Offering Circular. The issue, offer or invitation in relation to the Sukuk or otherwise are subject to the fulfilment of various conditions precedent, including, without limitation, the approval and authorisation from the Securities Commission Malaysia. Each recipient of this Offering Circular acknowledges and agrees that the approval of the Securities Commission Malaysia shall not be taken to indicate that the Securities Commission Malaysia recommends the subscription or purchase of the Sukuk.

KINGDOM OF SAUDI ARABIA NOTICE

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "Capital Market Authority"). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Offering Circular, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of the Sukuk issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Sukuk. If a prospective purchaser does not understand the contents of this Offering Circular, he or she should consult an authorised financial adviser.

NOTICE TO BAHRAIN RESIDENTS

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Offering Circular and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the "CBB") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of securities will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO THE RESIDENTS OF QATAR

This Offering Circular does not and is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank. The Sukuk are not and will not be traded on the Qatar Exchange.

NOTICE TO UNITED KINGDOM RESIDENTS

Any Sukuk to be issued under the Programme which do not constitute "alternative finance investment bonds" ("AFIBs") within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the "FSMA")) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Offering Circular is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Offering Circular, any Pricing Supplement and any other marketing materials relating to the Sukuk is being addressed to, or directed at: (A) if the Sukuk are AFIBs and the distribution is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order"), (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Sukuk are not AFIBs and the distribution is effected by a person who is an

authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "Promotion of CISs Order"), (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order.

Persons of any other description in the United Kingdom may not receive and should not act or rely on this Offering Circular, any Pricing Supplement or any other marketing materials in relation to the Sukuk. Potential investors in the United Kingdom in any Sukuk which are not AFIBs are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Sukuk and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme. Any individual intending to invest in any investment described in this Offering Circular should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

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DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with the following:

(a) each applicable Pricing Supplement;

(b) all amendments and supplements from time to time to this Offering Circular; and

(c) the most recently published audited consolidated financial statements (including the auditors' report thereon and notes thereto) and any interim unaudited consolidated financial statements of TM published subsequently to the date of this Offering Circular from time to time,

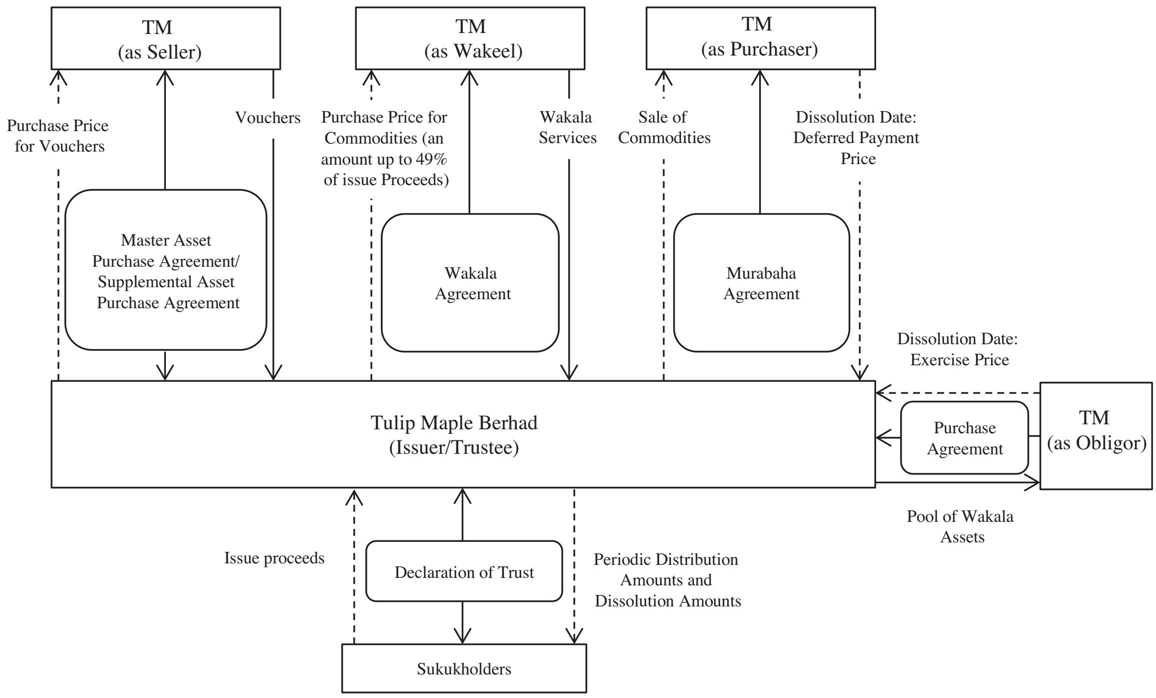
each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified office of the Principal Paying Agent set out at the end of this Offering Circular. The documents specified in item (c) above will also be published by TM on the website of Bursa Securities (www.bursamalaysia.com). See *General Information* for a description of the financial statements currently published by the Group.

None of the Arrangers, the Dealers or the Delegate accepts any responsibility for any of the information appearing on the website.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series of Sukuk issued. Potential investors are referred to the terms and conditions of the Sukuk and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this document for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure Diagram



Principal Cashflows

Payments by the Sukukholders and the Trustee

On the Closing Date, the Sukukholders will pay the issue price in respect of the Sukuk to the Trustee. In relation to each Series, the Trustee:

(a) may, at the request of TM, use an amount up to 49 per cent. of the aggregate issue price to purchase Commodities and sell such Commodities to TM pursuant to the Master Murabaha Agreement; and

(b) may pay a portion of the issue price to TM (such portion to be as set out in the applicable Pricing Supplement) as the purchase price payable under the Master Asset Purchase Agreement and the Supplemental Asset Purchase Agreement relating to that Series for the purchase by the Trustee of all of TM's interest, rights, benefits and entitlement in and to the vouchers ("**Vouchers**") identified in the relevant Supplemental Asset Purchase Agreement.

Periodic Payments by the Issuer

In relation to each Series comprising Vouchers, on or before the Payment Date, the Wakeel, as distributor of the Vouchers under the Master Wakala Agreement, will pay an amount equal to the Minimum Sale Price of the relevant Vouchers (which will comprise both a cost price and profit element) into the Collection Account or the Reserve Account, as appropriate.

In relation to each Series, on or prior to each Payment Date, the Wakeel will pay to the Trustee an amount reflecting the aggregate proceeds from the sale of Vouchers for the relevant Return Accumulation Period and such amounts shall be used to pay the Periodic Distribution Amounts payable by the Trustee under the Sukuk and shall be applied by the Trustee for that purpose.

Dissolution Payment by TM

On the Scheduled Dissolution Date of a Series, the Trustee will have the right under the Purchase Undertaking to require TM to purchase and accept the transfer and conveyance of all of its interests, rights, benefits and entitlements in and to any Vouchers owned by the Trustee but unsold at that time. The Sukuk Exercise Price, together with any Deferred Payment Price or Murabaha Indemnity Amount (as applicable) payable by TM to the Trustee will be used to fund the Dissolution Amount payable by the Trustee under the Sukuk.

The Trust may, in accordance with the Conditions, be dissolved prior to the Scheduled Dissolution Date by reason of: (i) redemption where a Dissolution Event (as defined in Condition 15 (*Dissolution Events*)) has occurred, (ii) redemption following the occurrence of certain Tax Events (as defined in Condition 11(b) (*Capital Distributions of the Trust — Early Dissolution for Tax Reasons*)), or (iii) (only if applicable to the relevant Series) at the option of TM in the circumstances described in Condition 11(c) (*Capital Distributions of the Trust — Dissolution at the Option of TM*).

In such case, the amounts payable by the Trustee on the relevant Dissolution Date will be funded by TM purchasing the Trustee's interest, rights, benefits and entitlements in and to any Vouchers owned by the Trustee but unsold at that time, pursuant to the terms of the Purchase Undertaking or Sale Undertaking (as applicable). Where the Series also comprises commodities purchased pursuant to the Master Murabaha Agreement, the remainder of the amounts (if any) payable by the Trustee on the relevant Dissolution Date shall be funded by TM paying to the Trustee the outstanding Deferred Payment Price in respect of the Commodities purchased pursuant to the Master Murabaha Agreement or, if applicable, the outstanding Murabaha Indemnity Amount pursuant to the Master Murabaha Agreement.

The Trust may also be dissolved prior to the Scheduled Dissolution Date upon the occurrence of a Revocation Event and/or a Change of Control in the circumstances described in Condition 11(e) (*Capital Distributions of the Trust — Dissolution following a Revocation Event*) and Condition 14(c) (*Purchase and Cancellation of Certificates — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*).

GENERAL DESCRIPTION OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Series of Sukuk, the applicable Pricing Supplement.

Words and expressions defined in "Form of the Sukuk" and "Terms and Conditions of the Sukuk" shall have the same meanings in this overview.

Trustee:	Tulip Maple Berhad, as trustee for and on behalf of the Sukukholders and, in such capacity, as issuer of the Sukuk, a public company with limited liability incorporated on 6 January 2015 in accordance with the laws of, and formed and registered in, Malaysia with registered number 1125916-H with its registered office at Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party. Tulip Maple Berhad shall on each Issue Date issue the Sukuk to the Sukukholders and act as trustee in respect of the Trust Assets for the benefit of the Sukukholders.
Ownership of the Trustee:	The authorised share capital of the Trustee is RM400,000 consisting of 400,000 ordinary shares of RM1.00 each, of which 2 shares are fully paid-up and issued. The Trustee's entire issued share capital is held by TM.
Arrangers:	HSBC Amanah Malaysia Berhad, Maybank Investment Bank Berhad and Standard Chartered Bank.
Dealers:	The Hongkong and Shanghai Banking Corporation Limited, Maybank Investment Bank Berhad and Standard Chartered Bank and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Sukuk.
Delegate:	The Hongkong and Shanghai Banking Corporation Limited. In accordance with the Master Declaration of Trust, the Trustee will, *inter alia*, unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain future powers, authorities and discretions vested in the Trustee by certain provisions in the Master Declaration of Trust in accordance with the terms of the Master Declaration of Trust. In addition, pursuant to the Master Declaration of Trust, certain powers will be vested solely in the Delegate.
Principal Paying Agent, Calculation Agent and Transfer Agent:	The Hongkong and Shanghai Banking Corporation Limited
Registrar:	The Hongkong and Shanghai Banking Corporation Limited
Sukuk Assets:	On each Issue Date, the Sukuk Assets will consist of:

(a) any Vouchers to be purchased by the Trustee from TM pursuant to the Master Asset Purchase Agreement and any relevant Supplemental Asset Purchase Agreement; and

(b) any Commodities to be purchased by the Trustee (or by the Wakeel on its behalf) to be sold to TM pursuant to the Master Murabaha Agreement);

(c) any New Vouchers (as defined in the Substitution Undertaking) to be transferred and conveyed by TM in the circumstances specified and subject to the terms set out in the Substitution Undertaking,

provided that Sukuk Assets shall not include any underlying assets to be redeemed and/or repurchased in connection with the purchase and cancellation of any Cancellation Sukuk.

Initial Programme Amount: Up to U.S.$750,000,000 (or its equivalent in other currencies) aggregate face amount of Sukuk outstanding at any one time. The amount of the Programme may be increased in accordance with the terms of the Programme Agreement and subject to any regulatory approval (if required).

Issuance in Series: The Sukuk will be issued in series (each series of Sukuk being a "**Series**"). The specific terms of each Series will be completed in a pricing supplement document (the applicable "**Pricing Supplement**").

Sukuk may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies: Sukuk may be denominated in U.S. dollars or any other currency or currencies (other than Malaysian Ringgit), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Sukuk may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Sukuk are denominated.

Maturities: The Sukuk will have such maturities as may be agreed between the Trustee and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee or the Specified Currency (as defined in the applicable Pricing Supplement).

Issue Price: Sukuk may be issued at any price on a fully paid basis, as specified in the applicable Pricing Supplement. The price and amount of Sukuk to be issued under the Programme will be determined by the Trustee, TM and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Status of the Sukuk: Each Sukuk will represent an undivided beneficial ownership interest in the Trust Assets of the relevant Series, will be a limited recourse obligation of the Trustee and will rank *pari passu*, without preference or priority, with all other Sukuk of the relevant Series issued under the Programme.

Periodic Distribution Amounts: Subject to Condition 4(c)(i) (*Status and Limited Recourse — Agreement of Sukukholders*), Sukukholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Pricing Supplement.

Cross-Default: The Sukuk will have the benefit of a cross-default provision in respect of TM's financial indebtedness, as described more fully in Condition 15 (*Dissolution Events*).

The Trust Assets: Pursuant to the Master Declaration of Trust, as supplemented by a Supplemental Declaration of Trust for each Series, the Trustee will declare that it will hold, for each Series, upon trust absolutely for and on behalf of the Sukukholders of such Series *pro rata* according to the face amount of Sukuk held by each holder for the relevant Series, certain assets (the "**Trust Assets**"), consisting of:

(a) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Assets;

(b) the right, title, interest and benefit, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) the Programme Agreement and (ii) any representations given by TM to the Trustee and the Delegate pursuant to any of the Transaction Documents);

(c) all monies standing to the credit of the Transaction Account; and

(d) any other assets, rights, cash or investments as may be specified in the applicable Pricing Supplement,

and all proceeds of the foregoing.

Dissolution on the Scheduled Dissolution Date: Unless the Sukuk are previously redeemed or purchased and cancelled, the Trustee will redeem each Sukuk at the relevant Dissolution Amount and the Trust in relation to the relevant Series will be dissolved by the Trustee on the relevant Scheduled Dissolution Date specified in the applicable Pricing Supplement.

Dissolution Amount: Means, in relation to a particular Series, either:

(a) the sum of:

 (i) the outstanding face amount of such Series; and

 (ii) any due but unpaid Periodic Distribution Amounts for such Series; or

(b) such other amount specified in the applicable Pricing Supplement as being payable upon dissolution of the relevant Series.

Early Dissolution of the Trust:	The Trust may only be dissolved prior to the Scheduled Dissolution Date upon: (a) the occurrence of a Dissolution Event; (b) the exercise of an Optional Dissolution Right (if the Optional Dissolution Right is applicable to the relevant Series); (c) the occurrence of a Tax Event (as defined in Condition 11(b) (*Capital Distributions of the Trust — Early Dissolution for Tax Reasons*)); (d) the occurrence of a Revocation Event (in the circumstances described in Condition 11(e) (*Capital Distributions of the Trust — Dissolution following a Revocation Event*)); or (e) all of the Sukuk of the relevant Series being cancelled following an exercise of the Redemption Undertaking.
Dissolution Events:	The Dissolution Events are described in Condition 15 (*Dissolution Events*). Upon the occurrence of a Dissolution Event, the Sukuk of the relevant Series may be redeemed in full at an amount equal to the Dissolution Amount on the Dissolution Event Redemption Date.
Early Dissolution for Tax Reasons:	Where the Trustee has or will become obliged to pay any additional amounts in respect of the Sukuk pursuant to Condition 12 (*Taxation*) or TM has or will become obliged to pay any additional amounts in respect of amounts payable under the Transaction Documents as a result of a change in the laws of a Relevant Jurisdiction (as defined in the Conditions) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the relevant Series and such obligation cannot be avoided by the Trustee or TM, as applicable, taking reasonable measures available to it, the Trustee will, following receipt of the Exercise Notice (as defined in the Conditions) under the Sale Undertaking, dissolve the Trust and redeem (in whole, but not in part) the Sukuk at their Early Dissolution Amount (Tax), together with any Periodic Distribution Amounts accrued (if any) to the Dissolution Date.

Optional Dissolution Right:	If so specified in the applicable Pricing Supplement as being applicable, TM may, in accordance with Condition 11(c) (*Capital Distributions of the Trust — Dissolution at the Option of TM*), require the Trustee to redeem (in whole, but not in part) the Sukuk of the relevant Series at any time prior to the relevant Scheduled Dissolution Date at the relevant Optional Dissolution Amount, together with any Periodic Distribution Amounts accrued (if any) to the Optional Dissolution Date.
Change of Control Exercise Option:	If so specified in the applicable Pricing Supplement as being applicable, the Trustee may, in accordance with Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*), upon the occurrence of a Change of Control (and following the notification thereof by TM to the Trustee and the Delegate), give notice of such event to the Sukukholders. In the event that Sukukholders holding Sukuk of the relevant Series elect within 30 days (or such other period as set out in the applicable Pricing Supplement) of a notice that a Change of Control has occurred being delivered to the Sukukholders by the Trustee (the "**Change of Control Exercise Period**") to redeem their Sukuk (the "**Change of Control Sukuk**"), in accordance with Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*), following the receipt of a Change of Control Confirmation Notice, pursuant to the Change of Control Undertaking, the Trustee (or the Principal Paying Agent on its behalf) shall serve a Change of Control Purchase Notice on TM and require TM, on the seventh day after the last day of the Change of Control Exercise Period to purchase from the relevant Sukukholders the relevant Change of Control Sukuk at the relevant Change of Control Amount.
Change of Control:	A "**Change of Control**" occurs when the Government of Malaysia disposes of or redeems the ownership of the "Special Share" (as defined in TM's Articles of Association) or the rights and benefits attaching to such "Special Share" are adversely changed.
Dissolution following a Revocation Event	In relation to each Series, the occurrence of a Revocation Event will result in the redemption of the Sukuk and the consequent dissolution of the Trust. Pursuant to the Purchase Undertaking, and in relation to each Series, TM undertakes to, upon the occurrence of a Revocation Event, purchase and accept the transfer and conveyance on the relevant Revocation Event Dissolution Date specified in the Exercise Notice of all of the Trustee's interests, rights, benefits and entitlements in and to any relevant Residual Assets at the Residual Assets Exercise Price specified in the Exercise Notice. The Trustee (or the Delegate on its behalf) will use the amounts subsequently received from TM to redeem the relevant Series of Sukuk at their Dissolution Amount.

See Condition 6(a) (*Trust — Summary of the Trust*).

"**Distribution Profit**" means, in relation to a particular Distribution Period, an amount equal to the Periodic Distribution Amount for the corresponding Return Accumulation Period as determined in accordance with Condition 8(c) (Fixed Periodic Distribution Provisions — Determination of Periodic Distribution Amount).

"**Residual Assets**" means, in relation to any Series and at any time, the unsold Vouchers at such time.

"**Residual Assets Exercise Price**" means, at any time, an amount equal to the aggregate of:

(a) the outstanding face amount of the Sukuk for that Series; and

(b) all accrued but unpaid Distribution Profit (or part thereof) relating to the Vouchers (if any), to the extent not received by the Trustee under the Master Wakala Agreement,

less

(c) an amount equal to only one of the following (as applicable):

(i) the outstanding Deferred Payment Price (after any reduction pursuant to clause 6.2 of the Master Murabaha Agreement) due under the Master Murabaha Agreement, where a Murabaha Contract has been concluded for that Series pursuant to the Master Murabaha Agreement; or

(ii) the outstanding Murabaha Indemnity Amount (after any reduction pursuant to clause 2.5 of the Master Murabaha Agreement) due under the Master Murabaha Agreement, where a Murabaha Contract has not been concluded pursuant to the Master Murabaha Agreement for that Series but the Wakeel has complied with its obligations contained in clause 6 (*Murabaha Services*) of the Master Wakala Agreement.

"**Revocation Date**" means, in relation to a Revocation Event, the date on which either (i) TM has ceased to be an Authorised Entity and its obligations relating to Vouchers under the Transaction Documents have not been validly transferred in accordance with all applicable laws to any of its Subsidiaries which is an Authorised Entity; or (ii) in the event that any Subsidiary of TM has validly assumed the obligations of TM (or of any other Subsidiary of TM, as the case may be) relating to Vouchers under the Transaction Documents, such Subsidiary has ceased to be an Authorised Entity and its obligations relating to Vouchers under the Transaction Documents have not been validly transferred in accordance with all applicable laws to any other Subsidiary of TM which is an Authorised Entity.

"**Revocation Event**" means, in respect of a Series, an event or circumstance where (a) the Revocation Date has occurred and (b) TM is unable within 45 days of the Revocation Date to (in its capacity as Wakeel) obtain Vouchers pursuant to a Supplemental Asset Purchase Agreement for an amount at least equal to the aggregate amount of Vouchers owned by the Trustee but unsold as at the Revocation Date.

"**Specified Currency**" has the meaning given to it in the applicable Pricing Supplement.

Cancellation of Sukuk held by TM and/or any of its Subsidiaries:

Pursuant to Condition 14(b) (*Purchase and Cancellation of Sukuk — Cancellation of Sukuk held by TM and/or any of its Subsidiaries*), TM and/or any of its subsidiaries may at any time purchase Sukuk in the open market or otherwise. If TM wishes to cancel such Sukuk purchased by it and/or any of its subsidiaries (the "**Cancellation Sukuk**") or any Change of Control Sukuk, TM may, in accordance with the terms of the Redemption Undertaking, and following the service of a Cancellation Notice by TM to the Trustee, require the Trustee to cancel any Cancellation Sukuk or Change of Control Sukuk (as applicable) surrendered to it by TM and/or any of its subsidiaries in consideration for payment of the relevant Cancellation Amount, which may be off-set against any amount that is due and payable by TM to the Trustee under the Master Wakala Agreement, the Master Murabaha Agreement, the Sale Undertaking and/or the Purchase Undertaking, provided that any amounts to be off-set shall first be applied against any amounts due under the Master Murabaha Agreement.

Limited Recourse:

Each Sukuk of a particular Series will represent an undivided beneficial ownership interest in the Trust Assets for such Series. No amount whatsoever shall be due or payable in respect of the Sukuk except to the extent that funds for that purpose are available from the relevant Trust Assets.

	Sukukholders have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or TM (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate or any Agent or any of their respective affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been enforced, realised and fully discharged following which all obligations of the Trustee and TM shall be extinguished.
Denomination of Sukuk:	The Sukuk will be issued in such denominations as may be agreed between the Trustee and the relevant Dealer save that the minimum denomination of each Sukuk will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Specified Currency or the applicable stock exchange for such Sukuk.
Form and Delivery of the Sukuk:	The Sukuk will be issued in registered form only. The Sukuk will be represented on issue by beneficial interests in a global certificate (the "**Global Certificate**"), which will be deposited with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. See the section entitled "*Form of the Sukuk*". Certificates in definitive form evidencing holdings of Sukuk ("**Definitive Certificate**") will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances.
Clearance and Settlement:	Sukukholders must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg or any other clearing system as may be specified in the relevant Pricing Supplement. Transfers within and between each of Euroclear, Clearstream, Luxembourg or any other clearing system will be in accordance with the usual rules and operating procedures of the relevant clearing system.
Withholding Tax:	All payments by TM under the Transaction Documents to which it is a party are to be made without withholding or deduction for, or on account of, any Taxes (as defined in the Conditions) unless the withholding is required by law. In the event that any such deduction is made by TM as a result of any requirement of law, TM will be required, pursuant to the relevant Transaction Document, to pay to the Trustee and/or the Delegate additional amounts so that the Trustee and/or the Delegate (as applicable) will receive the full amount which otherwise would have been due and payable under the relevant Transaction Document.

	All payments by the Trustee in respect of the Sukuk and the Transaction Documents shall be made without withholding or deduction for, or on account of, any Taxes (as defined in the Conditions). TM has agreed in the Transaction Documents that, if the Trustee is required to make any payment under the Sukuk after deduction or withholding for: (i) Taxes; or (ii) as otherwise required by applicable law and is required to pay additional amounts in respect thereof, TM will pay to the Trustee additional amounts to cover the amounts so deducted as would have been paid had no such deduction or withholding been required.
Listing:	Approval in-principle has been granted for permission to deal in and quotation of Sukuk that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Sukuk have been admitted to the Official List of the SGX-ST. If the application to the SGX-ST to list a particular series of Sukuk is approved, such Sukuk listed on the SGX-ST will be traded on the SGX-ST in a minimum board lot size of at least S$200,000 or its equivalent in any other foreign currency. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Sukuk on the SGX-ST are not to be taken as an indication of the merits of any of the Trustee and/or TM, the Programme or the Sukuk. The Sukuk may also be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) as may be agreed between the Trustee and the relevant Dealer in relation to each Series. The Trustee may issue Sukuk which are neither listed nor admitted to trading on any stock exchange or market. The applicable Pricing Supplement will state whether or not the relevant Sukuk are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or market(s).
Sukukholder Meetings:	A summary of the provisions for convening meetings of Sukukholders to consider matters relating to their interests as such is set out in Condition 19 (*Meetings of Sukukholders, Modification, Waiver, Authorisation and Determination*).
Tax Considerations:	See the section entitled "*Taxation*" for a description of certain tax considerations applicable to the Sukuk.
Governing Law:	The Sukuk and any non-contractual obligations arising out of or in connection with them shall be governed by English law.

Each of the Master Declaration of Trust, each Supplemental Declaration of Trust, the Agency Agreement, the Programme Agreement, the Master Murabaha Agreement, the Master Asset Purchase Agreement, each relevant Supplemental Asset Purchase Agreement, the Master Wakala Agreement, the Purchase Undertaking, the Sale Undertaking, the Redemption Undertaking, the Substitution Undertaking, the Change of Control Undertaking, each Global Certificate and any non-contractual obligations arising out of or in connection with the same will be governed by and construed in accordance with English law and subject to the exclusive jurisdiction of the English courts.

The Transaction Agency Agreement will be governed by, and construed in accordance with, the laws of Malaysia and subject to the exclusive jurisdiction of the Malaysian courts.

Transaction Documents: The Transaction Documents are the Programme Agreement, the Agency Agreement, the Master Declaration of Trust, the Master Wakala Agreement, the Master Murabaha Agreement, the Transaction Agency Agreement, the Master Asset Purchase Agreement, any relevant Supplemental Asset Purchase Agreement, the Purchase Undertaking, the Sale Undertaking, any relevant Sale Agreement, the relevant Redemption Undertaking, any relevant Change of Control Undertaking, the Substitution Undertaking, any Subscription Agreement, any relevant Sukuk and any relevant documents specified in the applicable Pricing Supplement.

Rating: The rating(s) of any Series to be issued under the Programme which is to be rated will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Selling and Transfer Restrictions: There are restrictions on the distribution of this Offering Circular and the offer, sale or transfer of Sukuk in the United States of America, the European Economic Area (including the United Kingdom), Switzerland, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Malaysia, the Kingdom of Saudi Arabia, Singapore, Hong Kong, Kingdom of Bahrain and Qatar (excluding the Qatar Financial Centre) and such other restrictions as may be required in connection with the offering and sale of the Sukuk. See "*Subscription and Sale*".

United States Selling Restrictions: Regulation S, Category 1.

Waiver of Sovereign Immunity:	Each of TM and the Trustee acknowledges in the Transaction Documents to which it is a party that, to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution before judgment or otherwise or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it will not claim and irrevocably and unconditionally waives to the fullest extent possible under applicable law such immunity in relation to any proceedings.

SUMMARY FINANCIAL INFORMATION

The following tables present a summary of TM's consolidated financial information as at and for each of the financial years ended 31 December 2012, 2013 and 2014. The financial information below has been derived from, and should be read in conjunction with, the financial statements of TM set out in the "*Index to the Financial Statements*" below.

Income Statements

	For the year ended 31 December			
	2012	**2013**	**2014**	**2014**
	RM	**RM**	**RM**	**U.S.$**
	(amounts in millions)			
Operating revenue	9,993.5	10,628.7	11,235.1	3,213.2
Operating costs				
Depreciation, impairment and amortisation	(2,046.4)	(2,159.7)	(2,341.3)	(669.6)
Other operating costs	(6,925.6)	(7,218.6)	(7,753.8)	(2,217.6)
Other operating income (net)	165.4	121.5	154.3	44.1
Other gains (net)	0.3	1.7	4.8	1.4
Operating profit before finance cost	1,187.2	1,373.6	1,299.1	371.5
Finance income	139.6	144.9	136.6	39.1
Finance cost	(331.5)	(371.2)	(291.6)	(83.4)
Foreign exchange (loss)/Gain on borrowings	73.4	(105.2)	(47.9)	(13.7)
Net finance cost	(118.5)	(331.5)	(202.9)	(58.0)
Associates				
Share of results (net of tax)	0.9	3.9	9.3	2.7
Profit before taxation and Zakat	1,069.6	1,046.0	1,105.5	316.2
Taxation and Zakat	236.3	1.8	(263.0)	(75.2)
Profit for the Financial Year	1,305.9	1,047.8	842.5	241.0
Attributable to:				
Equity holders of the Company	1,263.7	1,012.2	831.8	237.9
Non-controlling interests	42.2	35.6	10.7	3.1
Profit for the Financial Year	1,305.9	1,047.8	842.5	241.0
Earnings per share (sen)				
Basic/diluted	35.3	28.3	22.9	6.5

Statements of Comprehensive Income

	For the year ended 31 December			
	2012	2013	2014	2014
	RM	RM	RM	U.S.$
	(amounts in millions)			
Profit for the Financial Year	1,305.9	1,047.8	842.5	241.0
Other Comprehensive Income				
Items that may be reclassified subsequently to income statement:				
Increase/(decrease) in fair value of available-for-sale investment	(5.3)	(6.5)	2.4	0.7
Increase/(decrease) in fair value of available-for-sale receivables	(1.1)	0.4	(0.8)	(0.2)
Reclassification adjustments relating to available-for-sale investments disposed	(3.3)	(0.2)	(0.1)	#
Cash flow hedge				
Increase/(decrease) in fair value of cash flow hedge	(34.9)	20.5	45.6	13.0
Reclassification to foreign exchange (loss)/gain	29.7	(0.9)	(28.6)	(8.2)
Currency translation differences:				
Subsidiaries	(3.6)	3.1	4.4	1.2
Associate	—	0.3	(0.1)	#
Other comprehensive income/(loss) for the financial year	(18.5)	16.7	22.8	6.5
Total Comprehensive Income for the Financial Year	1,287.4	1,064.5	865.3	247.5
Attributable to:				
Equity holders of the Company	1,245.2	1,028.9	854.6	244.4
Non-controlling interests	42.2	35.6	10.7	3.1
Total Comprehensive Income for the Financial Year	1,287.4	1,064.5	865.3	247.5

Note: # — Amount less than USD0.1 million.

Statements of Financial Position

	As at 31 December			
	2012	2013	2014	2014
	RM	RM	RM	U.S.$
	(amounts in millions)			
Share capital	2,504.2	2,504.2	2,603.6	744.6
Share premium	43.2	43.2	722.7	206.7
Other reserves	157.2	173.9	(70.9)	(20.3)
Retained profits	4,190.2	4,415.4	4,315.7	1,234.3
Total capital and reserves attributable to equity holders of the Company	6,894.8	7,136.7	7,571.1	2,165.3
Non-controlling interests	165.2	162.6	388.8	111.2
Total Equity	7,060.0	7,299.3	7,959.9	2,276.5
Borrowings	5,130.2	4,865.0	6,251.4	1,787.9
Derivative financial instruments	51.5	51.4	337.8	96.6
Deferred tax liabilities	1,202.6	1,151.0	1,258.0	359.8
Deferred income	2,129.4	1,999.5	1,823.1	521.4
Trade and other payables	—	9.8	135.8	38.8
Deferred and Non-current liabilities	8,513.7	8,076.7	9,806.1	2,804.5
	15,573.7	15,376.0	17,766.0	5,081.0
Property, plant and equipment	14,721.7	14,572.0	14,785.1	4,228.5
Investment property	5.6	—	—	—
Intangible assets	322.1	319.8	581.7	166.4
Subsidiaries	—	—	—	—
Loans and advances to subsidiaries	—	—	—	—
Associates	1.5	10.7	6.5	1.9
Available-for-sale investments	98.7	99.7	99.0	28.3
Available-for-sale receivables	7.6	7.6	6.9	2.0
Other non-current receivables	252.3	314.9	500.7	143.2
Derivative financial instruments	43.1	80.3	147.3	42.1
Deferred tax assets	18.6	19.3	14.8	4.2
Non-current assets	15,471.2	15,424.3	16,142.0	4,616.6
Inventories	151.2	154.0	115.9	33.2
Non-current assets held for sale	8.0	22.3	13.0	3.7
Customer acquisition costs	100.1	73.8	62.7	17.9
Trade and other receivables	2,207.0	2,288.6	2,825.3	808.0
Derivative financial instruments	2.6	27.1	—	—
Available-for-sale investments	500.6	624.3	469.3	134.2
Financial assets at fair value through profit or loss	16.5	17.2	9.2	2.6
Cash and bank balances	3,738.7	2,514.9	2,985.8	853.9
Current Assets	6,724.70	5,722.2	6,481.2	1,853.5
Trade and other payables	3,545.5	3,172.8	3,605.2	1,031.1
Customer deposits	518.2	502.1	482.4	137.9
Advance rental billings	423.6	380.8	416.1	119.0
Derivative financial instruments	—	11.0	—	—
Borrowings	2,010.2	1,590.2	197.0	56.3
Payable to a subsidiary	—	—	—	—
Taxation and zakat	124.7	113.6	156.5	44.8
Current liabilities	6,622.2	5,770.5	4,857.2	1,389.1
Net current Assets/(liabilities)	102.5	(48.3)	1,624.0	464.4
	15,573.7	15,376.0	17,766.0	5,081.0

RISK FACTORS

Before making an investment decision, investors should carefully consider in light of their own financial circumstances and investment objectives all of the information set out in this Offering Circular, including the investment considerations set forth below. Any of the investment considerations described below could materially and adversely affect TM's ability to satisfy its obligations, including those under the Sukuk, and have a material adverse effect on TM's or the Group's business, operations and prospects. In that event, the market price of the Sukuk could decline, and investors may lose all or part of their investments in the Sukuk. The risks and uncertainties described below are not the only risks and uncertainties that TM and the Group face. Each of the Issuer and TM believes that the factors described below represent the principal risks inherent in investing in Sukuk, but the inability of the Issuer to pay any amounts on or in connection with any Sukuk may occur for other reasons and neither the Issuer nor TM represents that the statements below regarding the risks of holding any Sukuk are exhaustive. In addition to the investment considerations described below, there may be other risks and uncertainties not currently known to TM or the Group or that TM or the Group currently deem to be immaterial which may in the future become material risks. The risks discussed below also include forward-looking statements and TM's and the Group's actual results may differ substantially from those discussed in these forward-looking statements. Sub-headings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision. Words and expressions defined in Form of the Sukuk and Terms and Conditions of the Sukuk shall have the same meanings in this section.

Risk factors relating to the Trustee

The Trustee has no operating history and no material assets and will depend on receipt of payments from TM to make payments to Sukukholders

At the date of this Offering Circular, the Trustee is a newly established public company with limited liability incorporated under the laws of Malaysia on 6 January 2015 and has no operating history. The Trustee will not engage in any business activity other than participating in the transactions contemplated by the Transaction Documents.

The Trustee's only material assets, which will be held on trust for Sukukholders, will be the relevant Trust Assets relating to each Series, including its rights to receive payments from TM under the Transaction Documents. Therefore, the Trustee is subject to all the risks to which TM is subject to the extent that such risks could limit TM's ability to satisfy in full and on a timely basis its obligations under such documents.

The ability of the Trustee to pay amounts due on the Sukuk will be dependent upon receipt by the Trustee from TM of all amounts due under the Transaction Documents for the relevant Series (which in aggregate may not be sufficient to meet all claims under the relevant Sukuk and the Transaction Documents).

Risk factors relating to the Group

The Group may be affected by industry competition and deregulation

The telecommunications market in Malaysia is highly competitive. The Government has introduced measures to increase competition in the industry, including the granting of licences to various Malaysian telecommunications companies to operate telecommunication services such as fixed-line telephony, mobile services and Internet Service Provider ("**ISP**") services to encourage healthy competition. The Government also places certain obligations on the Group given its market leading position in the broadband market, ensuring that TM provides access to its HSBB network to other broadband service providers and doesn't use its market share to price competitors out of the market.

For example, in December 2012, the Malaysian Communications and Multimedia Commission (the "**MCMC**") allocated the 2600MHz spectrum band to eight companies, namely Celcom Axiata Bhd, DiGi.Com Bhd, Maxis Bhd, U Mobile Sdn Bhd, Puncak Semangat Sdn Bhd, Packet One Networks Sdn Bhd, REDTone International Bhd and YTL Communications Bhd for Long Term Evolution ("**LTE**") services.

In spite of TM's leadership position for broadband services in Malaysia, the above developments mean that TM is likely to face increased competition in the broadband space, the impact of which has yet to fully materialise.

In view of increasing competition, the Group has gone through several phases of business transformation (see "*Business*" for further information), including rolling out the HSBB network. However, there is no certainty that the transformation will assist the Group to meet its growth targets.

There can be no assurance that the Group will be able to maintain its market share in the face of the increase in competition. Furthermore, competitive or aggressive pricing by the Group's competitors may result in an adverse impact on the Group's revenue and profitability.

Technological obsolescence may affect the viability or competitiveness of the businesses of the Group

The telecommunications industry is subject to rapid and significant changes in technology. Fixed and wireless technology, satellite-based personal communications services, private and shared radio networks, internet telephony, Over-the-top ("**OTT**") applications, Virtual Private Network ("**VPN**") and other communications services compete with businesses of the Group. Emerging and future technological changes may adversely affect the viability or competitiveness of the businesses of the Group. There can be no assurance that the Group will be successful in responding in a timely and cost-effective way to these developments.

Furthermore, changing market demand may require the Group to adopt new technologies that could render many of the technologies that it is currently implementing less competitive or obsolete. Competitors may implement new technologies before the Group, allowing these competitors to provide lower priced, enhanced or better quality services than TM, which could have a material adverse effect on the Group's ability to compete effectively.

The Group has an extensive fibre optic and copper cable network throughout Malaysia which requires regular maintenance in order for TM to continue to provide its high level of service, in particular on the copper lines which are older than the fibre optic lines. In the event that the Group continues to use its copper line network without investing in regular upgrades and/or maintenance, this may have an adverse impact on the Group's maintenance costs and thereby on its profitability, as well as limiting the level of service TM is able to provide to its broadband customers.

In the event that the Group is not successful in modifying the network infrastructure in a timely and cost-effective manner to facilitate integration, this could have a material adverse effect on the quality of services, business, prospects, results of operations and financial condition of the Group.

Network safety and reliability issues may affect the Group's businesses

The Group provides fixed line services and multimedia services over networks that rely to varying degrees on TM's core fibre-optic and copper network. The provision of services by the Group depends on the reliability of this integrated network. The network is vulnerable to damage or interruptions in operation due to natural disasters, fire, power loss, telecommunications failures, network software flaws, transmission cable cuts, breaches of security (such as theft of its copper lines) or other similar events that may be outside the control of the Group. Any failure of this integrated network that results in an interruption in operations or provision of any service, whether from operational disruption or otherwise, could reduce the Group's ability to attract and retain customers and could have a material adverse effect on its results of operations and financial conditions. Depending on the severity of such failure to the network, disaster recovery plans put in place and/or insurance policies taken out by the Group may not be sufficient to mitigate these losses and damages.

Changes to Malaysia's telecommunications licensing policy may have an adverse effect on the Group

The Group's telecommunications businesses are subject to Malaysian statutory licensing requirements. The Group currently operates its businesses pursuant to licences and approvals that have been granted by the Minister of Communications and Multimedia of Malaysia (the "**Minister**") having due regard to the recommendations of the MCMC.

The licences held by TM issued under the Communications and Multimedia Act 1998 ("**CMA**") come with conditions and expiry dates. When these licences expire, TM will have to apply for renewals to continue providing telecommunication services. Any changes to Malaysia's telecommunications licensing policy may have an adverse effect on the Group. There can also be no assurance that a licence will be renewed after the expiration of its current term and the failure of the Group to maintain or renew its licences could have a material adverse effect on the Group's financial condition and results of operations.

The Group's businesses are subject to extensive laws and regulations

The ownership, construction, operation and provision of telecommunications systems and services and the allocation of frequency spectrum in Malaysia are subject to extensive laws, regulations and supervision by the MCMC and the Minister. Changes in laws and regulations or MCMC's policy relating to the Group's business activities and those of its competitors may adversely affect the Group's financial condition or results of operations.

Further, as part of its normal business operations, TM has incurred and expects to incur capital and operating costs to comply with telecommunications, environmental, health and safety laws and regulations in Malaysia. However, the introduction of new laws and regulations, stricter enforcement of, or changes to, existing laws and regulations, or the imposition of new clean-up requirements could require TM to incur additional costs, which could potentially affect the performance of its services or the inflow of its revenues, in ways that may have an adverse effect on the financial condition or results of operations of the Group.

While the Group has consistently complied with regulations imposed by the relevant authorities, there is no assurance that the introduction of new regulations or measures in the future will not have a material adverse effect on the business and financial performance of the Group.

The Group is dependent on its customers to generate revenue

The Group generates its revenue mainly from sales of services to its customers. Certain customers have major or significant contracts with the Group. For example, the Group has entered into some major contracts for the provisions of telecommunications and data services with the Malaysian Government, multinational enterprises, global and local telecommunications operators as well as media providers. There can be no assurance that existing customers of the Group will not reduce their demand for the Group services and shift their business to competitors. The loss of customers or reduction in demand of services from customers could have a material adverse impact on the revenue and performance of the Group.

TM's customers or users may view their service experience as less than satisfactory from time to time and may communicate their negative sentiments widely through social media or other forms of internet network, which may in turn adversely affect TM's brand and reputation. Such adverse publicity, if not managed swiftly nor adequately, could deter existing or potential customers from using TM's services and erode TM's market share and could have a material adverse impact on the financial condition or results of operations of the Group.

The Group is exposed to the credit risk of its customers, which could result in financial losses to the Group. Adverse changes in the credit quality of the Group's customers, or adverse changes arising from a general deterioration in local, regional or global economic conditions, could reduce cash recoverability from customers. The Group has recorded higher levels of bad debts for the 12 months ended 31 December 2014, primarily due to increased levels of fraud among third parties at the client acquisition level and increased delay among Consumer line of business ("**LOB**") customers to settle outstanding invoices. While TM is taking concrete steps to address the rise in bad debts, there can be no guarantee that such measures will be successful and any further increase in the Group's levels of bad debts could have a material adverse effect on its results of operations and its profitability.

TM's businesses are capital intensive in nature and may be unable to obtain sufficient funding on favourable terms, or at all

TM's telecommunications businesses are capital intensive in nature. In order to continue to be competitive and to provide services and technology which are compatible with the more advanced telecommunications providers, TM must continue to maintain, expand and modernise its network, which involves substantial capital investment. In addition to its internally generated funds, the Group expects to require external financing to broaden the existing range of telecommunications services, develop new services and upgrade its network using new technologies and for other future capital needs.

Adequate financing for the expansion and modernisation of its network and for telecommunications-related investments may not be available to TM on acceptable or favourable terms, or at all. Furthermore, any debt financing, if available, may involve restrictive covenants. If adequate financing on acceptable terms is not available in a timely manner, the Group's ability to finance its operations and future capital expenditure may be adversely affected.

The Group's integration of P1 may not be successful

The Group acquired a stake of 55.3% in P1 in September 2014 with a view to creating a fully converged communication services provider. However P1's business is at an early stage in its development and there is no guarantee that TM and its fellow shareholders will be able to develop and expand P1's business as planned. If the Group is unable to integrate the operations of P1 successfully or manage such acquisition profitably, the Group's growth plans related to the acquisition of P1 may not be met and the Group's revenue and profitability may be materially adversely affected.

The Group depends on a skilled workforce and a strong and competent management

As telecommunications industries become increasingly competitive, the Group's growth, implementation of business strategies and success, will depend to a significant extent upon, its ability to continue to attract and retain qualified and experienced personnel. The competition for qualified employees is intense and any failure on the part of TM to retain existing personnel on the inability to attract new qualified personnel could have a material adverse effect on the businesses, prospects, financial condition and results of operations of the Group.

The Group believes that the growth it has achieved to date, as well as its position as one of Asia's leading telecommunications groups, are to a large extent attributable to a strong and experienced management team. The Group believes that its continued growth and the successful implementation of its business strategy depends upon the retention of its key management executives and upon its ability to attract and retain other highly capable individuals. The loss of some or all of the Group's senior executives, or the inability to attract or retain other key individuals, could materially and adversely affect the Group's business.

The Group's businesses are subject to environmental, health and safety laws and regulations

TM's operations are subject to various stringent environmental, health and safety laws and regulations relating to environmental pollution and exposure of its workers to non-ionising radiation, such as microwave and radiofrequency radiation at hill stations and the release of polluted gas. While the Group has taken various measures to ensure its compliance with such laws and regulations, some risks of environmental costs and liabilities exist and there can be no assurance that material costs and liabilities will not be incurred in the future in this regard. Such laws and regulations may impose upon the Group obligations to investigate and remedy and/or pay for the investigation and/or remediation of environmental, health and safety conditions and to compensate public and/or private parties for related damages. Any such liability in connection with the facilities or businesses of the Group may materially and adversely affect the Group's businesses, prospects, financial condition and results of operations of the Group.

There is also no assurance that such environmental, health and safety laws and regulations will not change in the future in a manner that could adversely affect the Group. The imposition and stronger enforcement of more stringent environmental, health and safety laws and regulations may increase compliance costs and/or make certain businesses less profitable or unviable and this may have a material adverse effect on the Group's results or operations.

TM is majority owned by the Government

The Government, primarily through Khazanah Nasional Berhad ("**Khazanah**") and Minister of Finance, a body corporate established under the Minister of Finance (Incorporation) Act 1957 ("**MOF**"), is the single largest shareholder of TM. MOF (the "**Special Shareholder**") also holds the Special Share, and certain matters, in particular the alteration of the Articles of Association of TM relating to the rights of the Special Shareholder, the dissolution of TM, any substantial acquisitions and disposal of assets, amalgamations and any mergers or takeovers require the prior consent of the Special Shareholder. MOF, through its ownership of the Special Share, has the right to appoint between two and six of a maximum of twelve members of the Board of Directors of TM.

No assurance can be given that the Government's policies and directives will be in line and/or not conflict with the Group's business goals and objectives. In the event of such a conflict, this may have a material adverse effect on the financial condition and results of operations of the Group.

There is also no assurance that the Government will remain the majority shareholder of TM or that there will not be a change of ownership of TM or the entry of another major shareholder with the ability to exert significant influence on the direction of the Group.

The Group relies on key third party suppliers

The Group relies on third party suppliers with respect to many aspects of its business for various purposes, including but not limited to the construction of the Group's networks, the supply of devices and equipment, systems and applications development and services and content provision. Accordingly, the Group's operations could be affected by such third party suppliers failing to perform their obligations. In addition, the industry is dominated by a few key suppliers for such services, devices, equipment or content, and any failure or refusal of any key supplier to continue to provide such services, devices, equipment or content may significantly affect the Group's business and operations.

The Group is subject to domestic, regional and global political and economic conditions

Like all other business entities, adverse changes in political, economic, business and credit environments domestically, regionally and internationally could materially and adversely affect the financial and business prospects of the Group. Any adverse events in the future, may adversely affect consumer and business demand for telecommunications, IT and related services. Other political and economic uncertainties include (but are not limited to) risks of war, riots, changes in political leadership, political and social development, nationalisation, renegotiations or nullification of existing contracts, changes in rates of interest and methods of taxation.

While the Group continues to take measures such as prudent financial management and efficient operating procedures, there can be no assurance that adverse developments in the domestic, regional or global economy will not materially affect the Group.

Any political changes, for example, a change in the ruling party, or emergence of political instability in Malaysia may also have an adverse impact on its economic or social conditions. This could in turn adversely affect the Group's businesses, financial condition and results of operations.

The Group may be unable to obtain or renew appropriate insurance coverage on favourable terms or at all

The Group takes out insurance policies to insure its properties, assets and projects in line with industrial practice. Certain assets and types of losses, such as losses resulting from wars, or acts of terrorism are however generally not insured because they are either uninsurable or it is not economically practical to obtain such insurance.

There can be no assurance that the Group will be able to obtain appropriate insurance on commercially reasonable terms, if at all. A failure to obtain such insurance on commercially reasonable terms may reduce the Group's ability to access funding at all, or at commercially reasonable rates from banks and other financing for future projects and other commercial activities. Such failure may also cause the Group to potentially incur significant financial loss upon the occurrence of a major uninsurable event. The inability of the Group to obtain or renew appropriate insurance coverage at a reasonable cost, or at all, may result in an increase in operating costs and may have an adverse effect on the financial condition and results of operations of the Group.

The Group is subject to foreign exchange fluctuations

Since substantially all of the Group's revenue are denominated in RM and certain significant equipment purchases and other costs and liabilities are denominated in foreign currencies, a weakening of the RM may increase the cost of equipment purchases to the Group. The weakening of the RM may also increase the Group's RM interest expenses on foreign currency denominated indebtedness, as well as increase (in RM terms) the principal repayments on outstanding foreign currency loans. As the impact of future exchange rate fluctuations cannot be accurately predicted, the Group's hedging instruments and policy may be insufficient to prevent such exchange rate fluctuations causing a material adverse effect on the Group's financial conditions or results of operations.

The Group's Business Continuity Plan may not be sufficient to deal with unexpected disruptions to its businesses

Disruption to the Group's business operations can occur with or without warning due to adverse events such as pandemic, natural disasters/catastrophes (e.g. fire, flood, tsunami), technological failures or human error. In view of such uncertainty and in ensuring minimal disruption to its services, the Group has implemented and put in place Business Continuity Management ("**BCM**") programmes covering key areas of Network, IT, Contact Centre and Corporate Office as part of an enterprise risk management exercise to ensure business resilience (see "Business" for further information) and upholding TM's commitment to good customer experience.

Such disruptions are usually unexpected, unpredictable and outside the control of TM and, notwithstanding such BCM programmes being put in place, may materially disrupt the Group's businesses for an extended period of time and materially and adversely affect its financial condition and operations, hence the customer experience particularly if such BCM programmes prove to be insufficient to cope with the relevant event.

The Group is exposed to potential risks relating to breaches of customer data protection and other privacy breaches

The Group has a large database of customer information which is stored in various business systems and used in many business processes throughout its operations. While the Group seeks to protect the privacy of voice and information on networks and systems infrastructure, and employs security mechanisms including the use of firewalls and encryption algorithms designed to minimise the risk of privacy breaches, significant failure of encryption and security measures may result in customer confidence being undermined and/or the imposition of regulatory measures relating to the security and privacy of customer data. Any such breaches of customer data, whether due to theft or otherwise, may have a material adverse effect on the Group's business, financial condition and results of operations.

Credit ratings assigned to TM may be subject to change

TM has been assigned an overall corporate credit rating of "A3" by Moody's Investors Service, Inc. and "A-" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. A credit rating is not a recommendation to buy, sell or hold the Sukuk. Each series of Sukuk issued under the Programme may be rated or unrated. Credit ratings are subject to revision, suspension or withdrawal at any time by the assigning rating agency. Rating agencies may also revise or replace entirely the methodology applied to assigned credit ratings. TM has been assigned an overall corporate credit rating, and may additionally be issued to a stand-alone. No assurance can be given that if TM were issued such a stand-alone credit rating, it would be the same as or would not be lower than its overall corporate credit rating. Moreover, no assurance can be given that a credit rating will remain for any given period of time or that credit rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgement circumstances in the future so warrant or if a different methodology is applied to assign such credit ratings. TM has no obligation to inform Sukukholders of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the credit rating assigned to TM, the Programme or the Sukuk may adversely affect the market price of the Sukuk. Moreover, TM's credit ratings do not reflect the potential impact related to market or other considerations relating to the Sukuk.

Risk factors relating to the Sukuk

Absence of secondary market/limited liquidity

There is no assurance that a market for the Sukuk of any Series will develop or, if it does develop, that it will continue for the life of such Sukuk. Accordingly, a Sukukholder may not be able to find a buyer to buy its Sukuk readily or at prices that will enable the Sukukholder to realise a desired yield. The market value of the Sukuk may fluctuate and a lack of liquidity, in particular, can have a severe adverse effect on the market value of the Sukuk. In addition, questions as to the Shariah permissibility of the structure or the issue and the trading of the Sukuk may limit the liquidity and adversely affect the market value of the Sukuk. Accordingly, the purchase of the Sukuk is suitable only for investors who can bear the risks associated with a lack of liquidity in the Sukuk and the financial and other risks associated with an investment in the Sukuk.

The Sukuk are limited recourse obligations

Recourse to Tulip Maple Berhad in respect of each Series is limited to the Assets of that Series and proceeds of such Assets are the sole source of payments on the relevant Sukuk. Upon occurrence of a Dissolution Event or early dissolution pursuant to Conditions 11(b) (*Capital Distributions of the Trust — Early Dissolution for Tax Reasons*)); Condition 11(c) (*Capital Distributions of the Trust — Dissolution at the Option of TM*) or Condition 11(e) (*Capital Distributions of the Trust — Dissolution following a Revocation Event*)), the sole rights of each of the Issuer, the Trustee, the Delegate and the Sukukholders of the relevant Series will be against the Issuer and TM to perform their respective obligations under the Transaction Documents. Sukukholders will otherwise have no recourse to any assets of the Trustee, the Delegate, TM, the Arrangers, the relevant Dealer, the Issuer, the Agents or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts due under the relevant Assets. Sukukholders will also not be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of TM (in respect of its obligations under the Transaction Documents to the extent that it fulfils all such obligations), or Tulip Maple Berhad or any of their affiliates as a consequence of such shortfall or otherwise. TM is obliged to make certain payments under the Transaction Documents directly to the Issuer, and the Trustee and the Delegate will have direct recourse against TM to recover payments due to the Issuer from TM pursuant to the Transaction Documents. There can be no assurance that the net proceeds of the realisation of, or enforcement with respect to, the Assets will be sufficient to make all payments due in respect of the Sukuk of the relevant Series.

After enforcing or realising the relevant Assets and distributing the net proceeds of such Assets in accordance with Condition 16 (*Enforcement and Exercise of Rights*), the obligations of the Issuer and the Trustee in respect of the Sukuk of the relevant Series shall be satisfied and no Sukukholder may take any further steps against the Issuer or the Trustee to recover any further sums in respect of such Sukuk and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall any Sukukholder, the Trustee or the Delegate have any right to cause the sale or other disposition of any of the Assets except pursuant to the Transaction Documents and the sole right of the Trustee, the Delegate and the Sukukholders against TM shall be to enforce the obligation of TM to perform its obligations under the Transaction Documents. No amount whatsoever shall be due or payable by the Issuer except to the extent funds are available therefor from the relevant Assets.

The Sukuk may be subject to early dissolution

In certain circumstances, the Sukuk may be subject to early dissolution. In the event that the amount payable on the Sukuk is required to be increased to include additional amounts in certain circumstances and/or TM is required to pay additional amounts pursuant to certain Transaction Documents, in each case as a result of certain changes affecting taxation in Malaysia or any political subdivision or any authority thereof or therein having power to tax, the Issuer may redeem all but not some only of the Sukuk upon giving notice in accordance with the Terms and Conditions of the Sukuk.

If the Optional Dissolution Right is specified as being applicable in the applicable Pricing Supplement, TM may exercise its option under the Sale Undertaking to procure the Trustee to dissolve the Trust and redeem the Sukuk (in whole, but not in part) on the relevant Optional Dissolution Date at the relevant Optional Dissolution Amount as specified in the applicable Pricing Supplement.

In each case, dissolution and redemption will take place in accordance with the Terms and Conditions of the Sukuk. An early dissolution feature of any Sukuk is likely to limit its market value. During any period when the Trustee may elect to redeem Sukuk, the market value of those Sukuk generally will not rise substantially above the dissolution amount payable.

No third-party guarantees

Investors should be aware that no guarantee is or will be given in relation to the Sukuk by the shareholders of TM or any other person.

Sukuk which are traded in amounts that are not integral multiples

In relation to any issue of Sukuk which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Sukuk may be traded in amounts that are not integral multiples of such minimum Specified Denomination. A holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a face amount of Sukuk such that his holding amounts to a Specified Denomination.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Ability of defined majorities to bind all Sukukholders

The Master Declaration of Trust contains provisions for calling meetings of Sukukholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Sukukholders including Sukukholders who did not attend and vote at the relevant meeting and Sukukholders who voted in a manner contrary to the majority.

The Terms and Conditions, Declaration of Trust and other Transaction Documents may be modified without notice to Sukukholders

The Master Declaration of Trust also provides that the Delegate may agree, without any consent or sanction of Sukukholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of any of the Conditions or any of the provisions of the Declaration of Trust or any other Transaction Document or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or Potential Dissolution Event shall not be treated as such if, in the opinion of the Delegate, (a) such modification is of a formal, minor or technical nature, (b) such modification is made to correct a manifest or proven (to the satisfaction of the Delegate) error or (c) such modification, waiver, authorisation or determination is not materially prejudicial to the interests of Sukukholders.

Risk factors relating to taxation

Taxation risks on payments

Under present Malaysian law, all periodic distributions payable to non-residents in respect of the Sukuk are exempted from withholding tax. However, there is no assurance that this present position will continue.

Payments made by TM to the Issuer under the Transaction Documents or by the Issuer in respect of the Sukuk could become subject to taxation. The Transaction Documents require TM to pay additional amounts in the event that any withholding or deduction is required by Malaysian law to be made in respect of payments made by it to the Issuer which are intended to fund Periodic Distribution Amounts and Dissolution Amounts. Condition 12 (*Taxation*) provides that the Issuer is required to pay additional amounts in respect of any such withholdings or deductions imposed by law in certain circumstances.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the "**Amending Directive**") amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017, and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Sukuk) nor any other person would be obliged to pay additional amounts with respect to any Sukuk as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

U.S. Foreign Account Tax Compliance Withholding may affect payments on the Sukuk

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Sukuk are in global form and held within Euroclear or Clearstream, Luxembourg (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see "Taxation — Foreign Account Tax Compliance Act"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and should provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult with their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Sukuk are discharged once it has paid the common depositary for the ICSDs (as registered holder of the Sukuk) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

Risk factors relating to enforcement

Claims for specific enforcement

In the event that TM fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of TM's obligations or a claim for damages. Given that specific performance is an equitable relief and a discretionary exercise of the Court's powers, there is no automatic entitlement to a relief of specific performance notwithstanding that it may have been contractually provided for by the parties. For example, specific performance will not be granted where the circumstances have rendered it impossible for the performance of the act which such relief is being sought for. In such instance, the Court has the power to award damages to the innocent party in lieu of specific performance. The amount of damages which a court may award in respect of a breach will depend on the ability of the innocent party to prove actual losses suffered. Additionally, there is also an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of the breach where it is possible to do so. Hence, it would not be possible to provide any assurance on the actual quantum of damages which a court may award in the event of a failure by TM to perform its obligations set out in the Transaction Documents to which it is a party.

Certain foreign judgments may not be enforceable against the Trustee or TM in Malaysia

Foreign judgments obtained in the superior courts of reciprocating countries as listed in the First Schedule of the Reciprocal Enforcement of Judgment Act 1958 (the "**REJA**") (other than a judgment of such a court given on appeal from a court which is not a superior court) in respect of any sum payable by the Trustee or TM can be recognised and enforced in Malaysia by applying to register the said foreign judgment with the Malaysian courts. This process of registration of foreign judgment dispenses the need to re-litigate or re-examine the issues in dispute, so long as the judgment: (1) is not contrary to public policy in Malaysia; (2) was not given or obtained by fraud or in a manner contrary to natural justice; (3) is not directly or indirectly for the payment of taxes or other charges of a similar nature or of a fine or other penalty; (4) was by a court having jurisdiction in the circumstances of the case and was not obtained in proceedings in which the judgment debtor being the defendant in the original court did not receive notice of those proceedings in sufficient time to enable it to defend the proceedings and did not appear; (5) has not been wholly or partly satisfied or is enforceable by execution in the original court; (6) is final and conclusive between the parties; (7) is for a fixed sum and not for multiple damages; (8) is not directly or indirectly intended to enforce the penal or revenue laws or sanctions imposed by the authorities of such jurisdiction; (9) is not preceded by a final and conclusive judgment by a court having jurisdiction in that matter; (10) is vested in the person by whom the application for registration was made; and (11) is registered with the Malaysian courts in accordance with the provisions of the REJA within six years after the date of the judgment or, where there have been proceedings by way of appeal against the judgment, after the date of the last judgment given in those proceedings. A person who has obtained a judgment against the Trustee or TM in a court which is not listed in the First Schedule of the REJA will have to rely entirely on the principles of common law to enforce the judgment, that is, by instituting a fresh suit in Malaysia based either on the judgment or on the original cause of action.

Additional risks

Suitability of investments

The Sukuk may not be a suitable investment for all investors. Each potential investor in Sukuk must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk, the merits and risks of investing in the Sukuk and the information contained or incorporated by reference in this Offering Circular;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk and the impact the Sukuk will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk, including where the currency of payment is different from the potential investor's currency;

(d) understand thoroughly the terms of the Sukuk and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Sukuk. The ratings may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above or any other factors that may affect the value of the Sukuk. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Reliance on Euroclear and Clearstream, Luxembourg procedures

It is anticipated that the Sukuk of each Series will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Certificate, investors will not be entitled to receive Sukuk in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificates. While the Sukuk of any Series are represented by a Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Sukuk of any Series are represented by a Global Certificate, the Issuer will discharge its payment obligation under the relevant Sukuk by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the relevant Sukuk. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate.

Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the relevant Sukuk. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Change of law

The Terms and Conditions of the Sukuk and certain Transaction Documents are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English or administrative practice after the date of this Offering Circular.

Investors must make their own determination as to Shariah compliance

Members of the Executive Shariah Committee of HSBC Saudi Arabia Limited and the Shariah Supervisory Committee of Standard Chartered Bank have issued fatwas in respect of the Sukuk and the related structure and mechanism described in the Transaction Documents and their compliance with Shariah principles. However, a fatwa is only an expression of the view of the relevant Shariah committee based on its experience in the subject and is not a binding opinion. There can be no assurance as to the Shariah permissibility of the structure or the issue and the trading of the Sukuk and none of the Issuer, TM, the Delegate, the Arrangers and the Dealers makes any representation as to the same. Investors are reminded that, as with any Shariah views, differences in opinion are possible. Investors are advised to obtain their own independent Shariah advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradeability of the Sukuk on any secondary market. Questions as to the Shariah permissibility of the structure or the issue and the trading of the Sukuk may limit the liquidity and adversely affect the market value of the Sukuk.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties in the transaction would be, if in dispute, the subject of court proceedings under the laws of England and Wales. In such circumstances, the judge may first apply the relevant law rather than Shariah principles in determining the obligations of the parties.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or the review of such laws and regulations by certain governmental or regulatory authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Sukuk constitute legal investments for it; (ii) the Sukuk can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Sukuk by the investor. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Sukuk under any applicable risk-based capital or similar rules and regulations.

Exchange rate risks and exchange controls

The Issuer will pay Periodic Distribution Amounts and Dissolution Amounts on the Sukuk in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency equivalent yield on the Sukuk; (ii) the Investor's Currency equivalent value of the Dissolution Amount payable on the Sukuk; and (iii) the Investor's Currency equivalent market value of the Sukuk. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive a lower Dissolution Amount than expected, or no Dissolution Amount.

TERMS AND CONDITIONS OF THE SUKUK

The following is the text of the Terms and Conditions of the Sukuk, which (subject to modification and except for the text in italics) will be endorsed on each Sukuk in definitive registered form issued under the Programme and will apply to each Global Certificate. The applicable Pricing Supplement in relation to any series of Certificates may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Certificates.

Tulip Maple Berhad (in its capacity as issuer and in its capacity as trustee, the "**Trustee"**) has established a multicurrency sukuk issuance programme (the "**Programme**") for the issuance of trust certificates (the "**Sukuk**") in a maximum aggregate face amount of U.S.$750,000,000 (or the equivalent in other currencies) as may be increased in accordance with the terms of the Programme Agreement (as defined below) and subject to any regulatory approval (if required).

Sukuk issued under the Programme are issued in series (each series of Sukuk being a "**Series**"). The terms for a Sukuk (or the relevant provisions thereof) are set out in the applicable Pricing Supplement attached to or endorsed on a Certificate which supplement and amend these terms and conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of each Series. References to the "**applicable Pricing Supplement**" are to the pricing supplement (or the relevant provisions thereof) attached to or endorsed on each Certificate.

Each Sukuk will represent an undivided ownership interest in the relevant Trust Assets (as defined below) held on trust by the Trustee (the "**Trust**") for the holders of such Sukuk pursuant to: (i) a master declaration of trust (the "**Master Declaration of Trust**") to be dated 20 April 2015 and to be entered into by the Trustee, Telekom Malaysia Berhad ("**TM**") and The Hong Kong and Shanghai Banking Corporation Limited as the Trustee's delegate (the "**Delegate**"); and (ii) a supplemental declaration of trust in respect of the relevant Series (the "**Supplemental Declaration of Trust**") having the details set out in the applicable Pricing Supplement.

The Sukuk of each Series shall form a separate series and these Conditions shall apply *mutatis mutandis* separately and independently to the Sukuk of each Series and, in these Conditions, the expressions "**Sukuk**", "**Sukukholders**" and related expressions shall be construed accordingly.

In these Conditions, references to "**Sukuk**" shall be references to the Sukuk (whether in global form as a global Certificate (a "**Global Certificate**") or in definitive form as definitive Certificates (each a "**Definitive Certificate**")) which are the subject of the applicable Pricing Supplement.

These Conditions include summaries of, and are subject to, the detailed provisions of the Master Declaration of Trust as supplemented by each relevant Supplemental Declaration of Trust and the other Transaction Documents.

Payments relating to the Sukuk will be made pursuant to an agency agreement to be dated 20 April 2015 (the "**Agency Agreement**") made between, inter alios, the Trustee, the Delegate, TM and The Hong Kong and Shanghai Banking Corporation Limited as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Sukuk, the "**Paying Agents**"), calculation agent (together with any further or other calculation agents appointed from time to time in respect of the Sukuk, in such capacity, the "**Calculation Agent**"), The Hong Kong and Shanghai Banking Corporation Limited as transfer agent (together with any further or other transfer agents appointed from time to time in respect of the Sukuk, in such capacity, the "**Transfer Agent**") and The Hong Kong and Shanghai Banking Corporation Limited as registrar (in such capacity, a "**Registrar**"). The Paying Agents, the Calculation Agent, the Registrar and the Transfer Agent are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors.

The Sukukholders are entitled to the benefit of, are bound by, and are deemed to have notice of the following documents, copies of which are available for inspection during usual business hours at the principal office of the Delegate (currently at Level 17, HSBC Main Building, 1 Queen's Road Central, Hong Kong) and at the specified offices of the Paying Agents:

(a) a master asset purchase agreement dated 20 April 2015 between the Trustee and TM (the "**Master Asset Purchase Agreement**") and, in respect of each Series, the applicable supplemental asset purchase agreement with respect thereto (each a "**Supplemental Asset Purchase Agreement**");

(b) a master murabaha agreement dated 20 April 2015 between, inter alios, the Trustee and TM (the "**Master Murabaha Agreement**") and, in respect of each Series, the murabaha contract with respect thereto (each a "**Murabaha Contract**");

(c) a master wakala agreement dated 20 April 2015 between, inter alios, the Trustee and TM (the "**Master Wakala Agreement**");

(d) a transaction agency agreement dated 20 April 2015 between, inter alios, HSBC Amanah Malaysia Berhad and TM (the "**Transaction Agency Agreement**");

(e) in relation to each Series, the purchase undertaking dated 20 April 2015 executed as a deed by TM in favour of the Trustee and the Delegate (the "**Purchase Undertaking**") containing the form of Sale Agreement to be entered into in the circumstances set out in the Purchase Undertaking;

(f) in relation to each Series, the sale undertaking dated 20 April 2015 executed as a deed by the Trustee in favour of TM (the "**Sale Undertaking**") containing the form of Sale Agreement to be entered into in the circumstances set out in the Sale Undertaking;

(g) in relation to each Series, the redemption undertaking dated 20 April 2015 between the Trustee and TM (the "**Redemption Undertaking**");

(h) in relation to each Series, the substitution undertaking dated 20 April 2015 executed as a deed by the Trustee in favour of TM (the "**Substitution Undertaking**") containing the form of Sale Agreement to be entered into in the circumstances set out in such Substitution Undertaking;

(i) in relation to each Series, the change of control undertaking dated 20 April 2015 executed as a deed by TM in favour of the Trustee and the Delegate (the "**Change of Control Undertaking**");

(j) the Master Declaration of Trust and, in respect of each Series, the applicable Supplemental Declaration of Trust with respect thereto;

(k) the Agency Agreement; and

(l) in respect of each Series, the applicable Pricing Supplement,

as each may be amended and restated and/or supplemented from time to time.

Each Sukukholder, by its acquisition and holding of its interest in a Sukuk, shall be deemed, in respect of each Series, to authorise and direct the Trustee on behalf of the Sukukholders, to: (a) enter into a Murabaha Contract with TM; and (b) to apply the proceeds of the issue of the Sukuk towards the acquisition of relevant Vouchers from TM; and (c) enter into each other Transaction Document to which it is a party, subject to the terms and conditions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust and these Conditions.

1 INTERPRETATION

Words and expressions defined in the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between any such document and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail. In addition, in these Conditions the following expressions have the following meanings:

"**Accountholder**" means each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as entitled to a particular face amount of the Sukuk (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Sukuk standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error);

"**Additional Business Centre**" has the meaning given to it in the applicable Pricing Supplement;

"**Additional Distribution Period**" has the meaning given to it in the Purchase Undertaking;

"**Authorised Entity**" means an Authorised Airtime Entity or an Authorised Broadband Entity, as applicable for Airtime Vouchers and Broadband Vouchers respectively (as specified in the relevant Supplemental Asset Purchase Agreement);

"**Authorised Airtime Entity**" means a duly licensed provider of telecommunication services in Malaysia or such other person as may lawfully provide such telecommunication services in Malaysia;

"**Authorised Broadband Entity**" means a duly licensed provider of broadband services in Malaysia or such other person as may lawfully provide such broadband services in Malaysia;

"**Broken Amount**" has the meaning given to it in the applicable Pricing Supplement;

"**Business Day**" has the meaning given to it in Condition 9(b) (*Floating Periodic Distribution Provisions — Periodic Distribution Amount*);

"**Business Day Convention**", in relation to any particular date, has the meaning given in the applicable Pricing Supplement and, if so specified in the applicable Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or **"Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Pricing Supplement as the Return Accumulation Period after the calendar month in which the preceding such date occurred provided, however, that:

   (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

   (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

   (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred;

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Amount**" has the meaning given to it in the applicable Pricing Supplement;

"**Cancellation Dissolution Date**" means the date on which all of the Sukuk are cancelled following an exercise of the Redemption Undertaking;

"**Cancellation Notice**" means a notice substantially in the form set out in Schedule 1 (*Form of Cancellation Notice*) of the Redemption Undertaking;

"**Cancellation Sukuk**" means the Sukuk referred to as such in the relevant Cancellation Notice;

"**Certificate**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title — Form and Denomination*);

A "**Change of Control**" occurs when the Government of Malaysia disposes of or redeems the ownership of the "Special Share" (as defined in TM's Articles of Association) or the rights and benefits attaching to such "Special Share" are adversely changed;

"**Change of Control Amount**" means, in relation to a particular Series, the aggregate face amount of the Change of Control Sukuk to be redeemed plus any due but unpaid Periodic Distribution Amounts under such Change of Control Sukuk;

"**Change of Control Confirmation Notice**" has the meaning given to it in Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*)

"**Change of Control Exercise Notice**" has the meaning given to it in Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*);

"**Change of Control Exercise Option**" means the option specified in Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*)

"**Change of Control Exercise Period**" has the meaning given to it in Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*)

"**Change of Control Notice**" has the meaning given to it in Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*)

"**Change of Control Purchase Notice**" means a notice in the form of, or substantially in the form of Schedule 1 (*Form of Change of Control Purchase Notice*) of the Change of Control Undertaking;

"**Change of Control Sukuk**" means, in relation to a particular Series, the Sukuk specified in the Change of Control Purchase Notice;

"**Clearstream, Luxembourg**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title — Form and Denomination*);

"**Collection Account**" means the ledger account to be maintained by the Wakeel in accordance with the terms of the Master Wakala Agreement;

"**Commodities**" has the meaning given to it in the Master Murabaha Agreement;

"**Day Count Fraction**" has the meaning given to it in Condition 8(c) (*Fixed Periodic Distribution Provisions — Determination of Periodic Distribution Amount*) (if the Fixed Periodic Distribution provisions are applicable) or Condition 9(e) (*Floating Periodic Distribution Provisions — Calculation of Periodic Distribution Amount*) if the Floating Periodic Distribution Provisions are applicable);

"**Deferred Payment Price**" has the meaning given to it in the Master Murabaha Agreement;

"**Delegation**" has the meaning given to it in Condition 20 (*The Delegate*);

"**Determination Date**" has the meaning specified in the applicable Pricing Supplement;

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Return Accrual Commencement Date or the final Periodic Distribution Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

"**Dispute**" has the meaning given to it in Condition 22 (*Governing Law, Jurisdiction and Waiver of Immunity*);

"**Dissolution Amount**" means, in relation to a particular Series, either:

(a) the sum of:

  (i) the outstanding face amount of such Series; and

  (ii) any due but unpaid Periodic Distribution Amounts for such Series; or

(b) such other amount specified in the applicable Pricing Supplement as being payable upon dissolution of the relevant Series;

"**Dissolution Date**" means, in relation to a particular Series, either:

(a) the Scheduled Dissolution Date;

(b) the Tax Redemption Date;

(c) the Revocation Event Dissolution Date;

(d) if an Optional Dissolution Right is applicable to the relevant Series, the Optional Dissolution Date;

(e) the Cancellation Dissolution Date; or

(f) the Dissolution Event Redemption Date;

"**Dissolution Event**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Dissolution Event Redemption Date**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Dissolution Request**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Distribution Profit**" means, in relation to a particular Distribution Period, an amount equal to the Periodic Distribution Amount for the corresponding Return Accumulation Period as determined in accordance with Condition 8(c) (*Determination of Periodic Distribution Amount*);

"**Distribution Term**" has the meaning given to it in the Master Wakala Agreement;

"**Early Dissolution Amount (Tax)**" means, in respect of any Sukuk, the Dissolution Amount or such other amount specified in the applicable Pricing Supplement;

"**Euroclear**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title -Form and Denomination*);

"**Exercise Notice**" means (as the context requires) an exercise notice delivered or to be delivered in connection with any Purchase Undertaking or Sale Undertaking;

"**Extraordinary Resolution**" has the meaning given to it in Schedule 3 (Provisions for Meetings of Sukukholders) to the Master Declaration of Trust;

"**First Periodic Distribution Date**" has the meaning given to it in the applicable Pricing Supplement;

"**Fixed Amount**" has the meaning given to it in the applicable Pricing Supplement;

"**Fixed Periodic Distribution Provisions**" has the meaning given to it in Condition 8(a) (*Fixed Periodic Distribution Provisions — Application*);

"**Floating Periodic Distribution Provisions**" has the meaning given to it in Condition 9(a) (*Floating Periodic Distribution Provisions — Application*);

“**Investment Grade**” means a rating of “Aaa”, or “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns; or the equivalent ratings of any internationally recognised rating agency or agencies (or any of its successors or assigns), as the case may be, as specified in the applicable Pricing Supplement as the Relevant Rating Agency or which shall have been designated by the Trustee as having been substituted for Moody’s or the Relevant Rating Agency, as the case may be.

“**Issue Date**” has the meaning given to it in the applicable Pricing Supplement;

“**Issue Price**” has the meaning given to it in the applicable Pricing Supplement;

“**Liability**” means any actual loss, damage, cost, fee, charge (including any cost incurred as a result of negative interest rates being applicable in respect of any applicable currency), claim, demand, expense, judgment, action proceeding or other liability whatsoever (including, without limitation in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to “Liabilities” shall mean all of these;

“**Licence**” means the Network Facilities Providers licence, Network Service Providers licence, Application Service Provider Class licence and Content Applications Service Provider licence issued pursuant to the Communications and Multimedia Act 1998 of Malaysia (or such other relevant Malaysian law or legislation as enacted, amended or replaced from time to time), including any substituted or replaced licence under such relevant law or legislation;

“**Margin**” has the meaning given to it in the applicable Pricing Supplement;

“**Murabaha Indemnity Amount**” has the meaning given to it in the Master Murabaha Agreement;

“**Optional Dissolution Date**” means, in relation to the exercise of an Optional Dissolution Right, the date specified as such in the Exercise Notice delivered by TM to the Trustee and:

(a) if the Floating Periodic Distribution Provisions are specified in the applicable Pricing Supplement as being applicable, must be a Periodic Distribution Date; and

(b) must be no less than 30 days and no more than 60 days after the date on which the Exercise Notice is delivered to the Trustee;

“**Optional Dissolution Right**” means the right specified in Condition 11(c) (*Capital Distributions of the Trust — Dissolution at the Option of TM*);

“**Payment Business Day**” means:

(a) in the case where presentation and/or surrender of a Definitive Certificate is required before payment can be made, a day on which banks in the relevant place of presentation and/or surrender are open for presentation and payment of registered securities and for dealings in foreign currencies; and

(b) in the case of payment by transfer to an account:

    (i) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Business Centre; or

(ii) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Additional Business Centre;

"**Periodic Distribution Amount**" has the meaning given to it in Condition 8(b) (Fixed Periodic Distribution Provisions — Periodic Distribution Amount) or Condition 9(b) (Floating Periodic Distribution Provisions — Periodic Distribution Amount), as specified in the applicable Pricing Supplement;

"**Periodic Distribution Date**" has the meaning given to it in Condition 9(b) (Floating Periodic Distribution Provisions — Periodic Distribution Amount);

"**Periodic Distribution Determination Date**" has the meaning given to it in the applicable Pricing Supplement;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Potential Dissolution Event**" means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

"**Principal Subsidiary**" means at any time a Subsidiary of TM that holds any Licence and:

(a) whose gross operating revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of Telekom Malaysia and its Subsidiaries relate, are equal to) not less than 25 per cent. of the consolidated gross operating revenues of Telekom Malaysia and its Subsidiaries, as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of Telekom Malaysia and its Subsidiaries, provided that in the case of a Subsidiary of Telekom Malaysia acquired after the end of the financial period to which the then latest audited consolidated accounts of Telekom Malaysia and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of Telekom Malaysia and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first- mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by Telekom Malaysia;

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of Telekom Malaysia which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of Telekom Malaysia and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of Telekom Malaysia and its Subsidiaries relate, generate gross operating revenues equal to) not less than 25 per cent. of the consolidated gross operating revenues of Telekom Malaysia and its Subsidiaries, as calculated as referred to in subparagraph (a) above, provided that the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate gross operating revenues equal to) not less than 25 per cent. of the consolidated gross operating revenues of Telekom Malaysia and its Subsidiaries, as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of Telekom Malaysia and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

For this purpose, an opinion by auditors of Telekom Malaysia (being qualified auditors of recognised standing) on a calculation to show whether or not a Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest or proven error.

For the avoidance of doubt, the calculation of gross operating revenues of a Subsidiary of TM shall not take into account any intra-group items that are, for the purposes of consolidation, to be eliminated pursuant to the Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

"**Proceedings**" has the meaning given to it in Condition 22 (*Governing Law, Jurisdiction and Waiver of Immunity*);

"**Proceeds**" means the proceeds of the issuance of a Series of Sukuk;

"**Programme Agreement**" means the programme agreement dated 20 April 2015 between the Trustee, TM and the Dealers named therein;

"**Rate**" means, in relation to a particular Series, the rate or rates (expressed as a per cent. per annum) specified in the applicable Pricing Supplement for such Series and calculated or determined in accordance with these Conditions and/or the applicable Pricing Supplement;

"**Rating Agency**" means (i) Moody's Investors Service, Inc. ("**Moody's**") unless the applicable Pricing Supplement specifies a different Relevant Rating Agency, in which case it shall mean the Relevant Rating Agency; and (ii) if Moody's or the Relevant Rating Agency, as the case may be, shall not make a rating of the Sukuk publicly available, an internationally recognised securities rating agency or agencies, as the case may be, selected by TM, which shall be substituted for Moody's or the Relevant Rating Agency, as the case may be;

"**Record Date**" has the meaning given to it in Condition 10(a) (*Payment — Payments in respect of Sukuk*);

"**Reference Banks**" means the principal London office of each of four major banks engaged in the London inter-bank market selected by or on behalf of the Calculation Agent (in consultation with TM), provided that once a Reference Bank has first been selected by the Calculation Agent or its duly appointed representative, such Reference Bank shall not be changed unless it ceases to be capable of acting as such or ceases to provide a Reference Rate;

"**Reference Rate**" has the meaning given to it in the applicable Pricing Supplement;

"**Register**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title — Form and Denomination*);

"**Regular Period**" means:

(a) in the case of Sukuk where Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including the Return Accrual Commencement Date to but excluding the first Periodic Distribution Date and each successive period from and including one Periodic Distribution Date to but excluding the next Periodic Distribution Date;

(b) in the case of Sukuk where, apart from the first Return Accumulation Period, Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Periodic Distribution Date falls; and

(c) in the case of Sukuk where, apart from one Return Accumulation Period other than the first Return Accumulation Period, Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Periodic Distribution Date falls other than the Periodic Distribution Date falling at the end of the irregular Return Accumulation Period;

"**Relevant Date**" has the meaning given to it in Condition 12 (*Taxation*);

"**Relevant Jurisdiction**" has the meaning given to it in Condition 12 (*Taxation*);

"**Relevant Powers**" has the meaning given to it in Condition 20 (*The Delegate*);

"**Relevant Rating Agency**" means the internationally recognised rating agency specified in the applicable Pricing Supplement as rating the Sukuk;

"**Relevant Time**" has the meaning given to it in the applicable Pricing Supplement;

"**Residual Assets**" means, in relation to any Series and at any time, the unsold Vouchers at such time;

"**Residual Assets Exercise Price**" means, at any time, an amount equal to the aggregate of:

(a) the outstanding face amount of the Sukuk for that Series; and

(b) all accrued but unpaid Distribution Profit (or part thereof) relating to the Vouchers (if any), to the extent not received by the Trustee under the Master Wakala Agreement,

less

(c) an amount equal to only one of the following (as applicable):

    (i) the outstanding Deferred Payment Price (after any reduction pursuant to clause 6.2 of the Master Murabaha Agreement) due under the Master Murabaha Agreement, where a Murabaha Contract has been concluded for that Series pursuant to the Master Murabaha Agreement; or

(ii) the outstanding Murabaha Indemnity Amount (after any reduction pursuant to clause 2.5 of the Master Murabaha Agreement) due under the Master Murabaha Agreement, where a Murabaha Contract has not been concluded pursuant to the Master Murabaha Agreement for that Series but the Wakeel has complied with its obligations contained in clause 6 (Murabaha Services) of the Master Wakala Agreement;

"**Return Accrual Commencement Date**" has the meaning given to it in the applicable Pricing Supplement;

"**Return Accumulation Period**" means the period from (and including) a Periodic Distribution Date (or, in the case of the first Return Accumulation Period, the Issue Date) to (but excluding) the next (or, in the case of the first Return Accumulation Period, the first) Periodic Distribution Date;

"**Revocation Date**" means, in relation to a Revocation Event, the date on which either (i) TM has ceased to be an Authorised Entity and its obligations relating to Vouchers under the Transaction Documents have not been validly transferred in accordance with all applicable laws to any of its Subsidiaries which is an Authorised Entity; or (ii) in the event that any Subsidiary of TM has validly assumed the obligations of TM (or of any other Subsidiary of TM, as the case may be) relating to Vouchers under the Transaction Documents, such Subsidiary has ceased to be an Authorised Entity and its obligations relating to Vouchers under the Transaction Documents have not been validly transferred in accordance with all applicable laws to any other Subsidiary of TM which is an Authorised Entity;

"**Revocation Event**" means, in respect of a Series, an event or circumstance where (a) the Revocation Date has occurred and (b) TM is unable within 45 days of the Revocation Date to (in its capacity as Wakeel) obtain Vouchers pursuant to a Supplemental Asset Purchase Agreement for an amount at least equal to the aggregate amount of Vouchers owned by the Trustee but unsold as at the Revocation Date;

"**Revocation Event Dissolution Date**" has the meaning given to it in Condition 11(e) (*Capital Distributions of the Trust — Dissolution following a Revocation Event*);

"**Sale Agreement**" means any sale agreement entered into in connection with the Purchase Undertaking, the Sale Undertaking or the Substitution Undertaking;

"**Scheduled Dissolution Date**" means, in respect of each Series, the date specified as such in the applicable Pricing Supplement;

"**Shariah**" means the *Shariah* as interpreted by the Shariah Board;

"**Shariah Board**" means the Executive Shariah Committee of HSBC Saudi Arabia Limited and the Shariah Supervisory Committee of Standard Chartered Bank from time to time;

"**Specific Period Distribution Date**" has the meaning given to it in the applicable Pricing Supplement;

"**Specified Currency**" has the meaning given to it in the applicable Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given to it in the applicable Pricing Supplement;

"**Subsidiary**" means in relation to TM, any company (i) in which TM controls the composition of the board of directors or (ii) of which TM controls more than half of the voting power or (iii) of which TM holds more than half of the issued share capital, and includes any company which is a Subsidiary of a Subsidiary of TM and a Subsidiary which falls within the meaning of Section 5 of the Companies Act, 1965 of Malaysia;

"**Substitution Date**" means the date specified as such in a Substitution Notice;

"**Substitution Notice**" means a notice substantially in the form set out in Schedule 1 (*Form of Substitution Notice*) of the Substitution Undertaking;

"**sub-unit**" has the meaning given to it in Condition 8(c) (*Fixed Periodic Distribution Provisions — Determination of Periodic Distribution Amount*);

"**Sukuk Assets**" means:

(a) any Vouchers to be purchased by the Trustee from TM pursuant to the Master Asset Purchase Agreement and any relevant Supplemental Asset Purchase Agreement; and

(b) any Commodities to be purchased by the Trustee (or by the Wakeel on its behalf) to be sold to TM pursuant to the Master Murabaha Agreement); and

(c) any New Vouchers (as defined in the Substitution Undertaking) to be transferred and conveyed by TM in the circumstances specified and subject to the terms set out in the Substitution Undertaking,

provided that Sukuk Assets shall not include any underlying assets to be redeemed and/or repurchased in connection with the purchase and cancellation of any Cancellation Sukuk;

"**Sukuk Exercise Price**" means, in relation to each Series and at any time, an amount equal to the aggregate of:

(a) the outstanding face amount of the Sukuk for that Series;

(b) all accrued but unpaid Distribution Profit (or part thereof) relating to the Vouchers (if any), to the extent not received by the Trustee under the Master Wakala Agreement;

(c) without duplication or double counting, an amount equal to any accrued but unpaid Wakala Services Charge Amount;

(d) an amount equal to any outstanding Cancellation Amounts payable in relation to the exercise of the Redemption Undertaking (to the extent not already set off pursuant to the Transaction Documents); and

(e) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 6(d) (*Trust — Application of Proceeds from Trust Assets*)) in accordance with Condition 6(d) (*Trust — Application of Proceeds from Trust Assets*);

less

(f) an amount equal to only one of the following (as applicable):

    (i) the outstanding Deferred Payment Price (after any reduction pursuant to clause 6.2 of the Master Murabaha Agreement) due under the Master Murabaha Agreement, where a Murabaha Contract has been concluded for that Series pursuant to the Master Murabaha Agreement; or

    (ii) the outstanding Murabaha Indemnity Amount (after any reduction pursuant to clause 2.5 of the Master Murabaha Agreement) due under the Master Murabaha Agreement, where a Murabaha Contract has not been concluded for that Series pursuant to the Master Murabaha Agreement but the Wakeel has complied with its obligations contained in clause 6.1 (Murabaha Services) of the Master Wakala Agreement;

"**Sukukholder**" means a person in whose name a Sukuk is registered in the Register (or in the case of joint holders, the first named thereof) save that, for so long as the Sukuk of any Series are represented by a Global Certificate, each Accountholder shall be deemed to be the Sukukholder in respect of the aggregate face amount of such Sukuk standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, for the purposes hereof other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Trustee, solely in the registered holder of such Global Certificate in accordance with and subject to the terms of the Master Declaration of Trust as supplemented by the relevant supplemental Declaration of Trust and such Global Certificates, and the expressions "**holder**" and "**holder of Sukuk**" and related expressions shall (where appropriate) be construed accordingly;

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET or TARGET 2) (the "**TARGET System**") is open;

"**Tax Event**" has the meaning given to it in Condition 11(b) (*Capital Distributions of the Trust — Early Dissolution for Tax Reasons*);

"**Tax Redemption Date**" means the date specified as such in the Exercise Notice delivered by TM to the Trustee and:

(a) if the Floating Periodic Distribution Provisions are specified in the applicable Pricing Supplement as being applicable, must be a Periodic Distribution Date; and

(b) must be no less than 30 days and no more than 60 days after the date on which the Exercise Notice is delivered to the Trustee.

"**Taxes**" has the meaning given to it in Condition 12 (*Taxation*);

"**TM Event**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Transaction Account**" has the meaning given to it in Condition 6(c) (*Trust — Operation of Transaction Account*);

"**Transaction Documents**" means, in relation to each Series, the Programme Agreement, the Agency Agreement, the Master Declaration of Trust, the Master Wakala Agreement, the Master Murabaha Agreement, the Transaction Agency Agreement, the Master Asset Purchase Agreement, any relevant Supplemental Asset Purchase Agreement, the Purchase Undertaking, the Sale Undertaking, any relevant Sale Agreement, the relevant Redemption Undertaking, any relevant Change of Control Undertaking, the Substitution Undertaking, any Subscription Agreement, any relevant Sukuk and any relevant documents specified in the applicable Pricing Supplement;

"**Trust Assets**" has the meaning given to it in Condition 6(b) (*Trust — Trust Assets*);

"**Voucher**" means, in relation to a particular Series, vouchers sold pursuant to the Supplemental Asset Purchase Agreement relating to such Series;

"**Wakala Assets**" means, in relation to each Series, the relevant Vouchers;

"**Wakala Services**" means, in relation to each Series, the following services to be provided by the Wakeel in accordance with the terms and conditions of the Master Wakala Agreement:

(a) where such Series comprises a Murabaha Contract, each of the services relating to the Murabaha Contracts specified in the Master Wakala Agreement to be provided by the Wakeel on behalf of the Trustee; and

(b) each of the services relating to Vouchers specified in the Master Wakala Agreement to be provided by the Wakeel on behalf of the Trustee;

"**Wakala Services Charge Amount**" means, in respect of a Wakala Services Period, all payments made or costs incurred by the Wakeel in respect of the Wakala Services performed during that Wakala Services Period;

"**Wakala Services End Date**" means, in relation to a particular Series, the Dissolution Date for that Series, unless (i) a Revocation Event occurs; or (ii) the Wakala Services End Date is extended in accordance with the Purchase Undertaking, in which case it shall mean (x) in the case of (i) above, the date of the Revocation Event Dissolution Date, and (y) in the case of (ii) above, the last day of the final Additional Distribution Period (as appropriate);

"**Wakala Services Payment Date**" means the date of each Periodic Distribution Date; and

"**Wakala Services Period**" means, in relation to a Series, the period from, and including, a Wakala Services Payment Date (or with respect to the first Wakala Service Period, from, and including, the Issue Date of the relevant Sukuk for that Series) to, but excluding, the immediately following Wakala Services Payment Date (or, with respect to the final Wakala Services Period, the Wakala Services End Date).

All references in these Conditions to "**U.S. dollars**", "**USD**", "**U.S.$**" and "**$**" are to the lawful currency of the United States of America. All references to "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Union, as amended. All references to "**Ringgit**" and "**RM**" are to the lawful currency of Malaysia.

2 FORM, DENOMINATION AND TITLE

(a) ***Form and Denomination***

The Sukuk are issued in registered form in the Specified Denomination(s). A certificate (each a "**Certificate**") will be issued to each Sukukholder in respect of its registered holding of Sukuk. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Sukukholders (the "**Register**") which the Trustee will cause to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement.

Upon issue, Sukuk will be represented by beneficial interests in one or more Global Certificates, in fully registered form, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Ownership interests in Global Certificates will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants.

References to Euroclear and Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

(b) ***Title***

Title to the Sukuk passes only by registration in the Register. Subject to the terms of any relevant Global Certificate and/or the definition of "**Sukukholders**", the registered holder of any Sukuk will (except as otherwise required by law) be treated as the absolute owner of the Sukuk represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Sukuk. The registered holder of a Sukuk will be recognised by the Trustee as entitled to his Sukuk free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Sukuk.

The Trustee and the Delegate may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to any Sukukholder by reason only of either having accepted as valid or not having rejected, an original certificate or letter of confirmation purporting to be signed on behalf of Euroclear or Clearstream, Luxembourg or any other relevant clearing system to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular nominal amount of Sukuk credited to his or her securities account.

3 TRANSFERS OF SUKUK

(a) ***Transfers***

Subject to Condition 3(d) (*Transfers of Sukuk — Closed Periods*), Condition 3(e) (*Transfers of Sukuk — Regulations*), the limitations as to transfer set out in Condition 2(b) (*Form, Denomination and Title — Title*) and the provisions of the Agency Agreement, a Sukuk may be transferred whole or in an amount equal to the Specified Denomination(s) or any integral multiple thereof by depositing the Certificate, with the form of transfer on the back, duly completed and signed, at the specified office of the Transfer Agent together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer. No transfer of title to a Certificate will be valid unless and until entered on the Register.

Transfers of interests in the Sukuk represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

(b) ***Delivery of New Certificates***

Each new Certificate to be issued upon any transfer of Sukuk will, within three (3) business days of receipt by the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Sukuk to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Sukuk in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Sukuk not so transferred will, within five (5) business days of receipt by the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Sukuk not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in each Global Certificate, owners of interests in a Global Certificate will not be entitled to receive physical delivery of Certificates.

(c) ***Formalities Free of Charge***

Registration of any transfer of Sukuk will be effected without charge on behalf of the Trustee by the Registrar or the Transfer Agent but upon payment (or the giving of such indemnity as the Trustee, Registrar or Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

(d) ***Closed Periods***

No Sukukholder may require the transfer of a Sukuk to be registered during the period of fifteen (15) days ending on (and including) the due date for any payment of the Dissolution Amount or any Periodic Distribution Amount (as defined in Condition 8(b) (*Fixed Periodic Distribution Provisions — Periodic Distribution Amount*) or Condition 9(b) (*Floating Periodic Distribution Provisions — Periodic Distribution Amount*), as specified in the applicable Pricing Supplement) or any other date on which payment of the face amount or payment of any profit in respect of a Sukuk falls due as specified in the applicable Pricing Supplement.

(e) ***Regulations***

All transfers of Sukuk and entries on the Register will be made subject to the detailed regulations concerning transfers of Sukuk scheduled to the Master Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Sukukholder who requests in writing a copy of such regulations.

Unless otherwise requested by him, each Sukukholder shall be entitled to receive, in accordance with Condition 2(b) (*Form, Denomination and Title — Title*), only one Certificate in respect of his or her entire holding of Sukuk. In the case of a transfer of a portion of the face amount of a Sukuk, a new Certificate in respect of the balance of the Sukuk not transferred will be issued to the transferor in accordance with Condition 3(b) (*Transfers of Sukuk — Delivery of New Certificates*).

4 STATUS AND LIMITED RECOURSE

(a) ***Status***

Each Sukuk will represent an undivided beneficial ownership interest in the relevant Trust Assets (pursuant to the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust) and will be a limited recourse obligation of the Trustee. Each Sukuk will rank *pari passu*, without preference or priority, with all other Sukuk of the relevant Series issued under the Programme.

(b) ***Limited Recourse***

The proceeds of the relevant Trust Assets are the sole source of payments on the Sukuk of each Series. The Sukuk do not represent an interest in or obligation of any of the Trustee, the Delegate, TM, any of the Agents or any of their respective affiliates. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Sukuk. If, following distribution of such proceeds, there remains a shortfall in payments due under the Sukuk, subject to Condition 16 (*Enforcement and Exercise of Rights*), Sukukholders acknowledge that, by subscribing for or acquiring Sukuk, they will not have any claim against the Trustee (and/or its directors, officers or shareholders), TM (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates, or against any of their respective assets (other than the relevant Trust Assets) in respect of such shortfall and any unsatisfied claims of Sukukholders shall be extinguished. In particular, no Sukukholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee (and/or its directors), TM (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

TM is obliged to make payments under the relevant Transaction Documents to which it is a party directly to the Trustee, the Delegate (acting in the name and on behalf of the Trustee) and/or the Agents. The Delegate will, as delegate of the Trustee for the Sukukholders, have direct recourse against TM to recover payments due to the Trustee from TM pursuant to such Transaction Documents. Neither the Trustee nor the Delegate shall be liable for the late, partial or non-recovery of any such payments from TM.

(c) ***Agreement of Sukukholders***

By subscribing for or acquiring Sukuk, each Sukukholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(i) no payment of any amount whatsoever shall be made by any of the Trustee, the Delegate (acting in the name and on behalf of the Trustee) or any of their respective agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets;

(ii) no recourse shall be had for the payment of any amount owing hereunder or under any relevant Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers, administrators or shareholders), TM (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, any Agent or any of their respective agents or affiliates to the extent the relevant Trust Assets have been exhausted following which all obligations of the Trustee, the Delegate, TM, any Agents and their respective agents or affiliates shall be extinguished;

(iii) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;

(iv) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any shareholder, member, officer, agent or director of the Trustee, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Trustee under the Transaction Documents to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents or directors of the Trustee save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

(v) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Sukuk. No collateral is or will be given for the payment obligations under the Sukuk.

5 NEGATIVE PLEDGE; CONSOLIDATION, MERGER AND SALE OF ASSETS

(a) ***Negative Pledge***

So long as any of the Sukuk remains outstanding, TM will ensure that no Relevant Indebtedness or Relevant Sukuk Obligation of TM or any of its Principal Subsidiaries (as defined below) will be secured by any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of TM or any of its Principal Subsidiaries unless TM, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(i) all amounts payable by it under the Transaction Documents are secured by the Security Interest equally and rateably with the Relevant Indebtedness or Relevant Sukuk Obligation; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution of the Sukukholders.

Nothing in this Condition 5(a):

(i) shall extend to any Security Interest of TM or any Principal Subsidiary existing as at the Issue Date;

(ii) shall prohibit or restrict the creation by TM or any Principal Subsidiary of any Security Interest upon any property or assets acquired, purchased or owned or to be acquired, purchased or owned by TM or any Principal Subsidiary for the purpose of securing the payment of any sum due in respect of the Relevant Indebtedness or Relevant Sukuk Obligation or any payment under any guarantee of, or indemnity or other like obligation relating to the Relevant Indebtedness or Relevant Sukuk Obligation, the proceeds of which are to be applied towards financing or refinancing the cost of the acquisition, purchase, development, construction, redevelopment and ownership of such property or assets (including, without limitation, the equipping, alteration, repair or improvement of such property or assets) provided that Security Interest in respect of any refinancing undertaken by TM or any Principal Subsidiary is limited to the property or assets acquired, purchased, developed, constructed or redeveloped;

(iii) shall prohibit or restrict TM or any Principal Subsidiary from securing any indebtedness evidenced by Relevant Indebtedness or Relevant Sukuk Obligation existing on (A) any property or asset of any entity at the time TM or any Principal Subsidiary acquires such entity after the Issue Date or (B) any property or asset at the time it is acquired by TM or any Principal Subsidiary after the Issue Date provided that, in each case, (1) such Security Interest shall not have been created in contemplation of or in connection with such acquisition and (2) the principal amount or maturity of such indebtedness is not increased; or

(iv) shall prohibit or restrict Security Interests securing indebtedness refunding or refinancing indebtedness secured by any Security Interest referred to in any of sub-paragraphs (i), (ii) or (iii) above; provided that the principal amount of such indebtedness is not increased and the Security Interest is limited to the property or asset originally subject thereto and any improvements thereon.

(b) ***Consolidation, Merger and Sale of Assets***

So long as any of the Sukuk remains outstanding, TM shall not consolidate with or merge into any other company or entity, and TM may not, directly or indirectly, sell, convey, transfer or lease all or substantially all of its properties and assets to any company or other entity unless:

(i) the company or other entity formed by or surviving such consolidation or merger or the person, company or other entity which acquires by conveyance or transfer, or which leases, all or substantially all of the properties and assets of TM shall be a corporation organised and existing under the laws of Malaysia, and shall expressly assume all of the obligations of TM under the Transaction Documents; and

(ii) immediately after giving effect to such transaction, no Dissolution Event or Potential Dissolution Event shall have happened and be continuing.

In this Condition 5 (*Negative Pledge; Consolidation, Merger and Sale of Assets*),

"**Relevant Indebtedness**" means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the- counter or other securities market and which is payable in a currency other than Ringgit or is denominated in Ringgit and more than 50 per cent. of the aggregate principal amount of which is initially distributed outside Malaysia by, or with the authorisation of, TM, and (ii) any guarantee or indemnity of any indebtedness referred to in item (i) of this definition;

"**Relevant Sukuk Obligation**" means any Sukuk Obligation, which is for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market; and

"**Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other instruments intended to be issued in compliance with the principles of Shariah, whether or not in return for consideration of any kind.

6 TRUST

(a) ***Summary of the Trust***

Pursuant to the Master Declaration of Trust (and together with the relevant Supplemental Declaration of Trust, the "**Declaration of Trust**") entered into between the Trustee and the Delegate, in respect of each Series, the Trustee agrees to hold the Trust Assets upon trust absolutely for the Sukukholders as beneficiaries in accordance with the provisions of the Declaration of Trust.

Under the Master Wakala Agreement, the Trustee will appoint TM as the Trustee's agent (in such capacity, the "**Wakeel**") to perform certain Wakala Services in respect of any Vouchers forming part of the Trust Assets for such Series. In addition, the Trustee may also appoint the Wakeel to, and in such circumstances the Wakeel will undertake to, purchase, either itself or though the Transaction Agent, for and on behalf of the Trustee, Commodities from certain suppliers which the Trustee (in its capacity as seller) will subsequently sell to TM (as purchaser) pursuant to the Master Murabaha Agreement and a relevant Murabaha Contract in consideration for the payment of the Deferred Payment Price on the relevant Dissolution Date.

Each Series must contain Vouchers and, where a Series involves the purchase of Commodities, the Purchase Price of the relevant Commodities to be purchased will be no greater than 49 per cent. of the relevant issuance proceeds.

Pursuant to the Master Asset Purchase Agreement and any relevant Supplemental Asset Purchase Agreement, TM (in its capacity as seller) may sell and transfer to the Trustee (as purchaser) Vouchers from time to time. As part of the Wakala Services, TM (in its capacity as Wakeel) will distribute the Vouchers on behalf of the Trustee pursuant to the terms of the Master Wakala Agreement and the relevant Distribution Notice.

TM will execute the Purchase Undertaking in favour of the Trustee and the Delegate pursuant to which TM undertakes, where there has not been a Revocation Event to purchase all of the Trustee's interests, rights, benefits and entitlements in and to the relevant Wakala Assets at the Sukuk Exercise Price specified in an Exercise Notice delivered to it.

Pursuant to the Purchase Undertaking, where there has been a Revocation Event, TM undertakes, following receipt of an Exercise Notice from the Trustee (or an agent on behalf of the Trustee), to purchase all of the Trustee's interests, rights, benefits and entitlements in and to any Residual Assets at the Residual Assets Exercise Price specified in the Exercise Notice.

If, following the receipt of an Exercise Notice pursuant to the Purchase Undertaking, TM fails to pay all or part of the Sukuk Exercise Price or, where such Series includes the purchase of commodities, any Deferred Payment Price or Murabaha Indemnity Amount (as applicable) payable in accordance with the Murabaha Contract on the due date for payment thereof, TM shall continue to act as Wakeel in respect of the ongoing distribution of the Vouchers, for a period from and including the date on which the amount was due to but excluding the date on which such amount is paid in full or there are no more Vouchers remaining for distribution and sale.

Following the occurrence of a Revocation Event, the Sukuk of such Series will be redeemed and the Trust will be dissolved by the Trustee on the date specified in Condition 11(e) (*Capital Distributions of the Trust — Dissolution following a Revocation Event*). The Sukuk will be redeemed in accordance with the order of priority set out in Condition 6(d) (*Trust — Application of Proceeds from Trust Assets*).

If the Change of Control Exercise Option is specified in the applicable Pricing Supplement as being applicable, the Trustee may, in accordance with Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*), upon the occurrence of a Change of Control, give notice of such event to the Sukukholders. In the event that Sukukholders holding Sukuk of the relevant Series elect within the Change of Control Exercise Period to redeem their Sukuk, in accordance with Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*), following the receipt of a Change of Control Confirmation Notice, pursuant to the Change of Control Undertaking, the Trustee shall serve a Change of Control Purchase Notice on TM and require TM, on the seventh day after the last day of the Change of Control Exercise Period to purchase from the relevant Sukukholders the relevant Change of Control Sukuk at the relevant Change of Control Amount.

If TM wishes to cancel any Sukuk purchased by it and/or any Subsidiary or any Change of Control Sukuk purchased from any Sukukholders, TM may, in accordance with the terms of the Redemption Undertaking, deliver a Cancellation Notice to the Trustee and require the Trustee to purchase and cancel any Cancellation Sukuk or Change of Control Sukuk (as applicable) surrendered to it by TM in consideration for payment of the relevant Cancellation Amount, which may be off-set against any amounts due and payable by TM under any of the Transaction Documents. In the event that TM wishes to cancel any Sukuk purchased by a Subsidiary from any Sukukholders, it shall first purchase such Sukuk from the relevant Subsidiary and subsequently exercise its rights under the Redemption Undertaking.

The Trustee will execute the Substitution Undertaking in favour of TM, pursuant to which TM has the right to require the Trustee to sell, transfer and convey on any Substitution Date assets forming part of the Trust Assets in consideration for new substituted assets from time to time in accordance with the provisions of the Substitution Undertaking.

(b) ***Trust Assets***

Unless otherwise specified in the relevant Supplemental Declaration of Trust and the applicable Pricing Supplement, the Trust Assets will comprise:

(i) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Assets;

(ii) the right, title, interest and benefit, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) the Programme Agreement and (ii) any representations given by TM to the Trustee and the Delegate pursuant to any of the Transaction Documents);

(iii) all monies standing to the credit of the Transaction Account; and

(iv) any other assets, rights, cash or investments as may be specified in the applicable Pricing Supplement,

and all proceeds of the foregoing.

Pursuant to the Master Declaration of Trust, as supplemented by any relevant Supplemental Declaration of Trust, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the holders of the Sukuk of such Series pro rata according to the face amount of Sukuk held by each holder for the relevant Series.

(c) ***Operation of Transaction Account***

In relation to each Series, the Trustee will establish a non-interest bearing transaction account (the "**Transaction Account**") with the Principal Paying Agent into which, among other things: (i) amounts to be paid by TM to the Trustee under the Transaction Documents will be deposited; and (ii) the Delegate will deposit all the proceeds of any action to enforce or realise the relevant Trust Assets taken in accordance with Condition 16 (*Enforcement and Exercise of Rights*).

(d) ***Application of Proceeds from Trust Assets***

On each Periodic Distribution Date, any Dissolution Date, the Principal Paying Agent will apply the monies standing to the credit of the Transaction Account in the following order of priority:

(i) first, (to the extent not previously paid) to pay the Delegate all amounts owing to it under, or which it is entitled to receive pursuant to, the Transaction Documents in its capacity as Delegate in accordance with the terms of the Master Declaration of Trust and to any receiver, manager or administrative receiver or any other analogous officer and any agent appointed in respect of the Trust by the Delegate in accordance with the

Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust (including, for the avoidance of doubt, such amounts as aforesaid incurred by or payable to the Agents for so long as they are acting as agents of the Delegate);

(ii) second, (to the extent not previously paid) to pay *pro rata* and *pari passu* each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;

(iii) third, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;

(iv) fourth, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Amount; and

(v) fifth, only if such payment is made on a Dissolution Date, payment of any residual amount to the Wakeel as an incentive amount for its performance.

7 COVENANTS

The Trustee covenants that, among other things, for so long as any Sukuk is outstanding (as defined in the Master Declaration of Trust), it shall not:

(i) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;

(ii) create any Security Interest over any of its present or future indebtedness for borrowed money or upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) (other than under or pursuant to any of the Transaction Documents));

(iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;

(iv) subject to Condition 19 (*Meetings of Sukukholders, Modification, Waiver, Authorisation and Determination*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;

(v) except as provided in the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Sukukholders;

(vi) have any subsidiaries or employees, save for the directors of the Trustee;

(vii) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;

(viii) use the proceeds of the issue of the Sukuk for any purpose other than as stated in the Transaction Documents;

(ix) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(x) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly permitted or required thereunder or engage in any business or activity other than:

(A) as provided for or permitted in the Transaction Documents;

(B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents;

(C) any matters that are required to maintain its corporate existence in accordance with applicable law and regulation; and

(D) such other matters which are incidental thereto.

8 FIXED PERIODIC DISTRIBUTION PROVISIONS

(a) ***Application***

This Condition 8 (*Fixed Periodic Distribution Provisions*) is applicable to the Sukuk only if the fixed periodic distribution provisions set out in this Condition 8 (*Fixed Periodic Distribution Provisions*) (the "**Fixed Periodic Distribution Provisions**") are specified in the applicable Pricing Supplement as being applicable.

(b) ***Periodic Distribution Amount***

A "**Periodic Distribution Amount**" representing a defined share of the profit in respect of the relevant Sukuk Assets will be payable in respect of the relevant Sukuk and be distributable by the Trustee to the Sukukholders in accordance with these Conditions.

(c) ***Determination of Periodic Distribution Amount***

Except as provided in the applicable Pricing Supplement, the Periodic Distribution Amount payable in respect of each Sukuk for any Return Accumulation Period shall be the Fixed Amount and, if the Sukuk are in more than one Specified Denomination, shall be the Fixed Amount as specified in the applicable Pricing Supplement in respect of the relevant Specified Denomination. Payments of Periodic Distribution Amounts on any Periodic Distribution Date as specified in the applicable Pricing Supplement may, if so specified in the applicable Pricing Supplement, amount to the Broken Amount as specified in the applicable Pricing Supplement.

If any Periodic Distribution Amount is required to be calculated for a period other than a Return Accumulation Period or if no relevant Fixed Amount or Broken Amount is specified in the applicable Pricing Supplement, such Periodic Distribution Amount shall be calculated by applying the Rate to the Calculation Amount, multiplying the product by the applicable Day Count Fraction, and rounding the resulting figure to the nearest sub-unit of the relevant Specified Currency (half of any such sub-unit being rounded upwards) and multiplying such rounded figure by a figure equal to the Specified Denomination of the relevant Sukuk divided by the Calculation Amount.

"**Day Count Fraction**" means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition 8(c) (*Fixed Periodic Distribution Provisions — Determination of Periodic Distribution Amount*):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Pricing Supplement:

(A) where the Determination Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Determination Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Determination Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Determination Period falling in the Regular Period in which it begins divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year; and

(2) the actual number of days in such Determination Period falling in the next Regular Period divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year;

(ii) if "**Actual/365(Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is specified in the applicable Pricing Supplement, the actual number of days in the Determination Period in respect of which payment is being made divided by 365;

(iii) if "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Periodic Distribution Date (or, if none, the Issue Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(d) ***Payment in Arrear***

Subject to Condition 8(e) (*Fixed Periodic Distribution Provisions — Cessation of Profit Entitlement*), Condition 11(b) (*Capital Distributions of the Trust — Early Dissolution for Tax Reasons*), Condition 11(c) (*Capital Distributions of the Trust — Dissolution at the Option of TM*), Condition 11(e) (*Capital Distributions of the Trust — Dissolution following a Revocation Event*) and Condition 15 (*Dissolution Events*) below, and unless otherwise specified in the applicable Pricing Supplement, each Periodic Distribution Amount will be paid in respect of the relevant Sukuk in arrear on each Periodic Distribution Date specified in the applicable Pricing Supplement.

(e) ***Cessation of Profit Entitlement***

Provided that, upon due presentation, payment is not improperly withheld or refused, no further amounts will be payable on any Sukuk from and including the relevant Dissolution Date.

In the event that, upon due presentation, the amount to be paid on the relevant Dissolution Date is improperly withheld or refused, to the extent applicable, in accordance with the terms of the Purchase Undertaking, TM shall continue to act as a Wakeel in respect of the Vouchers and the Distribution Term, as specified in the relevant Supplemental Distribution Notice, shall be deemed to be extended for a period from and including the date on which the amount was due, to but excluding the date on which such amount is paid in full.

Sukukholders shall be entitled to payment of a defined share in the amounts received from the continuation of the sale and purchase of the Vouchers (such received amount to be the "**Additional Dissolution Distribution Amount**") and the Additional Dissolution Distribution Amount shall be distributed by the Trustee to the Sukukholders in accordance with these Conditions.

Sukukholders hereby waive the right to receive any interest awarded by a court or regulatory authority under the terms of any judgment but, for the avoidance of doubt, such waiver shall not include a waiver of any right to receive the Additional Dissolution Distribution Amount nor shall it constitute a waiver by the Trustee of any right to receive the amounts received from the continuation of the sale and purchase of the Vouchers.

9 FLOATING PERIODIC DISTRIBUTION PROVISIONS

(a) ***Application***

This Condition 9 (*Floating Periodic Distribution Provisions*) is applicable to the Sukuk only if the floating periodic distribution provisions set out in this Condition 9 (*Floating Periodic Distribution Provisions*) (the "**Floating Periodic Distribution Provisions**") are specified in the applicable Pricing Supplement as being applicable.

(b) ***Periodic Distribution Amount***

A "**Periodic Distribution Amount**" representing a defined share of the profit in respect of the relevant Sukuk Assets will be payable in respect of the relevant Sukuk and be distributable by the Trustee to the Sukukholders in accordance with these Conditions. Such Periodic Distribution Amounts will be payable in arrear on either:

(i) the Specified Periodic Distribution Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Periodic Distribution Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Periodic Distribution Date, a "**Periodic Distribution Date**") which falls the number of months or other period specified as the Return Accumulation Period in the applicable Pricing Supplement after the preceding Periodic Distribution Date or, in the case of the First Periodic Distribution Date, after the Return Accrual Commencement Date.

Such Periodic Distribution Amounts will be payable in respect of each Return Accumulation Period.

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which a Periodic Distribution Date should occur, or (y) if any Periodic Distribution Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Return Accumulation Periods are specified in accordance with Condition 9(b)(ii) (*Floating Periodic Distribution Provisions — Periodic Distribution Amount*) above, the Floating Rate Convention, such Periodic Distribution Date: (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis*; or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day; and (ii) each subsequent Periodic Distribution Date shall be the last Business Day in the month which falls within the Return Accumulation Period after the preceding applicable Periodic Distribution Date occurred; or

(B) the Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means:

(1) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(2) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant Specified Currency and in each (if any) Additional Business Centre.

(c) ***Screen Rate Determination***

If Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate(s) is/are to be determined, the Rate applicable to the Sukuk for each Return Accumulation Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate specified in the applicable Pricing Supplement is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Periodic Distribution Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Periodic Distribution Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Periodic Distribution Determination Date to prime banks in, if the Reference Rate is LIBOR, the London inter-bank market or if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the principal financial centre of the country of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the principal financial centre of the country of the Specified Currency) on the first day of the relevant Return Accumulation Period for loans in the Specified Currency to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, for a period equal to the relevant Return Accumulation Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate for such Return Accumulation Period shall be the sum of the Margin as specified in the applicable Pricing Supplement and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Return Accumulation Period, the Rate applicable to the Sukuk during such Return Accumulation Period will be the sum of the Margin and the Rate or (as the case may be) the arithmetic mean last determined in relation to the Sukuk in respect of the preceding Return Accumulation Period.

(d) ***Cessation of Profit Entitlement***

Provided that, upon due presentation, payment is not improperly withheld or refused, no further amounts will be payable on any Sukuk from and including the relevant Dissolution Date.

In the event that, upon due presentation, the amount to be paid on the relevant Dissolution Date is improperly withheld or refused, to the extent applicable, in accordance with the terms of the Purchase Undertaking, TM shall continue to act as a Wakeel in respect of the Vouchers and the Distribution Term, as specified in the relevant Supplemental Distribution Notice, shall be deemed to be extended for a period from and including the date on which the amount was due, to but excluding the date on which such amount is paid in full.

Sukukholders shall be entitled to payment of a defined share in the amounts received from the continuation of the sale and purchase of the Vouchers (such received amount to be the "**Additional Dissolution Distribution Amount**") and the Additional Dissolution Distribution Amount shall be distributed by the Trustee to the Sukukholders in accordance with these Conditions.

Sukukholders hereby waive the right to receive any interest awarded by a court or regulatory authority under the terms of any judgment but, for the avoidance of doubt, such waiver shall not include a waiver of any right to receive the Additional Dissolution Distribution Amount nor shall it constitute a waiver by the Trustee of any right to receive the amounts received from the continuation of the sale and purchase of the Vouchers.

(e) ***Calculation of Periodic Distribution Amount***

The Calculation Agent will, as soon as practicable after the time at which the Rate is to be determined in relation to each Return Accumulation Period, calculate the Periodic Distribution Amount payable in respect of each Sukuk for such Return Accumulation Period. The Periodic Distribution Amount will be calculated by applying the Rate applicable to the relevant Return Accumulation Period (i) to the face amount (in the case of a Sukuk in global form) or (ii) to the Calculation Amount (in the case of a Sukuk in individual registered form), multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a figure equal to the Specified Denomination of the relevant Sukuk divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

"**Day Count Fraction**" means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition 9(e) (*Floating Periodic Distribution Provisions — Calculation of Periodic Distribution Amount*):

(i) if "**Actual/Actual**", "**Actual/Actual (ISDA)**", "**Act/Act**" or "**Act/Act (ISDA)**" is specified in the applicable Pricing Supplement, the actual number of days in the Return Accumulation Period divided by 365 (or, if any portion of that Return Accumulation Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Return Accumulation Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Return Accumulation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/Actual (ICMA)**" or "**Act/Act (ICMA)**" is specified:

(A) where the Determination Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Determination Period divided by the product of: (1) the actual number of days in such Regular Period; and (2) the number of Regular Periods in any year; and

(B) where the Determination Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Determination Period falling in the Regular Period in which it begins divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year; and

(2) the actual number of days in such Determination Period falling in the next Regular Period divided by the product: of (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year;

(iii) if "**Actual/365(Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is specified in the applicable Pricing Supplement, the actual number of days in the Return Accumulation Period in respect of which payment is being made divided by 365;

(iv) if "**Actual/360**". "**Act/360**" or "**A/360**" is specified, the actual number of days in the Return Accumulation Period in respect of which payment is being made divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" = is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{Y_2}$" = is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"$\mathbf{M_1}$" = is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{M_2}$" = is the calendar month, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"$\mathbf{D_1}$" = is the first calendar day of the Return Accumulation Period, expressed as a number, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" = is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" = is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{Y_2}$" = is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"$\mathbf{M_1}$" = is the calendar month expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{M_2}$" = is the calendar month, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"$\mathbf{D_1}$" = is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number would be 31, in which case D1 will be 30; and

"D_2" = is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31, in which case D2 will be 30;

(vii) if "**30E/360(ISDA)**" specified in the applicable Pricing Supplement, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" = is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

"Y_2" = is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"M_1" = is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

"M_2" = is the calendar month expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls; and

"D_1" = is the first calendar day of the Return Accumulation Period, expressed as a number, of the Return Accumulation Period unless (i) that day is the last day of February, or (ii) such number would be 31, in which case D1 will be 30; and

"D_2" = is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date, or (ii) such number would be 31, in which case D2 will be 30.

(f) ***Calculation of Other Amounts***

If the applicable Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the applicable Pricing Supplement.

(g) ***Publication***

The Calculation Agent will cause each Rate and Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Sukuk have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate, Periodic Distribution Amount and Periodic Distribution Date) in any event not later than the first day of the relevant Return Accumulation Period. Notice thereof shall also promptly be given to the Sukukholders. The Calculation Agent will be entitled to recalculate any Periodic

Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Return Accumulation Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Periodic Distribution Amount but instead may publish only the Calculation Amount and the Periodic Distribution Amount in respect of a Sukuk having the minimum Specified Denomination.

(h) ***Notifications, etc. to be final***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 9 (*Floating Periodic Distribution Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Trustee, the Delegate, TM, the Agents and all Sukukholders. In the absence of gross negligence, wilful default or fraud no liability to the Trustee, the Delegate, TM, any Agent or the Sukukholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 9 (*Floating Periodic Distribution Provisions*).

10 PAYMENT

(a) ***Payments in respect of Sukuk***

Subject to Condition 8(b) (*Fixed Periodic Distribution Provisions — Periodic Distribution Amount*) or Condition 9(b) (*Floating Periodic Distribution Provisions — Periodic Distribution Amount*) (as applicable), payment of each Periodic Distribution Amount and the relevant Dissolution Amount will be made by the relevant Paying Agent in the Specified Currency, by wire transfer in same day funds to the registered account of each Sukukholder. Payments of the Dissolution Amount will only be made against surrender of the relevant Certificate at the specified office of the relevant Paying Agent.

Each payment in respect of Sukuk will be made:

(A) where the Sukuk is represented by a Global Certificate, to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business; or

(B) where the Sukuk is in definitive form, to the person shown as the holder in the Register at the close of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (such day described in, as the case may be, Condition 10(a)(A) above and in this Condition 10(a)(B), the "**Record Date**"). Where payment in respect of Sukuk is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the Register at the opening of business on the relevant Record Date.

For the purposes of these Conditions, a Sukukholder's "**registered account**" means an account denominated in the Specified Currency maintained by or on behalf of it with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date.

(b) ***Payments subject to Applicable Laws***

Payments in respect of Sukuk are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of this Condition 10 (*Payment*).

(c) ***Payment only on a Payment Business Day***

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated by the relevant Paying Agent, on the due date for payment or, in the case of a payment of the Dissolution Amount, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of the relevant Paying Agent.

Sukukholders will not be entitled to any additional Periodic Distribution Amount, Dissolution Amount or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Sukukholder is late in surrendering his Certificate (if required to do so).

If the Dissolution Amount or any Periodic Distribution Amount is not paid in full when due, the relevant Registrar will annotate the Register with a record of the amount actually paid.

(d) ***Agents***

In acting under the Agency Agreement and in connection with the Sukuk, the Agents act solely as agents of the Trustee and (to the extent provided in the Master Declaration of Trust and the Agency Agreement) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Sukukholders or any other party to the Transaction Documents.

The names of the initial Agents and their initial specified offices are set out in this Condition. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents provided that: (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); (b) so long as any Sukuk are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system; and (c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) located in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such change or any change of any Specified Office shall be given to the Trustee, the Delegate and the Sukukholders in accordance with the provisions of the Agency Agreement.

The name and specified office of the Principal Paying Agent, Calculation Agent and Transfer Agent:

The Hong Kong and Shanghai Banking Corporation Limited
Level 30, HSBC Main Building
1 Queen’s Road
Central, Hong Kong

The name and specified office of the Registrar:

The Hong Kong and Shanghai Banking Corporation Limited
Level 30, HSBC Main Building
1 Queen’s Road
Central, Hong Kong

11 CAPITAL DISTRIBUTIONS OF THE TRUST

(a) ***Dissolution on the relevant Scheduled Dissolution Date***

Unless the Sukuk are previously redeemed or purchased and cancelled, the Trustee will redeem each Sukuk at the Dissolution Amount and the Trust will be dissolved by the Trustee on the relevant Scheduled Dissolution Date.

(b) ***Early Dissolution for Tax Reasons***

If a Tax Event occurs, where "**Tax Event**" means:

(i) (A) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(ii) (A) the Trustee has received notice from TM that TM has or will become obliged to pay additional amounts pursuant to the terms of any of the Transaction Documents as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the relevant Series; and (B) such obligation cannot be avoided by taking reasonable measures available to it,

then, TM may exercise its option granted under Clause 2.1.1 (*Grant of Rights*) of the Sale Undertaking in accordance with Clause 3.1.1 (*Exercise and Undertaking*) thereof and deliver an Exercise Notice to the Trustee specifying the due date for redemption of the Sukuk (in whole, but not in part):

(1) at any time (if the Floating Periodic Distribution Provisions are not specified in the applicable Pricing Supplement as being applicable); or

(2) on any Periodic Distribution Date (if the Floating Periodic Distribution Provisions are specified in the applicable Pricing Supplement as being applicable),

such notice to be delivered in the prescribed form set out in the Sale Undertaking and not less than 30 nor more than 60 days prior to the due date for redemption stated therein.

Following receipt by the Trustee of a duly completed Exercise Notice from TM under the Sale Undertaking, the Trustee shall, on giving not less than 30 nor more than 60 days' notice to the Sukukholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to dissolve the Trust on the relevant Dissolution Date), dissolve the Trust and redeem (in whole, but not in part) the Sukuk at their Early Dissolution Amount (Tax), together with Periodic Distribution Amounts accrued (if any) to the Dissolution Date provided, however, that no such notice of dissolution shall be given to Sukukholders earlier than:

(x) where the Sukuk may be redeemed at any time (if the Floating Periodic Distribution Provisions are not specified in the applicable Pricing Supplement as being applicable), 90 days prior to the earliest date on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Sukuk were then due or (in the case of (ii) above) TM would be obliged to pay such additional amounts if a payment to the Trustee under the relevant Transaction Document; or

(y) where the Sukuk may be redeemed only on a Periodic Distribution Date (if the Floating Periodic Distribution Provisions are specified in the applicable Pricing Supplement as being applicable), 60 days prior to the Periodic Distribution Date occurring immediately before the earliest date on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Sukuk were then due or (in the case of (ii) above) TM would be obliged to pay such additional amounts if a payment to the Trustee under the relevant Transaction Document was then due.

Prior to the publication by or on behalf of the Trustee of any notice to Sukukholders pursuant to this Condition 11 (*Capital Distributions of the Trust*), it shall be sufficient, to establish that the conditions precedent set out in this Condition 11 (*Capital Distributions of the Trust*) with respect to the right of the Trustee to dissolve the Trust have occurred, if TM shall deliver to the Trustee and the Delegate an opinion of independent legal advisers of recognised standing or accountant of recognised standing to the effect either that such circumstances do exist or that, upon a change in or amendment to the laws (including any regulations pursuant thereto), or in the interpretation or administration thereof, of any Relevant Jurisdiction, which at the date of such Sukuk is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant Periodic Distribution Amount or, as the case may be, Dissolution Amount in respect of the Sukuk would otherwise be made, becoming so effective, such circumstances would exist and the Trustee and the Delegate shall be entitled to accept such opinion as sufficient evidence of the satisfaction of the relevant conditions precedent in which event they shall be conclusive and binding on the Sukukholders.

Upon the expiry of any such notice to Sukukholders as is referred to above, the Trustee shall be bound to dissolve the Trust in accordance with this Condition 11 (*Capital Distributions of the Trust*). Upon such dissolution as aforesaid and the termination of the Trust, the Sukuk shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(c) ***Dissolution at the Option of TM***

If the Optional Dissolution Right is specified in the applicable Pricing Supplement as being applicable, TM may exercise its option granted under Clause 2.1.2 (*Grant of Rights*) of the Sale Undertaking in accordance with Clause 3.1.2 (*Exercise and Undertaking*) thereof and deliver an Exercise Notice to the Trustee specifying the due date for redemption of the Sukuk (in whole, but not in part) on any Optional Dissolution Date specified in the applicable Pricing Supplement, such notice to be delivered in the prescribed form set out in the Sale Undertaking and not less than 45 days prior to the due date for redemption stated therein.

Following receipt by the Trustee of a duly completed Exercise Notice in the prescribed form pursuant to this Condition 11(c) (*Capital Distributions of the Trust — Dissolution at the Option of TM*), the Trustee shall, on giving not less than 30 nor more than 60 days' notice to the Sukukholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to dissolve the Trust on the relevant Optional Dissolution Date), dissolve the Trust and redeem (in whole, but not in part) the Sukuk at the relevant Optional Dissolution Amount as specified in the applicable Pricing Supplement, together with Periodic Distribution Amounts accrued (if any) to the Optional Dissolution Date.

Upon the expiry of any such notice to Sukukholders as is referred to in this Condition 11 (*Capital Distributions of the Trust*), the Trustee shall be bound to redeem the Sukuk (in whole, but not in part) and dissolve the Trust in accordance with this Condition 11 (*Capital

Distributions of the Trust). Upon payment in full of such amounts and the dissolution as aforesaid and termination of the relevant Trust, the Sukuk shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(d) ***Dissolution following a Dissolution Event***

Upon the occurrence of a Dissolution Event, the Sukuk may be redeemed at the Dissolution Amount on the Dissolution Event Redemption Date, if the conditions set out in Condition 15 (*Dissolution Events*) are satisfied, and the Trust will be dissolved by the Trustee.

(e) ***Dissolution following a Revocation Event***

Following the occurrence of a Revocation Event, the Trustee will exercise its rights under the Purchase Undertaking by serving an Exercise Notice on TM specifying the date on which TM would be required to purchase and accept the transfer and conveyance of all of the Trustee's interests, rights, benefits and entitlements in and to the Residual Assets, which shall be the date falling 5 Business Days after the 45th day following the occurrence of the Revocation Event (the "**Revocation Event Dissolution Date**"). The Sukuk shall be redeemed on the Revocation Event Dissolution Date at the Dissolution Amount using: (i) the Residual Assets Exercise Price required to be paid into the Transaction Account by TM pursuant to the sale of the Residual Assets under the Purchase Undertaking; and (ii) either (a) the outstanding Deferred Payment Price (if any) required to be paid into the Transaction Account by TM in accordance with the terms of the Murabaha Contract on such Revocation Event Dissolution Date; or (b) the outstanding Murabaha Indemnity Amount (if any) required to be paid into the Transaction Account by TM in accordance with the terms of the Murabaha Contract on such Revocation Event Dissolution Date. Following redemption of the Sukuk on the Revocation Event Redemption Date, the Trust will be dissolved.

(f) ***No other Dissolution***

The Trustee shall not be entitled to redeem the Sukuk, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 11 (*Capital Distributions of the Trust*), Condition 14(d) (*Purchase and Cancellation of Sukuk - Dissolution of the Trust upon cancellation of all outstanding Sukuk in a Series*) and Condition 15 (*Dissolution Events*).

(g) ***Cancellations***

All Sukuk which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold.

(h) ***Effect of payment in full of Dissolution Amount***

Upon payment in full of the Dissolution Amount and the termination of the Trust, the Sukuk shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

12 TAXATION

All payments in respect of the Sukuk by the Trustee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction ("**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay such additional amounts as shall be necessary in order that the full amount which otherwise would have been due and payable under the Sukuk is received by the Sukukholders, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate presented for payment (where presentation is required):

(i) by or on behalf of a holder who is liable for such Taxes in respect of such Sukuk by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Sukuk; or

(ii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iii) by or on behalf of a Sukukholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a different Member State of the European Union; or

(iv) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days.

In these Conditions:

"**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the relevant Paying Agent or the Trustee or the Registrar on or before the due date, it means the date on which the full amount of the money having been so received, notice to that effect shall have been duly given to Sukukholders by the Trustee in accordance with Condition 18 (*Notices*); and

"**Relevant Jurisdiction**" means Malaysia or any political subdivision or authority thereof or therein having the power to tax.

The Transaction Documents provide that payments thereunder by TM shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by TM of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee or the Delegate acting on its behalf.

If the Trustee or TM, as the case may be, becomes subject to any taxing jurisdiction other than or in addition to Malaysia, references in these Conditions to Malaysia, shall be construed as references to Malaysia and/or such other jurisdiction, as the case may be.

13 PRESCRIPTION

The right to receive distributions in respect of the Sukuk will be forfeited unless claimed within a period of ten (10) years (in the case of any Dissolution Amount) and five years (in the case of any Periodic Distribution Amounts) from the Relevant Date in respect thereof.

14 PURCHASE AND CANCELLATION OF CERTIFICATES

(a) ***Purchases***

TM and/or any Subsidiary may at any time purchase Sukuk at any price in the open market or otherwise. Such Sukuk may be held, reissued, re-sold or, at the option of TM, surrendered to the Registrar for cancellation in accordance with Condition 14(b) (*Purchase and Cancellation of Sukuk — Cancellation of Sukuk held by TM and/or any of its Subsidiaries*).

(b) ***Cancellation of Sukuk held by TM and/or any of its Subsidiaries***

If TM wishes to cancel any Sukuk purchased by it and/or any Subsidiary pursuant to Condition 14(a) (*Purchase and Cancellation of Sukuk — Purchases*) above (the "**Cancellation Sukuk**"), TM may, in accordance with the terms of the Redemption Undertaking, deliver a Cancellation Notice to the Trustee and require the Trustee to cancel any Cancellation Sukuk surrendered to it by TM and/or any Subsidiary in consideration for payment of the relevant Cancellation Amount, which may be off-set against any amount that is due and payable by TM to the Trustee under the Master Wakala Agreement, the Master Murabaha Agreement, the Sale Undertaking and/or the Purchase Undertaking, provided that any amounts to be off-set shall first be applied against any amounts due under the Master Murabaha Agreement.

(c) ***Redemption at the Option of the Sukukholders (Change of Control Exercise Option)***

If Change of Control Exercise Option is specified in the applicable Pricing Supplement as being applicable, the Sukuk may be cancelled following the occurrence of a Change of Control subject to and in accordance with this Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*).

TM has undertaken in the Change of Control Undertaking to notify the Trustee and the Delegate forthwith upon the occurrence of a Change of Control and to provide details in respect thereof. The Trustee, upon receipt of such a notice from TM or otherwise upon becoming aware of the occurrence of a Change of Control, shall promptly give notice (a "**Change of Control Notice**") of the occurrence of a Change of Control to the Sukukholders in accordance with Condition 18 (*Notices*).

A Change of Control Notice shall provide a description of the Change of Control and shall require Sukukholders to elect within 30 days (or such other period as set out in the applicable Pricing Supplement) (the "**Change of Control Exercise Period**") of the date of the Change of Control Notice if they wish all or any of their Sukuk to be redeemed.

To elect to redeem all or any of its Sukuk in accordance with this Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*), a Sukukholder must, if such Sukuk are in definitive form and held outside Euroclear and Clearstream, Luxembourg deposit its Certificate(s), on any business day in the city of the specified office of the Registrar or Transfer Agent falling within the Change of Control Exercise Period with the Registrar or Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Change of Control Exercise Notice**") in the form obtainable from the relevant Paying Agent, Registrar or Transfer Agent (as applicable).

If Sukuk are represented by a Global Certificate or are in definitive form and held through Euroclear or Clearstream, Luxembourg, then in order to exercise the right to require redemption of a Sukuk under this Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option)*), a Sukukholder must, within the Change of Control Exercise Period, give notice to a Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to a Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Sukuk is represented by a Global Certificate, at the same time present or procure the presentation of the relevant Global Certificate to a Paying Agent for notation or entry in the Register accordingly.

No Sukuk so deposited and option exercised may be withdrawn (except as otherwise provided in the Agency Agreement) without the prior consent of the Trustee. The Agent to which such Sukuk and Change of Control Exercise Notice are delivered will issue to the holder concerned a non-transferable receipt (a "**Change of Control Exercise Notice Receipt**").

The relevant Agent shall serve a notice on the Trustee (the "**Change of Control Confirmation Notice**"). On the last day of the Change of Control Exercise Period, following the receipt of a Change of Control Confirmation Notice, pursuant to the relevant Change of Control Undertaking, the Trustee shall serve a Change of Control Purchase Notice on TM, requiring TM on the seventh day after the last day of the Change of Control Exercise Period, to:

(i) purchase from the relevant Sukukholders the relevant Change of Control Sukuk at the relevant Change of Control Amount; and

(ii) surrender such Change of Control Sukuk to the Trustee pursuant to the Redemption Undertaking.

Following the purchase by TM of any Change of Control Sukuk pursuant to the Change of Control Undertaking, TM may, in accordance with the terms of the Redemption Undertaking, deliver a Cancellation Notice to the Trustee and require the Trustee to purchase and cancel any Change of Control Sukuk surrendered to it by TM in consideration for payment of the relevant Cancellation Amount, which may be set-off against any amount that is due and payable by TM to the Trustee under the Master Wakala Agreement, the Master Murabaha Agreement, the Sale Undertaking and/or the Purchase Undertaking, provided that any amounts to be off-set shall first be applied against any amounts due under the Master Murabaha Agreement.

(d) ***Dissolution of the Trust upon cancellation of all outstanding Sukuk in a Series***

In the event TM and/or any of its Subsidiaries purchase all the outstanding Sukuk in a Series following the exercise of the relevant Change of Control Undertaking or the Redemption Undertaking, as the case may be, and all such Sukuk are subsequently cancelled by the Trustee, the relevant Trust will be dissolved on such Cancellation Dissolution Date and the Sukuk shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

15 DISSOLUTION EVENTS

If, upon the occurrence of any of the following events (each a "**Dissolution Event**"):

(i) default is made in the payment of the Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and such default continues, in the case of the Dissolution Amount, for five business days and, in the case of any Periodic Distribution Amount, for 10 business days; or

(ii) the Trustee defaults in the performance or observance of or compliance with any of its other obligations or undertakings under the Transaction Documents to which it is a party and such default is not capable of remedy (in the opinion of the Delegate) or (if capable of remedy (in the opinion of the Delegate)) is not remedied within 45 days after written notice of such default shall have been given to the Trustee by the Delegate; or

(iii) a TM Event occurs; or

(iv) the Trustee repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or

(v) at any time it is or will become unlawful or impossible for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its obligations under the Transaction Documents or any of the obligations of the Trustee under the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or

(vi) either: (a) the Trustee becomes insolvent or is unable to pay its debts as they fall due; (b) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made); (c) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (d) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business; or

(vii) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or

(viii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraph (vi) and (vii) above,

provided however that the Delegate shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), subject to it having been notified in writing of the occurrence of such Dissolution Event, give notice in writing of the occurrence of such Dissolution Event to the Sukukholders in accordance with Condition 18 (*Notices*) with a request to such holders to indicate if they wish the Trust to be dissolved. If so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Series outstanding or if so directed by an Extraordinary Resolution of the Sukukholders (a "**Dissolution Request**") it shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Trustee and TM of the Dissolution Request and, upon receipt of such notice, the Trustee shall enforce its rights against TM under the Transaction Documents and distribute to the Sukukholders the resultant proceeds and the Sukuk shall be redeemed at the Dissolution Amount on the date specified in such notice (the "**Dissolution Event Redemption Date**") and the Trust shall be dissolved on the day after the last outstanding Sukuk has been redeemed.

As set out in the Purchase Undertaking, each of the following events or circumstances shall constitute a "**TM Event**":

(a) TM defaults in the payment of any amount due under the Transaction Documents and the default continues for a period of five business days; or

(b) TM fails to perform or observe any of its other obligations under the Transaction Documents and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 45 days following the service by the Delegate on TM of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of TM or any Principal Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); (ii) TM or any Principal Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or within any originally applicable grace period; (iii) any security given by TM or any Principal Subsidiary for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by TM or any Principal Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person provided that no event described in this subparagraph (c) shall constitute a TM Event unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iv) above amounts to at least US$75,000,000 (or its equivalent in any other currency); or

(d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of TM or any Principal Subsidiary except, in the case of a Solvent Principal Subsidiary, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a "**Reorganisation**") (i) on terms approved by an Extraordinary Resolution of the Sukukholders or (ii) whereby, pursuant to such Reorganisation, the assets and undertaking of such Principal Subsidiary are otherwise transferred to or vested in TM or the other Principal Subsidiaries and no Reorganisation Rating Decline shall have occurred on or prior to the relevant Post- Reorganisation Date; or

(e) if TM or any Principal Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business (save for the purposes of a Reorganisation on terms approved by an Extraordinary Resolution of the Noteholders and, in the case of a Solvent Principal Subsidiary, for the purpose of and followed by a Reorganisation whereby, pursuant to such Reorganisation, the assets and undertaking of such Principal Subsidiary are transferred to or vested in TM or the other Principal Subsidiaries and no Reorganisation Rating Decline shall have occurred on or prior to the relevant Post-Reorganisation Date) or TM or any Principal Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, a substantial part of its debts as they fall due or is deemed unable to pay a substantial part of its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) if (i) an order is made against TM or any Principal Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to TM or any Principal Subsidiary or, as the case may be, in relation to the whole or any substantial part of the undertaking or assets of any of them (except, in the case of a Solvent Principal

Subsidiary, for the purpose of and followed by a Reorganisation (i) on terms approved by an Extraordinary Resolution of the Sukukholders or (ii) whereby, pursuant to such Reorganisation, the assets and undertaking of such Principal Subsidiary are otherwise transferred to or vested in TM or the other Principal Subsidiaries and no Reorganisation Rating Decline shall have occurred on or prior to the relevant Post-Reorganisation Date) or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company, is not discharged or stayed within 90 days; or

(g) TM or any Principal Subsidiary (or their respective directors or shareholders by way of resolution) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors in respect of a substantial part of its debts) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors in respect of a substantial part of its debts); or

(h) any Transaction Document ceases to be, or is claimed by TM not to be, in full force and effect; or

(i) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable TM lawfully to enter into, exercise their respective rights and perform and comply with its obligations under the Transaction Documents, (ii) to ensure that those obligations are valid, legally binding and enforceable, and (iii) to make any Transaction Document admissible in evidence in the courts of England, is not taken fulfilled or done; or

(j) any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in the foregoing paragraphs of this Condition.

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit, which shall include any undertaking or other obligation to pay any money in connection with a transaction structured in compliance with the principles of Shariah and which has the commercial effect of a borrowing;

"**Post-Reorganisation Date**" means the date falling six months after the completion of a Reorganisation;

"**Reorganisation Rating Decline**" means in connection with a Reorganisation by a Solvent Principal Subsidiary, the Sukuk ceasing to be rated Investment Grade by the Rating Agency rating the Sukuk; and

"**Solvent**" means with respect to a particular date, that on such date (i) the present fair market value (or present fair saleable value) of the assets of the relevant Principal Subsidiary is not less than the total amount required to pay the liabilities of the relevant Principal Subsidiary on its total existing debts and liabilities (including contingent liabilities) as they become due and payable, (ii) the relevant Principal Subsidiary is able to realise upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due and payable in the normal course of business, (iii) the relevant Principal Subsidiary will be able to meet its obligations under all outstanding Indebtedness for Borrowed Money as they fall due, and (iv) the relevant Principal Subsidiary is not a defendant in any civil action that in the reasonable expectation of such Principal Subsidiary would result in a judgment that such Principal Subsidiary is or would become unable to satisfy.

16 ENFORCEMENT AND EXERCISE OF RIGHTS

(i) Upon the occurrence of a Dissolution Event, to the extent any amount payable in respect of the Sukuk has not been paid in full, the Trustee (or the Delegate, acting on behalf of the Trustee), (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), may (acting for the benefit of the Sukukholders) take one or more of the following steps:

(A) enforce the provisions of the Transaction Documents against TM; and/or

(B) take such other steps as the Trustee or the Delegate (acting in the name and on behalf of the Trustee) may consider necessary to recover amounts due to the Sukukholders.

(ii) Following the enforcement, realisation of the Sukuk and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Sukuk to the Sukukholders in accordance with these Conditions and the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the obligations of the Trustee in respect of the Sukuk shall be satisfied. In such circumstances, the obligation of the Trustee in respect of the Sukuk will be satisfied and the right of the Sukukholders to receive any further sums shall be extinguished and neither the Trustee nor the Delegate shall be liable for any such sums and, accordingly, Sukukholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including TM) to recover any such sum or asset in respect of the relevant Sukuk or the Trust Assets. In particular, no holder of the Sukuk shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee.

(iii) No Sukukholder shall be entitled to proceed directly against the Trustee or TM under any Transaction Document to which either of them is a party unless the Delegate fails to do so within a reasonable period of becoming so bound and such failure is continuing. Under no circumstances shall the Delegate or any Sukukholder have any right to cause the sale or other disposition of any of the relevant Trust Assets to any third party and the sole right of the Delegate and the Sukukholders against the Trustee and TM shall be to enforce their respective obligations under the Transaction Documents.

(iv) Neither the Trustee nor the Delegate shall be bound in any circumstances to take any action to enforce or to realise the relevant Trust Assets or take any action against the Trustee and/or TM under any Transaction Document to which either of the Trustee or TM is a party unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Sukuk of the relevant Series and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

(v) Neither the Trustee nor the Delegate shall be liable for any error of judgment made in good faith by any officer or employee of the Trustee or the Delegate assigned by the Trustee or the Delegate to administer its corporate trust matters or to administer the matters delegated to it pursuant to these presents;

(vi) Proof that as regards any specified Sukuk the Trustee has made default in paying any amount due in respect of such Sukuk shall (unless the contrary be proved) be sufficient evidence that the same default has been made as regards all other Sukuk of the relevant Series in respect of which the relevant amount is due and payable.

17 REPLACEMENT OF CERTIFICATES

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar (and, if the Sukuk are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Trustee may reasonably require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

18 NOTICES

Save as provided in this Condition 18 (*Notices*) all notices regarding the Sukuk will be in the English language and will deemed to be validly given if published in a leading English language daily newspaper published in Malaysia, or if such publication is not practicable, in a leading English language newspaper having general circulation in Malaysia. The Trustee shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Sukuk are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Certificates are issued, there may, so long as the Global Certificate representing the Sukuk is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Sukuk. Any such notice shall be deemed to have been given to the holders of the Sukuk on the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Sukukholder shall be in writing and given by lodging the same, together with the relevant Certificate or Certificates, with the Principal Paying Agent.

19 MEETINGS OF SUKUKHOLDERS, MODIFICATION,WAIVER, AUTHORISATION AND DETERMINATION

(i) The Master Declaration of Trust contains provisions for convening meetings of Sukukholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Master Declaration of Trust. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer, the Trustee, the Delegate or TM at any time and shall be convened by the Issuer upon the request in writing of Sukukholders holding not less than one tenth of the aggregate face amount of the Sukuk of a Series for the time being outstanding. The quorum at any meeting for passing an Extraordinary Resolution will be one or more Sukukholder, proxy or representative holding or representing in the aggregate more than 50 per cent. of the aggregate face amount of the

Sukuk for the time being outstanding (or, in the case of a meeting called in respect of more than one Series, the aggregate face amount of the Sukuk of all the relevant Series for the time being outstanding) or at any adjourned such meeting one or more Sukukholders present, proxies or representatives (whatever the face amount of the Sukuk of all the relevant Series held or represented by him/ her or them), provided however that any meeting the business of which includes the modification of certain provisions of the Sukuk (including, among others, modifying the relevant Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Sukuk, altering the currency of payment of the Sukuk, amending any of TM's covenants to make a payment under any Transaction Document, modifying the provisions concerning the quorum required at any meeting of the Sukukholders, or the majority required to pass an Extraordinary Resolution), the quorum shall be one or more Sukukholder, proxy or representative holding or representing in the aggregate not less than 75 per cent. of the aggregate face amount of the Series for the time being outstanding (or, in the case of a meeting called in respect of more than one Series, the aggregate face amount of the Sukuk of all the relevant Series for the time being outstanding) or at any adjourned such meeting one or more Sukukholders, proxies or representatives holding or representing not less than 25 per cent. of the aggregate face amount of the Series for the time being outstanding (or, in the case of a meeting called in respect of more than one Series, the aggregate face amount of the Sukuk of all the relevant Series for the time being outstanding). To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three-fourths of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than three- fourths of the votes cast on such poll and, if duly passed, will be binding on all Sukukholders, whether or not they are present at the meeting and whether or not voting.

(ii) The Master Declaration of Trust provides that a resolution in writing signed by or on behalf of holders of not less than three-fourths of the Sukuk for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Sukukholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Sukukholders.

(iii) The Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document and the Trustee's memorandum and articles of association may only be amended by the Trustee with the consent of the Delegate and the Delegate may agree, without the consent or sanction of the Sukukholders, to any modification of any of the Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document or the Trustee's memorandum and articles of association if, in the opinion of the Delegate: (i) such modification is of a formal, minor or technical nature; (ii) such modification is made to correct a manifest error; or (iii) such modification is not materially prejudicial to the interests of the outstanding Sukukholders. Any such modification may be made on such terms and subject to such conditions (if any) as the Delegate may determine, shall be binding on the Sukukholders and, unless the Delegate otherwise decides, shall be notified by the Issuer to the Sukukholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

(iv) The Delegate may, without the consent or sanction of the Sukukholders and without prejudice to its rights in respect of any subsequent breach from time to time and at any time: (i) give its consent under these presents or any other Transaction Document and agree to waive or to authorise any breach or proposed breach of any provision of the Master Declaration of Trust or any other Transaction Document; or (ii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided that: (A) in the opinion of the Delegate, such waiver, authorisation or determination is not materially prejudicial to the interests of the outstanding Sukukholders; and (B) the Delegate will not do so in contravention of an express direction given by Extraordinary Resolution or a request made pursuant to Condition 15 (*Dissolution Events*). No such direction or request will affect a previous waiver, authorisation or determination. Any such waiver, authorisation or determination shall be binding on the Sukukholders and unless the Delegate otherwise requires, shall be notified by the Trustee to the Sukukholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

(v) In connection with the exercise by it of any of its powers, trusts, authorities and discretions under the Master Declaration of Trust (including, without limitation, any modification), the Delegate shall have regard to the general interests of the Sukukholders as a class (except where the context otherwise requires (as determined by the Delegate in its absolute discretion)) and shall not have regard to any interest arising from circumstances particular to individual Sukukholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Sukukholders (whatever their number) resulting from them being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub- division thereof or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Sukukholder be entitled to claim from the Trustee, the Delegate, the Agents, TM or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Sukukholders (except, in the case of the Trustee and TM, to the extent already provided for in Condition 12 (*Taxation*)).

The Trustee shall have the option to increase the limit of the Programme, subject to the approval of the Securities Commission Malaysia. No consent is required from the Sukukholders, the Delegate and any other party under the Programme for the Trustee to exercise the option to increase the limit of the Programme.

20 THE DELEGATE

The Trustee has in the Master Declaration of Trust irrevocably and unconditionally appointed the Delegate to be its attorney and in its name, on its behalf and as its act and deeds to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), trusts, authorities (including, but not limited to, the authority to request directions from any Sukukholders and the power to make any determinations to be made under the Master Declaration of Trust) and discretions vested in the Trustee by the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, that the Delegate may consider to be necessary or desirable, and subject in each case to it being indemnified and/or secured and/or prefunded to is satisfaction, in order, upon the occurrence of a Dissolution Event or Potential Dissolution Event, to exercise all of the rights of the Trustee under the Purchase Undertaking and the relevant Transaction Documents, provided that no obligations, duties, Liabilities or covenants of the Trustee pursuant to the Master Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this delegation, and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, (together the "**Delegation**" of the "**Relevant Powers**"), provided that in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the relevant Trust Assets and provided further that such Delegation and the Relevant Powers shall not include any duty, power, trust, authority or discretion to hold any of the relevant Trust Assets, to dissolve any of the trusts constituted by the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Master Declaration of Trust.

The appointment of a delegate by the Trustee is intended to be in the interests of the Sukukholders and does not affect the Trustee's continuing role and obligations as sole trustee.

The Master Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Master Declaration of Trust, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Condition 16 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of TM under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Sukukholders in respect of any payments which should have been paid by TM but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets.

The Delegate may rely without liability to Sukukholders on a report, confirmation, information, certificate or any advice or opinion of any accountants, lawyer, banker, surveyor, valuer, broker, auctioneer, financial advisers, financial institution, auditors, insolvency officials or any other expert (whether obtained by the Trustee or otherwise, whether or not addressed to the Delegate and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Delegate or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise) in accordance with or for the purposes of the Master Declaration of Trust or the other relevant Transaction Documents. The Delegate may accept and shall be entitled to rely on any such report, confirmation, information, certificate or advice as sufficient evidence of the facts stated therein and such report, confirmation, information, certificate or advice shall be binding on the Trustee, the Delegate and the Sukukholders. The Delegate will not be responsible to anyone for any liability occasioned by so acting. The Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

Each of the Trustee and the Delegate is exempted from: (a) any liability in respect of any loss or theft of the Trust Assets or any cash; (b) any obligation to insure the Trust Assets (other than, with respect to the Trustee, in accordance with the Transaction Documents) or any cash; and (c) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of gross negligence, wilful default or fraud by the Trustee or the Delegate, as the case may be. Nothing shall, in any case where the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Master Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Master Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Master Declaration of Trust.

Neither the Delegate nor any director or officer of the Delegate or of any holding, affiliated or associated company of the Delegate shall be precluded from underwriting the Sukuk, or from purchasing or otherwise acquiring, holding, dealing in or disposing of any notes, bonds, debentures, shares, Sukuk or securities whatsoever or from being interested in any contract or transaction or from accepting and holding the office of trustee or administrator for the holders of any other securities or from acting on, or as depositary or agent for, any committee or body of holders of any securities of any person, in each such case with the same rights as they would have had if the Delegate were not acting as Delegate and neither the Delegate nor any director, officer or affiliate of the Delegate shall be liable to Sukukholders for any profit made by it or him thereby or in connection therewith.

21 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

22 GOVERNING LAW, JURISDICTION AND WAIVER OF IMMUNITY

(i) **Governing Law**: The Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust (including these Conditions), the Agency Agreement and the Sukuk and any non-contractual obligations arising out of or in connection with the same (including the remaining provisions of this Condition 22 (*Governing Law, Jurisdiction and Waiver of Immunity*) are and shall be governed by, and construed in accordance with, English law.

(ii) **English courts**: Subject to paragraph (iv) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Sukuk, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Sukuk (a **Dispute**) and each party submits to the exclusive jurisdiction of the English courts.

(iii) **Appropriate forum**: For the purpose of this Condition, the Trustee and TM each waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(iv) **Rights of the Sukukholders to take proceedings outside England**: To the extent allowed by law, the Trustee, the Delegate and the Sukukholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

(v) **Process agent**: The Trustee and TM each irrevocably appoint Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute on terms acceptable to the Delegate and the Sukukholders, failing which the Delegate and the Sukukholders may appoint another process agent for this purpose. The Trustee and TM each agree that failure by a process agent to notify it of any process will not invalidate service. Nothing in this clause shall affect the right to serve process in any other manner permitted by law.

(vi) **Waiver of immunity**: To the extent that each of the Trustee and TM, may in any jurisdiction claim for itself or its assets or revenues immunity from suit, jurisdiction, execution, attachment (whether in aid or execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Trustee or, as the case may be, TM or each of its assets or revenues, each of the Trustee and TM agrees not to claim and irrevocably and unconditionally waive such immunity to the full extent permitted by the laws of such jurisdiction in relation to any Proceedings or Disputes.

FORM OF THE SUKUK

The Sukuk of each Series will be in registered form. Sukuk will be issued outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended.

Each Series of Sukuk will initially be represented by a Global Certificate in registered form (a "**Global Certificate**"). Global Certificates will be deposited with a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearsteam, Luxembourg**") and will be registered in the name of a nominee for the Common Depositary. Persons holding beneficial interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Certificates in fully registered form.

Payments of any amount in respect of each Global Certificate will, in the absence of provision to the contrary, be made to the person shown on the relevant Register (as defined in Condition 2(a) (*Form, Denomination and Title — Form and Denomination*)) as the registered holder of the relevant Global Certificate. None of the Issuer, the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payment of any amounts in respect of Sukuk in definitive form will, in the absence of any provision to the contrary, be made to the persons shown on the relevant Register on the relevant Record Date (as defined in Condition 10(a) (*Payment — Payments in respect of Sukuk*)) immediately preceding the due date for payment in the manner provided in the Conditions.

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive Certificates only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Sukukholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. For these purposes, Exchange Event means that (i) a Dissolution Event (as defined in Condition 15 (*Dissolution Events*)) has occurred and is continuing or (ii) the Issuer and the Delegate have been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor or alternative clearing system satisfactory to the Delegate is available. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Delegate may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Registrar.

For so long as any of the Sukuk is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Sukuk (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Sukuk standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Delegate and their respective agents as the holder of such face amount of such Sukuk for all purposes other than with respect to any payment on such face amount of such Sukuk, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Issuer, the Trustee, the Delegate and their respective agents as the holder of such face amount of such Sukuk in accordance with and subject to the terms of the relevant Global Certificate and the expressions Sukukholder and holder of Sukuk and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Series of Sukuk issued under the Programme.

[*Date*]

Tulip Maple Berhad

Issue of [*Aggregate Face Amount of Series*] [*Title of Sukuk*]
under the
U.S.$750,000,000
Multicurrency Sukuk Issuance Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 20 April 2015 [and the Supplementary Offering Circular dated [●]]. This document constitutes the Pricing Supplement of the Sukuk described herein and must be read in conjunction with the Offering Circular[, as so supplemented]. Full information on the Issuer, TM and the offer of the Sukuk is only available on the basis of a combination of this Pricing Supplement and the Offering Circular[, as so supplemented]. The Offering Circular [and the supplementary Offering Circular[s]] [is/are] available for viewing during normal business hours at the registered office of the Issuer at Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia and copies may be obtained from that office.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub paragraphs. Italics denote directions for completing the Pricing Supplement.*]

[*The proceeds of any issue of Sukuk should not be accepted in the United Kingdom.*]

1.	Issuer and Trustee:	Tulip Maple Berhad
2.	Obligor:	Telekom Malaysia Berhad ("**TM**")
3.	Series Number:	[●]
4.	Specified Currency[1]:	[●]
5.	Aggregate Face Amount of Series:	[●]
6.	Issue Price:	[100] per cent. of the Aggregate Face Amount
7.	Specified Denominations: *(this means the minimum integral amount in which transfers can be made)*	[●]
	Calculation Amount:	[●] *(If only one Specified Denomination, insert that Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
8.	Issue Date:	[●]

[1] This currency excludes Malaysian Ringgit.

9.	Return Accrual Commencement Date:	[Issue Date][*specify other*]
10.	Scheduled Dissolution Date:	[*Specify date or (for Floating Periodic Distribution Sukuk) Periodic Distribution Date falling in or nearest to the relevant month and year*]
11.	Periodic Distribution Amount Basis:	[[●]per cent. Fixed Periodic Distribution Amount] [[*specify reference rate*] +/- [●] per cent. Floating Periodic Distribution Amount] *(further particulars specified below)*
12.	Dissolution Basis:	Dissolution at par
13.	Change of Periodic Distribution Basis:	[*Specify details of any provision for convertibility of Sukuk into another Periodic Distribution Basis.*] [Not Applicable]
14.	Call Options:	[Not Applicable] [Optional Dissolution Right] [Change of Control Exercise Option] *[further particulars specified below]*
15.	Status:	Senior
	[Date of [Board] approval for issuance of Sukuk:]	[●] [and [●], respectively]
16.	Listing:	[[●] /other (specify)/None]
17.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

18.	Fixed Periodic Distribution Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Rate[(s)]:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(b) Periodic Distribution Date(s):	[[●] in each year up to and including the Scheduled Dissolution Date]
	(c) Fixed Amount(s): *(Applicable to Sukuk in definitive form)*	[●] per Calculation Amount
	(d) Broken Amount(s): *(Applicable to Sukuk in definitive form)*	[●] per Calculation Amount, payable on the Periodic Distribution Date falling on [●] [Not Applicable] *(Insert particulars of any initial or final broken Periodic Distribution Amounts which do not correspond with the Fixed Amount(s) specified under paragraph 18(c))*
	(e) Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]

	(f)	Determination Date(s):	[●] in each year [*Insert regular periodic distribution dates, ignoring issue date or scheduled dissolution date in the case of a long or short first or last return accumulation period.* *N.B. Only relevant where Day Count Fraction is Actual/ Actual (ICMA)]*
19.		Floating Periodic Distribution Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Specified Periodic Distribution Dates:	[●] [Not Applicable] *(Specified Period and Specified Periodic Distribution Dates are alternatives. If the Business Day Convention is the Floating Rate Convention, insert "Not Applicable")*
	(b)	Specified Period:	[●] [Not Applicable] *(Specified Period and Specified Periodic Distribution Dates are alternatives. A Specified Period, rather than Specified Periodic Distribution Dates, will only be relevant if the Business Day Convention is the Floating Rate Convention. Otherwise, insert "Not Applicable")*
	(c)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(d)	Additional Business Centre(s):	[Not Applicable/*give details*]
	(e)	Manner in which the Rate(s) is/are to be determined:	Screen Rate Determination (Condition 9(c) (*Floating Periodic Distribution Provisions — Screen Rate Determination*) applies)
		(i) Reference Rate:	[●] month [currency] [LIBOR/EURIBOR/HIBOR/*specify other Reference Rate*]
		(ii) Periodic Distribution Determination Date:	[●] *(Second London business day prior to the start of each Return Accumulation Period if LIBOR (other than Sterling, Hong Kong or euro LIBOR), first day of each Return Accumulation Period if Sterling or Hong Kong LIBOR or HIBOR and the second day on which the TARGET2 System is open prior to the start of each Return Accumulation Period if EURIBOR or euro LIBOR)*
		(iii) Relevant Screen Page:	[●]
		(iv) Relevant Time:	[*For example, 11.00 a.m. London/Kuala Lumpur time*]
	(f)	Margin:	[[+ / -]]

	(g)	Day Count Fraction:	[[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) [Actual/Actual (ICMA)] Actual/360 [30/360][360/360][Bond Basis] 30E/360 (ISDA) Other] *(See Condition 9(e) (Floating Periodic Distribution Provisions — Calculation of Periodic Distribution Amount) for alternatives)*
	(h)	Calculation Agent:	[Principal Paying Agent] [specify other]

PROVISIONS RELATING TO DISSOLUTION

20.	Notice Periods for Condition 11(b) *(Capital Distributions of the Trust — Early Dissolution for Tax Reasons)*:		Minimum period: [●] days Maximum period: [●] days
21.	Optional Dissolution Right:		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Optional Dissolution Amount:	[Final Dissolution Amount] [[●] per Calculation Amount] [specify other]
	(b)	Optional Dissolution Date:	[Any Periodic Distribution Date] [specify other]
	(c)	Notice periods:	Minimum period: [●] days Maximum period: [●] days
22.	Change of Control Exercise Option:		[Applicable/Not Applicable]
	(a)	Optional Dissolution Amount (Change of Control):	[[●] per Calculation Amount]
	(b)	Optional Dissolution Amount (Change of Control) Percentage:	[[●]per cent.]
	(c)	Change of Control Exercise Option Date(s):	[●]
	(d)	Change of Control Exercise Period:	[Condition 14(c) (*Purchase and Cancellation of Sukuk — Redemption at the Option of the Sukukholders (Change of Control Exercise Option*)) applies]/[*specify other*]
23.	Final Dissolution Amount:		[●] per Calculation Amount] [*specify other*]
24.	Early Dissolution Amount (Tax):		[Final Dissolution Amount] [[●] per Calculation Amount] [*specify other*]
25.	Dissolution Amount pursuant to Condition 15 *(Dissolution Events)*:		[[●] per Calculation Amount] [*specify other*]

GENERAL PROVISIONS APPLICABLE TO THE SUKUK

26.	Form of Sukuk:	Global Certificate exchangeable for Sukuk in definitive registered form in the limited circumstances specified in the Global Certificate
27.	Additional Financial Centre(s):	[●] *(Note that this paragraph relates to the place of payment and not Return Accumulation Period end dates, to which sub-paragraph 19(d) relates)*

PROVISIONS IN RESPECT OF THE TRUST ASSETS

28.	Trust Assets:	Condition 6(b) (*Trust — Trust Assets*) applies
29.	Details of Transaction Account:	[●]
30.	Other Transaction Document Information:	
	(a) Supplemental Declaration of Trust:	Supplemental Declaration of Trust dated [●] between the Issuer, the Trustee, Telekom Malaysia and the Delegate
	(b) Supplemental Asset Purchase Agreement:	Supplemental Asset Purchase Agreement dated [●] between the Trustee, the Purchaser and the Seller

DISTRIBUTION

31.		
	(a) If syndicated, names of Managers:	[Not Applicable/give names]
	(b) Date of Subscription Agreement:	[●]
	(c) Name of Stabilising Manager:	[●]
32.	If non-syndicated, name of relevant Dealer:	[●]
33.	Additional selling restrictions:	[Not Applicable/*give details*]

LISTING AND ADMISSION TO TRADING

34.	Listing:	[[Singapore]/*other* [*specify*]/None]

RATINGS

35.	Ratings:	The Sukuk to be issued have been rated: [Moody's: [●]] [[Other]: [●]]

OPERATIONAL INFORMATION

36.	ISIN Code:	[●]
37.	Common Code:	[●]

38.	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
39.	Delivery:	Delivery [against/free of] payment
40.	Names and addresses of additional Paying Agent(s) (if any):	[●]

OTHER INFORMATION

41.	Use of Proceeds by TM:	[General corporate purposes of TM/*other*]

RESPONSIBILITY

Each of the Issuer and TM accepts responsibility for the information contained in this Pricing Supplement. To the best of the knowledge and belief of each of the Issuer and TM (having taken all reasonable care to ensure that such is the case) the information contained in this Pricing Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. [[●] has been extracted from [●]. Each of the Issuer and TM confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Tulip Maple Berhad (the Issuer):

By:

Duly authorised

Signed on behalf of Telekom Malaysia Berhad:

By:

Duly authorised

USE OF PROCEEDS

The Proceeds of each Series of Sukuk issued under the Programme will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents to (i) acquire Commodities to be sold to TM and (ii) to purchase Vouchers from TM, as specified in the Pricing Supplement for the relevant Series, such assets to form part of the Trust Assets for the relevant Series.

The Proceeds of each Series of Sukuk subsequently received by TM in consideration for the transactions entered into with the Trustee as set out in (i) and (ii) above, as applicable, will be applied by TM for capital expenditure and business operating requirements or, as the case may be, as set forth in the Pricing Supplement for the relevant Series.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Group as at 31 December 2014. This table should be read in conjunction with the financial statements of the Group and the notes thereto set out elsewhere in this Offering Circular.

	As at 31 December 2014	
	(RM million)	**(U.S.$ million)**
Total Current Borrowings[1]	197.0	56.3
Total Non-Current Borrowings[2]	6,251.4	1,787.9
Shareholders' equity		
Share capital	2,603.6	744.6
Share premium	722.7	206.7
Retained profits and Other reserves	4,244.8	1,214.0
Total Capital and Reserves attributable to Equity Holders of the Company	7,571.1	2,165.3
Total capitalisation (total long-term debt plus shareholders' equity)	13,822.5	3,953.2

Note:

(1) TM has drawn down revolving credit facilities from onshore banks of RM100 million on 16 February 2015, RM100 million on 10 March 2015 and RM50 million on 30 March 2015, respectively. Also, TM's subsidiary, P1, has drawn down a revolving credit facility from an onshore bank of RM30 million on 25 March 2015.

(2) There has been a carrying value movement of RM95.3 million due to foreign exchange revaluation on the borrowings during the period from 31 December 2014 to 31 March 2015 which resulted in an increase of the borrowings amount.

Save as indicated above, there has been no material change in the capitalisation of the Group since 31 December 2014.

EXCHANGE RATES AND EXCHANGE CONTROLS

EXCHANGE RATES

On 1 September 1998, BNM introduced a series of exchange control measures aimed at ending speculation on the Malaysia Ringgit. One of these measures was the pegging of the exchange rate quotation of the Malaysian Ringgit to the U.S dollar. As a result of the peg, the Malaysian Ringgit exchange rate against the U.S dollar was set by BNM at RM3.80 to U.S$1.00 from 2 September 1998.

However, on 21 July 2005, the Government of Malaysia removed the peg and allowed the exchange rate of the Malaysian Ringgit to operate in a managed float, with its value determined by economic fundamentals.

EXCHANGE CONTROLS

There are no restrictions on repatriation of capital, profits, dividends, interest, fees or rental by foreign direct investors or portfolio investors. However, in relation to remittances abroad, such remittance must be made in foreign currencies other than the currency of Israel, Serbia and Montenegro.

EXCHANGE CONTROL APPROVALS

Under the present regime, prior approval of the Malaysian Controller of Foreign Exchange is required for the Issuer to obtain credit facilities denominated in currency other than Ringgit exceeding RM100 million (or its equivalent in foreign currency) in aggregate on a corporate group basis from a non-resident which is (i) not part of the Obligor's group of entities or (ii) even if it is part of the Obligor's group of entities, it is a non-resident special purpose vehicle set up to obtain borrowing from any person which is not part of the Obligor's group of entities. The Obligor has applied for approval for the Issuer to issue the Sukuk denominated in a currency other than Ringgit under the Programme to residents and non-residents and the approval of the Malaysian Controller of Foreign Exchange was granted on 9 September 2014.

DESCRIPTION OF THE TRUSTEE

Formation

The Trustee was incorporated with limited liability under the laws of Malaysia on 6 January 2015. The registered office of the Trustee is Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia. The Trustee is a wholly-owned subsidiary of TM.

Business Activity

The Trustee has not engaged, since its incorporation, in any other material activities other than those relating to the establishment of the Programme and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

Directors and Officers

The Board of Directors of the Trustee consists of Datuk Bazlan bin Osman and Mohamad bin Derwish.

Capitalisation

The authorised share capital of the Trustee is RM400,000 divided into 400,000 ordinary shares of RM1.00 par value each, of which 2 shares are fully paid-up and issued. As at the date of this Offering Circular, the Trustee had no borrowings, indebtedness in the nature of borrowings, loan capital outstanding or created but unissued (including term loans), guarantees or material contingent liabilities.

BUSINESS OF THE GROUP

Overview

TM is the largest integrated communications solutions provider in Malaysia, and one of Asia's leading communications companies, with a market capitalisation of approximately RM25.6 billion as at 31 December 2014 and an employee force of over 28,000. The principal activities of TM are the establishment, maintenance and provision of telecommunications and related services. TM is the top fixed line voice service provider in Malaysia serving over 4.3 million customers and a leading player in the broadband market space with a customer base over 2.23 million as at 31 December 2014. For the year ended 31 December 2013 and 31 December 2014, the operating revenue of the Group was RM10,628.7 million and RM11,235.1 million, respectively, and its profit for the financial year ended 31 December 2013 and 31 December 2014 was RM1,047.8 million and RM842.5 million, respectively.

History

Established as the Telecommunications Department of Malaya in 1946, TM was incorporated in Malaysia on 12 October 1984 under the Companies Act, 1965 as a public company limited by shares, and was originally incorporated under the name of Syarikat Telekom Malaysia Berhad as a successor to Jabatan Telekom Malaysia. TM was listed on the Main Board (now Main Market) of Bursa Malaysia on 7 November 1990 and changed to its present name on 6 June 1991. In 2007, it was decided that a demerger of the mobile and fixed services would be strategic. This exercise was completed in April 2008, allowing TM to focus on its core business of providing communication services and solutions in internet, multimedia, data and fixed line.

In September 2008, TM signed a Public-Private Partnership Agreement with the Government of Malaysia (the "**Government**") to develop the high speed broadband ("**HSBB**") network and services that will deliver speeds of 10 megabits per second ("**Mbps**") and beyond via fibre optic infrastructure to high economic impact areas.

In March 2010, UniFi, the nation's first HSBB service was introduced to the public and by 2012, TM had linked 1.377 million premises, surpassing the commitment it made to the Government under the Public Private Partnership Agreement to link 1.34 million premises by the end of 2012. As at 31 December 2014, the UniFi services have attracted more than 729,000 customers. UniFi is now available via 1.62 million ports on the back of 106 exchanges.

TM is also providing access to its HSBB infrastructure to other telecommunication companies and other licensed operators on a commercial basis. As at 31 December 2014, five companies have signed up for TM's HSBB access service.

Recent Developments

On 30 September 2014, pursuant to an investment agreement dated 27 March 2014 (the "**P1 Investment Agreement**"), TM completed its partnership with Green Packet Berhad ("**Green Packet**") and SK Telecom Co., Ltd ("**SK Telecom**") for the three parties to share in the ownership and collaborate in the future growth of Packet One Networks (Malaysia) Sdn Bhd ("**P1**"), a leading Worldwide Interoperability for Microwave Access ("**WiMAX**") wireless provider in Malaysia.

Following the completion of the P1 Investment Agreement, P1 is now a subsidiary of TM, with TM being the majority shareholder of P1 with a shareholding of 55.3%; the remaining 44.7% is shared between Green Packet (31.1%) and SK Telecom (13.6%).

The partnership will provide TM with a Long-Term Evolution ("**LTE**") ready platform to accelerate and make wireless broadband products available to its customers more efficiently while enabling P1 to crossover to LTE and offer full mobility. This includes access to suitable spectrum bands, the ability to draw on the advanced technological knowhow of SK Telecom, an existing customer base to build on, and the strong base of LTE upgradeable WiMAX sites to achieve extensive LTE coverage quickly.

Competitive Strengths

The Group believes that it possesses a number of competitive strengths that position it well to execute its business plan and strategies.

Market leadership of broadband services

TM remains Malaysia's leading broadband provider and had approximately 2.23 million broadband customers and more than 729,000 UniFi customers as at 31 December 2014. As the Government's partner in the roll-out of the HSBB network in Malaysia, TM has a wider network than any of its competitors in the Malaysian broadband market which provides it with a key advantage in increasing the take-up of its data and internet services. In addition, TM is able, through its Global and Wholesale business, to sell excess capacity on its network to other broadband providers for additional revenue (for example, backhaul services for LTE and mobile providers). TM believes that the costs involved in rolling out an equivalent new fibre optic network would present a significant barrier to entry for new entrants. TM believes that the recent acquisition of P1 will transform TM into a truly converged communication service provider and will strengthen its broadband offerings via the addition of LTE wireless broadband services.

On 25 February 2015, TM has accepted the awards of the High Speed Broadband Phase 2 ("**HSBB2**") Project and the Sub Urban Broadband ("**SUBB**") Project to deploy, in collaboration with the Government, the access to domestic core networks to deliver an end-to-end broadband network infrastructure and services, and to increase coverage for Malaysia.

Integrated service offerings and bundling

TM offers a comprehensive range of communication services and solutions in broadband, data and fixed-line. For example, TM's UniFi offering provides fixed voice, Internet Protocol Television ("**IPTV**") content and high speed broadband in one comprehensive bundled package. TM is committed to becoming a converged communication service provider and will continue offering integrated digital lifestyle services to all residents of Malaysia. By offering its services in a bundled format, TM is able to mitigate the impact of competing communication media on its voice services and promote its growing content service such as HyppTV by bundling it with its market-leading broadband services.

Extensive global connectivity

TM believes that it is one of the fastest-growing international players in the Asian region, with extensive global connectivity, world-class infrastructure and proven expertise. TM owns or leases capacity on more than 10 submarine cable systems spanning more than 60,000 fibre-route miles worldwide, making it a market leader in offering wholesale services to other telecommunications providers across South-East Asia, including national incumbents in a number of neighbouring territories. Through its global connections, TM offers an extensive range of products and services comprising of data, bandwidth and voice that accommodates its customers' unique needs and is present in several countries including United Kingdom, USA, Hong Kong and Singapore to promote its services to its offshore customers.

Experienced management team

TM is led by an active and experienced management team. It maintains a mix of senior management from diverse backgrounds and extensive prior experience both in Malaysia and abroad. The management team continues to execute TM's well-planned strategies and initiatives effectively and continues to have active engagement with the Board of Directors.

Business Strategies

In order to assess the efficacy of TM's business strategies, TM has adopted a system of headline key performance indicators ("**Headline KPIs**") as part of the broader key performance indicator framework in place as prescribed under the Government Linked Company Transformation Programme.

These Headline KPIs consist of (1) revenue growth, (2) EBIT growth (calculated as operating profit before finance costs, taking out other gains) margin and (3) a measurement of customer satisfaction. The third headline KPI, in respect of customer satisfaction, refers to the TRI*M index which measures multiple metrics (by way of a survey) such as satisfaction, loyalty, behaviour and business performance. TRI*M index is a globally accepted standard for customer satisfaction performance.

TM met all its Headline KPIs for the financial year ended 2014. This was achieved on the back of continued growth momentum of data and internet revenue, divestment of non-core assets as well as the successful implementation of cost effective practices and controlled spending.

TM has adopted the following broad strategies:

Maximising revenue derived from, and utilisation of, TM's networks in Malaysia

TM, through the HSBB project, has introduced various new value added services, which are aimed at driving revenues and utilisation of its networks. TM will continue to roll-out its fibre networks in new economically viable areas as well as improve the quality of its copper network in order to maximise monetisation of investment.

As at 31 December 2014, TM had approximately 2.23 million broadband customers and its UniFi service has attracted more than 729,000 customers. UniFi is now available via 1.62 million ports on the back of 106 exchanges. As for the non-UniFi areas, TM has introduced 4Mbps and 8Mbps offerings on its Streamyx service which it will continue to promote in order to expand its customer base. As at 31 December 2014, 48% or more than 1.0 million of TM's total broadband customers are subscribing to 4Mbps and higher packages.

Expand into mobility services and transform into a converged communications service provider via the acquisition of P1

The recent acquisition of P1 by TM will provide TM with an LTE-ready platform to accelerate and make wireless broadband products available to its customers more efficiently while enabling P1 to crossover to LTE and offer full mobility. This includes access to suitable spectrum bands, access to the advanced technological knowhow of SK Telecom (as shareholder in P1 and a key operator of 4G services in Korea) and its pool of existing customers.

TM sees the provision of mobility solutions to customers as a natural progression in line with industry evolution towards true convergence, not just from a technology or device perspective, but more importantly from a customer experience point of view, in the delivery of end-to-end broadband and data services. Its investment into P1 and the recent launch of its first 4G broadband offering "TMgo" are part of TM's strategy towards becoming the leading converged communications service provider in Malaysia.

Increasing efficiencies in customer service processes to improve overall customer experience

TM is undergoing a Customer Experience ("**CE**") transformation, aiming to enhance customer experience and transform into a converged service provider. To facilitate customer interactions, TM will be enhancing its online portal to cater to more types of transactions and TM is also exploring other online methods to reach customers. This will complement the existing presence of traditional call centres that currently provide round-the-clock support for sales, after sales and service enquiries.

Another key focus area for the CE transformation is enhancing the customer support operation through streamlined processes, which aim to enhance service efficiency and effectiveness in servicing the customers. This includes the introduction of a simplified operating model at customer touch-points such as call centres, TM sales channels, field forces and TM partners.

Increasing operational efficiencies, productivity and maintaining an efficient cost structure to enhance overall profitability

TM has stepped up efforts to move operations in-house and re-deploy resources to other parts of the organisation. TM has also initiated group wide efforts on the efficiency optimatisation of its supply chain in order to improve its procurement management effectively and efficiently. TM is also migrating to an all-IP network to reduce maintenance costs and leverage the cost of service offerings.

Products

The Group's principal sources of revenue by product consist of voice services, data services, internet and multimedia services, other telecommunication related services and non-telecommunication related services. The breakdown of revenue contribution by product for the financial years ended 31 December 2013 and 31 December 2014, respectively, is as follows:

	Revenue			
	12 months to 31 December 2013		**12 months to 31 December 2014**	
	(RM Million, except percentages)			
Voice services	3,617.7	34.04%	3,469.2	30.88%
Data services	2,512.3	23.64%	2,606.0	23.19%
Internet and multimedia services	2,676.4	25.18%	2,995.1	26.66%
Other telecommunications related services	1,478.3	13.91%	1,864.7	16.60%
Non-telecommunications related services	344.0	3.23%	300.1	2.67%
Total Operating Revenue	10,628.7	100.00%	11,235.1	100.00%

Voice services

Voice services comprise revenue from business telephony (including Integrated Services Digital Network ("**ISDN**"), interconnect, and international inpayment) and residential telephony. TM offers a number of different fixed line packages, from free calls fixed to fixed and cheaper calls to mobiles, voicemail, to instant messaging and Short Message Service ("**SMS**") over Internet Protocol through its HyppMe service, as well as wholesale products such as Bilateral Voice and Wholesale Voice (see "**Global and Wholesale**").

Data services

TM offers data services mainly to its Enterprise and Wholesale customers which comprise leased services, Internet Protocol Virtual Private Network ("**IPVPN**"), and IP services, such as Ethernet services to Enterprise customers or global VPN services which link remote offices or individual users to an organisation's network.

Internet and multimedia services

Internet and Multimedia services comprise of High Speed Broadband through its UniFi and Streamyx services, as well as future LTE services through TMgo. UniFi is TM's high speed fibre optic broadband service, offering speeds currently up to 20Mbps for Consumer LOB (as defined below) customers (up to 100 Mbps for small and medium enterprises ("**SME**") and Enterprise customers) primarily in the Klang Valley, Penang and Johor Bahru/Iskandar regions. Streamyx is TM's alternative broadband offering though its copper line network with speeds currently up to 8Mbps following recent upgrades to the network. TM is able to offer its HyppTV service now through both its UniFi and Streamyx offerings.

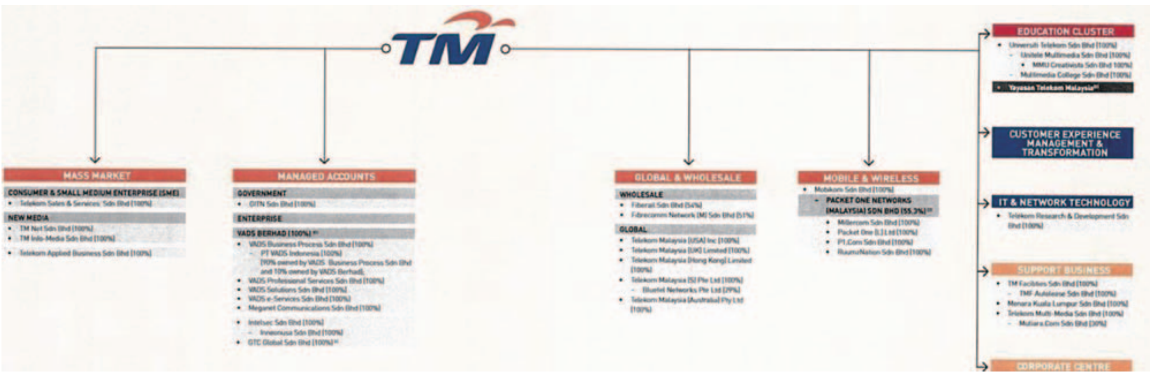
Other telecommunications related services

Other telecommunication related services comprise customer project, maintenance, broadcasting, restoration of submarine cables, managed Information and Communications Technology ("**ICT**"), business process outsourcing ("**BPO**") and enhanced value added telecommunication services.

Non-telecommunications related services

Non-telecommunications related services comprise services of subsidiaries with core businesses in education, printing and publication of directories (such as Yellow Pages), property development, and trading in customer premise equipment.

Lines of Business



TM has adopted a business model which is aligned to six profit-generating lines of businesses ("**LOB**"), namely:

(1) Consumer;

(2) Small Medium Enterprise;

(3) Enterprise;

(4) Government;

(5) Global and Wholesale; and

(6) New Media.

The Group's total revenue by lines of business (before and after elimination of inter-segment revenue) consists of retail, global and wholesale and shared services/others, the breakdown of which for the financial years ended 31 December 2013 and 31 December 2014, respectively, is as follows:

	12 months to 31 December 2013		12 months to 31 December 2014	
	(RM Million, except percentages)			
Retail Business				
Consumer	2,966.1	18.21%	3,147.8	18.35%
Small Medium Enterprise	1,933.0	11.87%	1,933.1	11.27%
Enterprise	1,173.3	7.20%	1,211.8	7.06%
Government	1,936.7	11.89%	2,171.0	12.65%
Sub-total Retail	8,009.1	49.17%	8,463.7	49.33%
Global and Wholesale Business	2,013.2	12.36%	2,107.4	12.28%
Shared Services/Others	6,265.1	38.47%	6,587.0	38.39%
Sub-total Before Elimination of Inter-segment Revenue	16,287.4	100.00%	17,158.1	100.00%
Less: Inter-segment	(5,658.7)		(5,923.0)	
Total External Operating Revenue as reported for the Group	10,628.7		11,235.1	

Consumer

UniFi, Streamyx and Voice have remained the main contributors to TM's revenue from Consumer LOB in 2014. For the twelve months ended 31 December 2014, the Consumer LOB recorded revenue of RM3,147.8 million, an improvement of 6.1% over its performance for the twelve months to 31 December 2014. The increase in revenue was achieved mainly due to strong growth in broadband as well as mitigated decline in voice. Despite the challenging environment, the total number of broadband customers grew 1.2% to 1.8 million in 2014. UniFi was taken up by 604,228 customers by 31 December 2014.

Moving forward, broadband will continue to drive Consumer LOB's growth. The demands and needs of customers are fast changing with the proliferation of smart devices and increasing development of content and applications. High speed broadband itself is no longer sufficient as there is an ever growing demand and interest in VAS (as defined below). In this, HyppTV (TM's pay TV service) is key to TM's existing products and services. Throughout 2014, TM launched a number of campaigns to cater to customers' ever changing lifestyle. These targeted improvements in service offerings from speed upgrades to HyppTV content, multi-device accessibility and other VAS. To mitigate falling demand for its voice services and to increase take-up of HyppTV, TM offers its broadband services as a bundle with voice and HyppTV products which has helped to lower its overall consumer churn rate.

In terms of sales and marketing, TM expects to continue to use its physical sales channels in the short term and will expand its outlets into a number of currently underserved areas that it has identified across Malaysia. In the medium term however, the Consumer LOB will increasingly move into online sales as Malaysians increasingly move towards online shopping. TM has also seen success through its telemarketing efforts, particularly in upselling to existing customers (e.g. higher broadband speeds).

The Consumer LOB offers amongst others the following key product lines to its customers:

- UniFi — UniFi is TM's high speed fibre optic broadband service and it offers attractive triple play packages of video or IPTV (HyppTV), phone and high speed internet with speeds of 5Mbps, 10Mbps and 20Mbps. TM has been able to offer the UniFi service to more than 1.62 million premises passed for high speed broadband deployment as of 31 December 2014. TM introduced HyppTV Everywhere, a multi-screen offering enabling customers to watch HyppTV on various devices such as tablets, smartphones or PCs.

- Streamyx Broadband — Streamyx is a high-speed broadband Internet access service with speed/bandwidth up to 8Mbps through TM's copper line network. TM has also introduced its HyppTV service to new and existing Streamyx 4Mbps and 8Mbps customers. Streamyx retains its leadership position in the Malaysian broadband market with 1.2 million residential customers nationwide. By the end of December 2014, 76% of Streamyx subscribers were on speeds of 1Mbps and above, and TM has been focusing on upgrading its customers to higher speed packages to ensure they get to enjoy a better broadband experience.

- TMGo — TMGo is a 4G LTE service based on the 850MHz spectrum. This is a technological refresh of TM's earlier Code Division Multiple Access ("**CDMA**") offering which aims to provide customers with wireless and faster broadband and complements TM's fixed line and HSBB services. The TMGo service, which marks TM's venture into the 4G broadband space, targets regional areas in Malaysia and was first launched in August 2014 in Penang and Kedah and later in Melaka. TMGo's service offers speeds of up to 20Mbps with the stability of a fixed broadband connection while on the move. Catering for both single and multiple user scenarios, customers have a choice between a personal USB 4G Mobile Adapter or a 4G Mobile Router. Since this is a prepaid service, customers need to purchase a device starter pack and can subsequently top up the service via a variety of channels to suit their usage.

- Voice — The number of Voice customers has continued to increase in 2014, driven mainly by the take-up of UniFi, which is bundled with Voice and TV. TM has also launched its first voice and mobile messaging application service, HyppMe, that provides voice, instant messaging and SMS over Internet Protocol, with call through functionality. HyppMe offers free calls and messaging among HyppMe users as well as between TM fixed line numbers nationwide. TM has run an extensive media campaign and awareness programme to alert the public that they can enjoy free calls from TM's fixed to fixed lines and cheaper call rates to mobile from as low as 10 sen/min by subscribing to TM broadband packages namely Streamyx (from above 1Mbps) and UniFi.

- HyppTV — HyppTV is TM's pay TV service, delivered through fibre optic network on UniFi and Streamyx broadband. Customers can enjoy world-class entertainment, award winning shows and channels in full HD from Live TV, Video On Demand and Interactive channel offerings. To date, HyppTV offers a total of 125 channels, consisting of 56 premium channels, 22 free live TV channels including 8 radio channels, 22 interactive channels and 17 Video-on-Demand channels. Although HyppTV's content offering is currently more limited than that of some of its competitors, HyppTV intends to expand in line with the take-up of its services by customers and to offer promotions to encourage increased subscription among the Group's existing customer base. In 2014, a total of 152,750 UniFi customers and 31,252 Streamyx customers subscribed to HyppTV paid content with a take up rate of 25.2% and 10.2%, respectively, over the existing customer base. Such take up rates are calculated by dividing the total unique HyppTV paid content subscribers by the total UniFi existing customer base and by dividing the total unique HyppTV paid content subscribers by the total Streamyx 4mpbs and 8mpbs existing subscriber base, respectively.

Small and Medium Enterprise

TM's Small and Medium Enterprise ("**SME**") LOB provides both telecommunication and Information Technology ("**IT**") solutions and services to Malaysian business owners ranging from small office home office ("**SOHO**"), to micro and medium size enterprises. By December 2014, the SME LOB held 467,404 of SME customers in Malaysia at 73% of market share. For the twelve months ended 31 December 2014, it recorded a flat year-on-year revenue growth over its performance for the twelve months to 31 December 2013, from RM1,933.0 million to RM1,933.1 million. Internet services showed the highest growth in revenue at 4.8%, mainly from UniFi contributing RM279.3 million. The UniFi customer base grew by 19% from 101,841 to 120,812, contributed by attractive value for money offerings of speed from 5Mbps to 50Mbps.

The SME LOB aims to be the preferred ICT partner to SMEs through total communications and ICT services from voice/telephony, connectivity to advanced ICT solutions. In line with the 'Business Made Easier' approach for SMEs, the in-office and out-of-office solutions provide a comprehensive suite of innovative products and services designed to increase SMEs' productivity and efficiencies. In-office solutions include services used in business premise shops or offices like the Office In A Box, UniFi Biz, HyppTV, SmartMap, and TM Voice plans. Whereas out-of-office solutions encompass services when SMEs are on-the-go or travel like the TM WiFi, BizApp Store and Marketing Tools. These in-office and out-of-office solutions complement each other providing a seamless experience to the SMEs when they are at their offices or travel in a nomadic manner and are aimed at increasing customers' profitability, productivity and operational efficiency such as productivity tools (e.g. Microsoft Office365 ("**MSO365**")) and data services (e.g. customer database, accounts).

The SME LOB continues to intensify on-ground marketing and sales efforts, along with a comprehensive seeding programme to create greater awareness of the importance of ICT among Malaysian business enterprises. Throughout 2014, TM launched a number of advertising campaigns offering speed upgrades with MSO365, cloud application software, as well as attractive voice plan packages. By end of December 2014, a total accumulated number of 83,793 sets of MSO365 were sold to customers. To best understand and serve the market, the SME LOB has formed relationships with organisations that represent Malaysian business enterprises such as SME Corporation Malaysia and SME Association of Malaysia.

The SME LOB offers complete solutions to its customers via these key product lines:

- UniFi — This complete package delivers a high speed Internet service ranging from 5Mbps up to 50Mbps and a phone service at affordable prices. With call rates as low as 3sen/min to fixed line and 12sen/min to any mobile, customers can choose from several flexible plans tailored to their office needs. The package comes with complimentary VAS like the cloud application software of MSO365, web hosting and TM WiFi id. Customers may choose to add-on HyppTV service at an additional price of RM90/month. In 2014, the SME LOB has been aggressively promoting and upselling to existing UniFi customers with complimentary offers of MSO365. MSO365 offers a collaborative office tool which includes emails and calendars, instant messaging, conferencing, Office Web Apps (for Word, Excel, Powerpoint and Note office documents) and file sharing applications.

- Office In A Box ("**OIAB**") — OIAB is a solution that offers attractive call rates and unlimited access to Internet service with speeds of 1Mbps, 2Mbps, 4Mbps and 8Mbps. By December 2014, OIAB reached over 117,631 subscribers. Out of this number, 36% subscribe to the 2Mbps package and faster packages for higher speed and a better broadband experience. OIAB also comes with complimentary VAS like MSO365, web hosting and TM WiFI identification.

- Business Voice Call Plans — the SME LOB continues to upsell to targeted telephony customers with Simple Voice call plans ("**SV**") and Volume Xcess ("**VX**") offerings to mitigate voice revenue decline due to Fixed to Mobile substitution threats. SV call plans includes SV58, SV78, SV98 and SV128 and VX call plans are customised for medium sized businesses. Out of over 905,037 telephony lines, 21% have subscribed to SV call plans as at 31 December 2014.

- Hospitality Entertainment Solution ("**HES**") — HES is a solution for medium size enterprises exclusively targeting hospitality industry players which include hotel businesses, retreat owners/operators, hospitals, apartments, condominiums and any high tenancy buildings that require wired/wireless Internet access and uninterrupted TV viewing. To date, subscribers are offered up to 73 HyppTV channels; which include 9 free live TV channels and 64 premium channels. As part of its value-added service, the 24/7 call centre and customer support are in place to manage any issue or complaints from business customers as well as the end user on WiFi access and HyppTV channels.

Enterprise

The Enterprise LOB is TM's arm for corporate clients. It provides communications services for business firms and corporations through its connectivity and ICT services. By focusing on customer engagement, consultative selling and systematic account planning, it has managed to attract some key local corporations and foreign companies in Malaysia. Between 2011 and 2013, it undertook a sales transformation exercise and increased its market share in three target areas: telecommunications, ICT and BPO services.

The Enterprise LOB is actively looking to tap regional opportunities such as Singapore and Indonesia while attracting regional investment into the Iskandar Development Region ("**IDR**") in Johor.

For new service areas, the Enterprise LOB has positioned itself within Malaysia as a vertical converged services provider since 2013 delivering tailored and client specific solutions.

While the market remains fragmented and highly competitive, the Enterprise LOB posted RM1,211.8 million in revenue for the year ended 31 December 2014, an increase of 3.3% over the previous year (RM1,173.3 million in 2013), driven mainly by growth in data and Internet / business broadband.

In 2014, the Enterprise LOB differentiated its offering by focusing on key vertical industries (i.e. banking & financial institutions, retail & manufacturing, energy & utilities and broadcast & media).

Telecommunications

- Data & Internet / Business Broadband — business broadband remains the main revenue contributor. By leveraging its close relationship with customers, the Enterprise LOB succeeded in differentiating its services with improved network service quality.

- Voice — Recent developments entail combating price competition by mobile and Voice-over-Internet-Protocol ("**VoIP**") service providers. By offering customised call plans such as Smart Call and Flexi Destina, the Enterprise LOB was able to offer cost-effective services.

Information and Communications Technology ("ICT") Services

ICT Services provides complete, stable and scalable end-to-end ICT solutions with which businesses can cohesively bring together people, processes and technologies, making them more agile and responsive to their challenges and opportunities.

One of TM's key ICT services is its data centres which TM operates through its subsidiary VADS Berhad ("**VADS**"). VADS currently operates 14 data centres, of which 13 are located in Malaysia and one in Hong Kong. These highly secure infrastructures are ISO 27001 certified and are Tier-III ready with multi-gigabit connectivity. VADS offers managed data services and hosting, as well as disaster recovery services.

Business Process Outsourcing ("BPO") Services

BPO Services gathers the best practices of the industry as well as that of clients and deploys these on a single and unified platform across all its managed contact centres. These comprise more than 5,000 contact centre seats across eleven delivery centres in Malaysia and Indonesia. In achieving this, BPO Services leverages the VibrantTM process. Short for VADS Intelligent Business Process Operational Methodology, VibrantTM drives client programmes including telemarketing, customer care and technical helpdesks.

TM has implemented a Customer Management Lifecycle comprising three stages: Acquisition (revenue generation capabilities); Management (customer management, knowledge process outsourcing, human capital management, back office processing, business suites and facility management); and Retention (revenue assurance). This three-pronged approach has been invaluable in strengthening BPO's foothold in the domestic and regional markets.

Government

The Government LOB is involved in the provision of telecommunication products and services to the Federal and States Governments, statutory bodies, government owned companies and other customers related to or serving the Federal and State Governments. The core products and services offered by the Government LOB are voice, data and internet, whilst other telecommunication related services (including ICT services) and customer projects are new growing services offered by the Government LOB.

The Government LOB provides the key network and ICT infrastructure required for the Government of Malaysia's ("**GoM**") whole-of-government approach, whereby agencies under the GoM collaborate as a unified provider in delivering public service. GITN Sdn. Berhad, a fully-owned subsidiary of TM, is providing 1Gov*Net services, a dedicated private IP-network for the Government and gateways to the Internet, a wide area network that connects nearly 12,000 agency offices. Under the GoM Unified Communications Service ("**1GovUC**"), a collaborative and integrated communication service that is part of the National Key Economic Areas business services under the Government's Economic Transformation Programme, the infrastructure for over 200,000 user accounts for e-mail and unified communication services has been delivered as of end December 2014. Meanwhile, the emergency response service MERS999 is being extended nationwide.

While these key projects have driven the Government LOB's performance for the year ended 31 December 2014, several other major projects also contributed significantly to its business growth. These include the IPVPN expansion for Federal and State Agencies, the installation of 1Gbps Internet for Institutes of Higher Learning, ICT for Malaysia Investment Development Authority, IPVPN & ICT Expansion for SOCSO — Pintar Project, and establishing a data centre for the Ministry of Education.

The Government LOB offers the following product lines:

- Voice service - The Flexi Destina and Privilege Plans, which are voice discount plans as part of a retention strategy offered to Government agencies, helped to slow the decline in revenue despite the strong trend towards mobility, IP telephony and new communication tools such as WhatsApp and WeChat. The Government LOB continues to offer IP voice and bundle Session Initiation Protocol ("**SIP**") to protect its core business services. Meanwhile, with the delivery of infrastructure for over 200,000 users under the 1GovUC, the Government LOB is in a strategic position to take advantage of new communications technologies that unify voice, e-mail, social communication and telepresence to transform GoM's communication channels.

- Data service - With most of the Government's network now running on high bandwidth, the Government was able to subscribe to high speed bandwidth infrastructure, boosting data service revenue in the long run. Through 1Gov*Net Services agreement, GoM's aspiration to consolidate its network and offer 95.0% of its services online by 2015 is well supported.

- Internet service - The expansion of 1Gov*Net services to include internet offers an opportunity for TM to provide ICT services such as security and cloud computing. Internet via Direct Over Metro-E ("**DOME**") continues to be in high demand at public universities. With the number of university students rising, and their increasing use of the Internet as part of their studies, demand for higher bandwidth from public universities is expected to grow.

- Other telecommunication related services - 1MOCC, 1GovUC, Universal Service Provision and MERS999 are the main contributors to the total revenue under this category. 1MOCC is short for 1 Malaysia One Call Centre, which is a single point of contract centre to answer any public enquiry, complaint, suggestion or feedback from the public, while the Universal Service Provision, promoted by the MCMC, is designed to promote the widespread availability and usage of network services and/or application services throughout Malaysia. MERS999, short for Malaysia Emergency Response Services, is a federal government project built and operated by TM to process emergency calls throughout Malaysia. There are now a total of 24 ministries under the 1MOCC service, which is undergoing Phase 2 of its implementation. For 1GovUC, the infrastructure for over 250,000 users has been delivered and more than 200,000 users are now signed up. Other notable projects include the Inland Revenue Board IPVPN & ICT Upgrade, Department of Aviation ATS, MARA Smart Education, SOCSO — Pintar Project and Suruhanjaya Syarikat Malaysia.

Global and Wholesale

Domestic Wholesale

The domestic wholesale business focuses on the provision of telecommunication services and infrastructure to domestic licensed operators including mobile and LTE providers who do not have the necessary backhaul infrastructure to fully support their network. It also encompasses Fiberail Sdn Bhd and Fibrecomm Network (M) Sdn Bhd as subsidiaries.

The domestic wholesale business offers a comprehensive range of wholesale products and services, including:

- Backhaul Services, which comprises:

    - High Speed Broadband (Transmission) Service, which provides point-to-point connectivity via TM's HSBB network. This service supports a high transmission data rate of up to 10Gbps and service level availability options of up to 99.99%;

    - Wholesale Ethernet, which provides point-to-point and point-to-multipoint Ethernet connectivity over nationwide Wide Area Network (WAN). This service supports a transmission data rate of up to 1Gbps and service level availability options up to 99.9%;

    - Managed Bandwidth, which offers a host of high speed digital leased line services for a variety of applications and services, with transmission speeds ranging from 64Kbps up to 622 Mbps;

    - Optical Bandwidth, which offers point-to-point transmission riding on the Dense Wavelength Division Multiplexing (DWDM), with speeds ranging from 2.5Gbps to 10Gbps;

    - Wholesale Internet Access, which is a premium internet service designed for ISP and content providers offering bandwidth speed ranging from 20Mbps to 10Gps;

    - Domestic Transit Access, which is a local IP transit service, providing domestic Internet reachability at lower costs to service providers; and

- IP Wholesale, which connects TM's customers' network Point of Presences to TM's IP Multi-Protocol Label Switching backbone to enable end-to-end IP connectivity.

- Access Services, which comprises:

  - High Speed Broadband (Access) Service, which enables service providers to deliver IP based value added application services, including converged services (voice, video and data), network services and enterprise application; and

  - Digital Subscriber Line Wholesale, which enables connectivity for broadband providers to offer internet services to end users through TM's wired broadband network.

- Infra Services

  - Infra services provide a space rental service where service providers may co-locate their equipment at designated TM network buildings.

- Voice & Multimedia Services, which comprises:

  - Wholesale VoIP service, which provides voice services over IP to service providers with extensive domestic and worldwide connectivity; and

  - High Speed Broadband (Connection) Service, which is an IP service based interconnection between TM's HSBB network and other service provider's network.

Global Wholesale

The global wholesale business offers data and voice services including satellite, terrestrial and submarine fibre optic connectivity to international carriers, multinational corporations and government organisations across Asia, Europe, the Americas, Oceania, the Middle East and Africa.

The global wholesale business owns or leases capacity inclusive of voice and data with Internet on more than 10 submarine cable systems spanning more than 60,000 fibre-route miles worldwide. In 2013, TM completed Cahaya Malaysia, a 2-fiber-pair system within the 6-fiber-pair Asia Submarine-cable Express ("**ASE**") system linking Malaysia to Japan, Hong Kong, the Philippines and Singapore built in collaboration with Japan's NTT Communications Corporation, Philippine Long Distance Telephone Company and Singapore's StarHub. The first phase of Cahaya Malaysia connecting Malaysia to Japan has been carrying Internet traffic since 20 August 2012, and the second phase of Cahaya Malaysia, connecting Malaysia and Japan to the Tseung Kwan O landing station in Hong Kong was ready for service on 19 February 2013. Cahaya Malaysia forms the backbone linking TM's first data centre in Hong Kong, the VADS Data Centre, to Malaysia and Japan.

Besides Cahaya Malaysia, TM is a member of various submarine cable consortiums which connects Malaysia globally. These include the Asia America Gateway ("**AAG**"), Asia-Pacific Network 2 ("**APCN2**"), South East Asia Middle East-Western Europe Cable System 3 ("**SMW3**"), SEA-ME-WE4 ("**SMW4**"), and the Dumai-Melaka Cable System ("**DMCS**"), which link Indonesia and Malaysia across the Straits of Melaka.

In the pipeline is the Bay of Bengal Gateway cable system, which is expected to be completed by May 2015. In addition, the SEA-ME-WE5 ("**SMW5**") cable system is expected to be completed by November 2016 with a total distance spanning approximately 20,000 km. SMW5 submarine cable system will provide extensive connectivity to 17 countries in South East Asia, South Asia, the Middle East and Europe namely Indonesia, Singapore, Thailand, Myanmar, Bangladesh, Sri Lanka, India, Pakistan, UAE, Oman, Djibouti, Yemen, Saudi Arabia, Egypt, Italy, France as well as Malaysia. SMW5 is designed to support state-of-the-art 100Gbps technology. When fully lit, SEA-ME-WE 5 will be able to carry 24Tbps of capacity, equivalent to transmitting about 4,800 high-definition movies every second.

In December 2014, TM won a contract from Malaysian Communication and Multimedia to develop and construct a new submarine cable system called Sistem Kabel Rakyat 1Malaysia (SKR1M) which would link Peninsular Malaysia with Sabah and Sarawak. The new cable would span about 3,500km and have an initial capacity of 4 terabit per second (Tbps).

The global wholesale business offers the following products and services:

- Voice Services, which comprises:
    - Bilateral Voice, which provides local loop and the last mile solutions for fixed line networks in Malaysia via bilateral arrangements with foreign telecommunication companies, together with inter-connection via submarine cables, satellites and microwaves links;
    - Wholesale Voice, which provides termination services to more than 200 destinations worldwide across its 105 bilateral partners via the VoIP and the Public Switched Telephone Network; and
    - International Value Added Services, which consist of other non-core services to fulfil a broad range of carrier communications requirements.
- Data Services, which comprises:
    - Global Ethernet Services, a secure point-to-point or point-to-multipoint Ethernet bandwidth connectivity;
    - Global Virtual Private Network Services, which links remote offices or individual users to an organisation's network;
    - IP Services, a premium Internet service designed for Internet service providers, network and content service providers that require high speed and dedicated Internet access;
    - Media Delivery Services, which provides solutions for content owners to deliver online video over best-effort public networks;
    - Global Hosting Services, which provides services through the VADS Data Centre, an innovative hub designed with fluid functionality in mind and built with Tier III+ specifications to meet the needs of various business operations;
    - International Bandwidth Services, which capitalises on the global wholesale's extensive terrestrial, submarine fibre optics and satellite international networks to enable connectivity outside Malaysia;
    - International Private Leased Circuit, a point-to-point connectivity via international submarine cables, terrestrial links or satellite from both ends terminating outside Malaysia;
    - Bandwidth Transit, an end-to-end connectivity originating and terminating in a foreign country but transiting via Malaysia;
    - Bandwidth Backhaul, which provides capacity between cable landing stations or border stations in Malaysia where the customer has its own capacity in an international submarine cable or terrestrial facilities;
    - Bandwidth Interconnection, which links two submarine cable systems owned by a customer or by the global wholesale itself at its cable landing stations in Cherating, Mersing, Kuala Muda and Melaka; and

- Very Small Aperture Terminal ("**VSAT**") services, which covers the lease and installation of VSAT equipment inclusive of space segments of a customer's premises in Malaysia to a location outside Malaysia. The service uses satellite-based Single Channel Per Carrier technology.

New Media

Established on 15 July 2010, New Media offers both media and online value added services to the market. Capitalising on an ever growing market amongst the Streamyx and UniFi subscriber base, New Media is anchored by three strategic pillars to support the Group's business, namely HyppTV, Online Services and Integrated Advertising:

- HyppTV — HyppTV is a key component of TM's UniFi packages in fulfilling UniFi's video proposition. It positions itself as the Pay TV subscription service that offers bundled high-quality up-to-date content with premium channels, video-on-demand and interactive services. Since its debut, HyppTV has grown to include up to 125 channels (with 44 channels in High Definition) consisting of 56 premium channels, 22 Free live TV channels (including 8 Radio Channels), 17 Video-On-Demand channels and 22 interactive channels in a variety of value packages and standalone options. TM is looking at adding HyppTV to its LTE services through P1.

- Online Services — this pillar offers various value-added online ("**VAS**") or Over-the-Top ("**OTT**") services irrespective of type of connectivity. The offering is supported by an e-commerce engine that enables all VAS or OTT to reach their target audience. By virtue of the online platform, increased connectivity and e-commercable enabler, New Media's Online Services plays an integral part to enable B2B and B2C businesses effectively. Additionally, My1Content or Content Service Delivery Platform is a digital marketplace that on the other hand promotes local content innovation and assists small and medium content providers to market their content and applications, locally and globally. The marketplace is scaled to allow global communities to take part in the local digital market. My1Content currently provides an integrated platform for videos, music, movies, online games and applications.

- Integrated Advertising — TM Info-Media Sdn Bhd ("**TMIM**") through its anchor product of Yellow Pages has transformed itself from the vastly print products to the digital-related offerings. This integrated advertising proposition enables advertisers to extend their reach in a targeted manner, while providing end users with customised listings and a more reliable service. This in turn ensures greater value for their customers in the current competitive advertising space. TMIM intends to expand its portfolio of integrated advertising by incorporating future new propositions by advertising through strategic collaborations and partnerships.

Support Business

The Support Business operations in TM range from hospitality management to property and facility management. Support Business continues to monetise its land banks via the disposal of non-core assets. Meanwhile, improvement initiatives have been carried out to upgrade all TM buildings and facilities to support the Group's core business.

- Menara Kuala Lumpur Sdn Bhd — Menara Kuala Lumpur ("**MKL**") is the seventh tallest telecommunications tower in the world and the tallest in Southeast Asia.[2] The tower was officially opened to the public in 1996, and is a member of The World Federation of Great Towers. Menara Kuala Lumpur Sdn Bhd manages the tower as well as Menara Alor Setar and Muzium Telekom. Since its official opening, MKL has attracted more than 14 million visitors.

2 http://en.m.wikipedia.org/wiki/List_of_tallest_towers_in_the_world

- TMF Autolease Sdn Bhd ("**TMFA**") — TMFA manages the fleet of the Group's vehicles nationwide, ensuring they are roadworthy (in compliance with government regulations), utilised optimally and available at all times for business operations. As at 31 December 2014, the fleet stood at 5,048 vehicles, most of which were utility vehicles such as vans and four-wheel drives. Besides its fleet, TMFA manages 7 zone offices and 27 service outlets nationwide to serve TM. TMFA's biggest customer over the years has been IT&NT (as defined below) which leases 3,790 vehicles, or 75.4% of the total fleet.

- Property Management ("**PM**") — PM acts as TM's in-house land and property adviser. PM contributes to TM's performance by unlocking its idle land and renting office space to both internal and external tenants. PM continuously looks at cost-saving measures, especially in property taxes and lease rental. PM also manages the TM Convention Centre ("**TMCC**"), Menara TM, TM Annexes 1 & 2, Menara Celcom and Wisma TM Taman Desa. A major achievement was to complete the Gunung Serapi Skyline project, under which telecommunications operations and maintenance services were mobilised from the lower to the upper peak of Gunung Serapi in Sarawak.

- Property Operations ("**PO**") — PO, a division under Support Business, provides total facilities management solutions including civil, mechanical, electrical and housekeeping services to network and non-network TM buildings. During 2014, PO made efforts to improve the level of service to TM's customers with the introduction of new initiatives in line with PO's tagline "Transforming Perception, Exceeding Expectation".

- Security Management ("**SM**") — the core business of SM is to provide reliable and effective security services to safeguard TM's assets and personnel and to minimise any disruption or loss to business operations. SM reduced crime rates for cable theft cases within premises from 13 in 2013 to 6 in 2014. Cable theft has been managed via a multi-pronged approach that includes increasing public awareness, night patrols at designated areas, and immediate reporting of any suspicious activity with 82 community programmes being conducted nationwide throughout 2014.

IT and Network Technology

IT and Network Technology ("**IT&NT**") represents TM's network system and technical arms. It is responsible for planning, building, delivering, operating and maintaining telecommunications infrastructure to support the Company's current and future business needs. It provides the infrastructure and systems to manage TM's more than 3.5 million telephony customers and over 2.3 million broadband connections in a country with about 7 million households.

Since 2010, IT&NT has been supporting TM's HSBB project by developing the necessary infrastructure and migrating TM's network onto an all-IP next-generation network ("**NGN**"). With the NGN, TM is better able to serve its customers not only with augmented bandwidth, but has the potential to meet future needs at lower operational costs and enhanced service levels. By 31 December 2014, TM had extended its broadband network to reach 70 per cent. of households in Malaysia with speeds of 4Mbps or higher. Separately TM has upgraded its IP backbone (which carries all TM services such as UniFi, Streamyx, voice, wholesale and VPN services) from a single to a multi-services platform that can support future domestic and international growth up to almost 5 Terabits per second.

IT&NT has also developed a Next Generation Backhaul ("**NGBH**") service, which provides carrier grade mobile backhaul infrastructure that has the speed and flexibility to accommodate all 2G, 3G and LTE traffic of the Group. This service enables cellular operators to provide high speed date convergence on TM's infrastructure, while strengthening TM's position as the leading backhaul infrastructure provider in Malaysia.

Competition

TM is the leading player for the Fixed Line Voice category and the Fixed Line Broadband category in Malaysia. Time Dotcom Berhad is its closest competitor in the Fixed Line Broadband category. As for data, the main competitors are Time DotCom Berhad and Heitech Padu. In relation to IPTV and over-the-top ("**OTT**") TV, the strongest competitor of TM's HyppTV is the market leader Astro Malaysia Holdings Berhad. With the acquisition of P1, TM aims to enter the full mobility services space and will face competition from other mobile network operators.

Corporate Social Responsibility

Corporate responsibility and sustainability has been central to TM's business, starting with management setting the direction of the sustainability initiatives to the operation of those strategies and initiatives down at the working level.

TM's corporate sustainability programme focuses on the four pillars of workplace, marketplace, community and environment. The latter two pillars in particular have provided a strong impact on the Group's corporate sustainability programme in the areas of community/nation building, education and environment.

In the workplace, the Group's employees continue to exemplify their passion for TM through an increased collaborative teamwork and spirit. TM believes engaged employees will drive a culture of high performance. The engagement initiatives strongly support open and direct communications between employees and management, which manifests in the results of the Group's My 1TM Survey, maintaining a score at 90% for the past 3 consecutive years, far exceeding a number of global organisations. TM has also won several recognitions, such as Top 50 Best Companies to Work For in Asia by HR Asia 2012, Top 10 Best Companies to Work For in Malaysia 2013, Asia Best Employer Brand Award 2014 and 50 Best Global Employer Brands.

Under the market place pillar, TM has made progress in its efforts to improve customer experience. The existence of various channels of communication, both on traditional and social media platforms like twitter and facebook, has firmly established TM as an organisation that engages with its customers in accordance with its programmes "Life Made Easier" and "Business Made Easier". TM is also considering the impact on society of TM's core products and services and how these are delivered, ethical trading and advertising as well as management's treatment of TM's collaborative business partners. Among the key initiatives established are best corporate governance practices, enterprise risk management, vendor development programmes and customer service management centres. As a Government-linked corporate, TM works closely with TERAJU (Unit Peneraju Agenda Bumiputera) to help drive the development of Bumiputera entrepreneurs.

Under the community/nation building pillar, TM continues to support the Government's Universal Service Provision vision of achieving universal access, coverage and services in bridging the digital divide amongst Malaysians. To date, TM has deployed 326 Pusat Internet 1 Malaysia (community broadband centres), 96 Perpustakaan Jalur Lebar (community broadband libraries), 1637 Kampung Tanpa Wayar (wireless villages) and 286 WiFi 1 Malaysia (wireless hotspots). TM is also taking a proactive role in alleviating poverty and helping to provide a more sustainable livelihood for the single mothers and their families via Program Sejahtera, which aims to empower single mothers to be financially independent and improve the lives of their families. Under Program Sejahtera, the women are provided with basic skills training and attend entrepreneurship workshops where they are exposed to networking and business opportunities. TM provides small grants to help these single mothers establish or enhance their business, acting as a support system to these women. With a strong spirit of volunteerism in TM, employees are encouraged to participate actively in voluntarily driven initiatives.

As part of the community pillar, TM is also actively involved across a number of levels of the national education system, from the School Adoption Program focusing on ICT to the provision of opportunities for higher education and skills development via Multimedia College and Multimedia University as well as Yayasan TM which provides bursaries and scholarships.

Finally, under the environment pillar TM continues to follow its green initiatives of TM E3 (Efficient, Effective, Elastic) in preparation of its Carbon Management Plan for the network and telecommunications infrastructure. Among TM's flagship programmes are BumiKu and TM Earth Camp where TM educates and provides public awareness on saving the environment through its outreach programmes.

Awards & Recognitions

The Group has won many corporate and industry awards over the years. Some of the key awards and recognitions that the Group won and received in 2012, 2013 and 2014 are as follows:

2012

Fixed Broadband Service Provider of the Year - Frost & Sullivan Asia Pacific ICT Award, Singapore

Asia Best Brand Award - 3rd CMO Asia Award for Excellence in Branding & Marketing

Employer of Choice Gold Award - Malaysia HR Awards 2012

2013

Innovation Award - Asia Communication Awards

Best Leader / Best Operations Manager / Best Recruitment Campaign / Best IT Support / Best Sales Inbound - Contact Centre World Awards

Chief Human Resource Officer of the Year 2013 / HR Leadership Award 2013 - Global HR Excellence Award

Best 50 Companies to Work For in Asia - Human Resources Excellence Award 2013 "HR Team of the Year"

2014

Data Communication Service Provider of the Year / Telecom Service Provider of the Year - Frost & Sullivan Malaysia Excellence Awards

Best Strategic CSR & Best Annual Report in Malaysia - Alpha Southeast Asia's 4th Annual Corporate Institutional Investor Awards

Asia Best Employer Brand Awards - Employer Branding Institute & World HRD Congress

Top 10 Preferred Employers in Malaysia - GRADUAN ASPIRE

Employees

As at 31 December 2014, the Group has approximately 28,047 employees, of which 10,287 are executive staff and 17,760 are non-executive (of which approximately 11,110 are union members). The Group also employs temporary staff from time to time to cater for urgent business requirements.

TM's employees are represented by four unions, namely the National Union of Telecommunication Employees, Union of Telecoms Employees Sarawak, Sabah Union of Telekom Employees and Sabah Union of Telecommunications Employees. TM entered into new collective agreements with all four unions in 2013 which enhanced staff compensation, benefits and welfare. No industrial disputes have occurred to date.

Licences and Intellectual Property

Licences

Group's telecommunications businesses are subject to Malaysian statutory licensing requirements.

Group currently operates its businesses pursuant to licences and approvals that have been granted by the Minister of Energy, Water and Communications Malaysia having due regard to the recommendations of the Malaysian Communications and Multimedia Commission ("**MCMC**").

The licences held by TM issued under the Communications and Multimedia Act 1998 ("**CMA**") have the following expiry dates. When these licences expire, TM will have to apply for renewal and re-register to continue providing telecommunication services.

No	Licence	Expiry Date
1	Network Facilities Providers Individual Licence (NFP)	19 February 2023
2	Network Services Providers Individual Licence (NSP)	19 February 2023
3	Applications Services Providers Class Licence (ASP)	31 March 2016

Intellectual Property

The Group is aware that intellectual property ("**IP**") has become an important tool to maintain its competitive edge in its commercial activities. In the course of business, it is inevitable that there will arise some activities which are protectable by IP laws, which include but are not limited to patent, copyright, industrial design and trade mark.

In doing business in Malaysia, all necessary actions are being taken to ensure Group's IP rights are protected under the relevant IP laws, amongst others, the Patents Act 1983, the Trade Marks Act 1976, the Copyright Act 1987, the Industrial Designs Act 1996, as well as rights under common law.

Material Litigation

Save as disclosed below, as at 15 April 2015, neither TM nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on TM's financial position or business, and TM is not aware of any proceedings, pending or threatened, or of any facts likely to give rise to any proceedings which may materially affect its financial position or business:

Mohd Shuaib Ishak v. TM, Telekom Enterprise Sdn Bhd ("TESB") and 12 others

(Kuala Lumpur High Court (Commercial Division) Civil Suit No. D6-22-1568-2007)

On 26 November 2007, TM and TESB were served with a Writ of Summons and Statement of Claim in respect of a suit filed by Mohd Shuaib Ishak ("**MSI**"). MSI is seeking from TM, TESB and 12 others (including the former directors of the Group) jointly and/or severally, *inter alia*, the following:

- a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom (Malaysia) Berhad ("**Celcom**") and TM (or **TESB**) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

- a Declaration that all purchases of shares in Celcom made by TESB and/or TM and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2002 issued by Commerce International Merchant Bankers Berhad (now known as CIMB Bank Berhad) are illegal and void and of no effect;

- all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

- that TM by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed de-merger of the mobile and fixed-line businesses of the Group; and

- various damages to be assessed.

On 30 November 2007, TM and TESB obtained leave to enter conditional appearance and subsequently on 17 December 2007, TM and TESB filed the relevant application to strike out the suit ("**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 was fixed for case management on 20 May 2015.

Network Guidance (M) Sdn Bhd V TM & Anor

(Kuala Lumpur High Court Civil Suit No. D22-1268-2009)

On 11 August 2009, TM and TM Net Sdn Bhd ("**TM Net**") were served with a Writ of Summons and Statement of Claim by Network Guidance (M) Sdn Bhd ("**NGSB**") in connection with a purported joint venture for a project described in the statement of claim as "Fine TV Services".

Based on NGSB's Amended Writ and Re-amended Statement of Claim ("**Re-amended Claim**"), the reliefs sought by NGSB against TM and TM Net in the Re-amended Claim are as follows:

- a declaration that:
    - NGSB and TM entered into an agreement whereby it was agreed that NGSB and TM will commence with the Fine TV project on a joint venture basis (the "**NGSB Agreement**");
    - TM breached the NGSB Agreement;
    - as a result of the breach of the NGSB Agreement, NGSB suffered loss and damages.
- an order that TM and TM Net pay NGSB the following special damages:
    - RM150,000 for the services of Fiberail Sdn Bhd;
    - RM300,000 for the services of "MYLOCA" and/or the rental space of TM Net;
    - RM1.0 million for the cost of the tests conducted;
    - RM5.0 million for equipment such as the server, the router, Digital Video Encoder, Set Top Box and Digital Video Editing;
    - RM3.0 million for licence fees for the use of software;
    - RM3.0 million for licence fees for the use of content;
    - RM500,000 for legal fees;
    - RM4.0 million for overheads; and
    - loan of RM7.0 million from Eurofine Sdn Bhd.
- interest at the rate of 8% per annum on the special damages from the date of judgment to the date of full and final settlement of the special damages;
- an order that TM and TM Net pay general damages;
- an order that the general damages be assessed by the court;
- interest of 8% per annum on the general damages from the date of judgment to the date of full and final settlement of the general damages;
- costs; and
- any other relief which the court deems fit.

On 2 July 2012, the High Court dismissed NGSB's legal suit with costs. On 1 August 2012, NGSB filed an appeal to the Court of Appeal against the decision of the High Court above ("**Appeal**").

On 28 October 2014, the Court of Appeal has dismissed the Appeal and awarded costs in the sum of RM20,000.00 in favour of TM and TM Net.

Menara Intan Langkawi Sdn Bhd & HBA Development Bhd vs TM Facilities Sdn Bhd

(Shah Alam High Court Civil Suit No. 22NCVC-170-02/2013)

On 6 March 2013, TM Facilities Sdn Bhd ("**TMF**"), TM's wholly owned subsidiary, has through its solicitors, been served with a writ and statement of claim by Menara Intan Langkawi Sdn Bhd ("**MIL**") and HBA Development Bhd ("**HBA**") (collectively the "**Plaintiffs**"), through their solicitors.

The claim by HBA is premised upon an alleged wrongful termination of an agreement to lease dated 14 August 2003 between MIL and TMF (the "**MIL Agreement**"). Under the MIL Agreement, TMF had agreed to take a lease of a telecommunication tower to be constructed at the Mukim of Kuah in Langkawi, from MIL, a joint venture company between Lembaga Pembangunan Langkawi and HBA, for a lease period of fifteen (15) years and at a lease rental of RM17,000,000 per annum.

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

Based on the writ and statement of claim, MIL and HBA are seeking for the following:

- damages in respect of loss of profit of RM168,701,922.00;
- damages in respect of works and expenses of RM86,298,078.60;
- damages in respect of the value of a land measuring 28.49 acres of RM80,600,000.00;
- general damages
- interest; and
- costs.

On 28 March 2013, TMF filed an application to strike out the statement of claim by HBA against TMF (the "**Striking Out Application**"). On the same date, TMF were also granted a deferment to file its statement of defence until after the disposal of the Striking Out Application.

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

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

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

The legal suit proceeded for trial from 26 to 27 May and 23 to 24 June 2014.

On 31 October 2014, the High Court has dismissed MIL's claim and awarded costs in the sum of RM50,000.00 in favour of TMF.

On 12 November 2014, MIL filed its appeal against the said decision of the High Court.

On 16 March 2015, MIL has filed its application for an extension of time in respect of the filing of the Record of Appeal.

On 15 April 2015, the Court of Appeal allowed the extension of time sought by MIL, subject to it paying a sum of RM2,000 to TM. However, the Court of Appeal has yet to fix a hearing date for the appeal.

Subsidiaries and Associated Companies

TM's subsidiaries and associated companies are involved in telecommunications and telecommunications-related services, including publishing telephone directories, providing payphones, telematics, selling customer premises equipment and operating a telecommunications tower.

Details of TM's subsidiaries and associated companies as at 13 March 2015 are set out below.

Subsidiaries

Name	Country of Incorporation	Effective equity held by TM (%)	Principal Activity
Fiberail Sdn Bhd......................	Malaysia	54	Provision of network connectivity and bandwidth services in Malaysia and project management services in relation to telecommunications.
Fibrecomm Network (M) Sdn Bhd...	Malaysia	51	Provision of fibre optic transmission network services.
GITN Sdn Berhad	Malaysia	100	Provision of managed network services and enhanced value added telecommunication and information technology services.
GTC Global Sdn Bhd..............	Malaysia	100	Business of trading, leasing and installing cellular and telecommunication equipment and trading in related product accessories.
Hijrah Pertama Berhad............	Malaysia	100	Special purpose entity.
Intelsec Sdn Bhd.....................	Malaysia	100	Provision of information and communications technology (ICT) services and cloud consumption by designing and leveraging the network and exchange platforms.
Menara Kuala Lumpur Sdn Bhd...	Malaysia	100	Management and operation of Menara Kuala Lumpur.
Mobikom Sdn Bhd	Malaysia	100	Provision of transmission of voice and data through the cellular system.
Parkside Properties Sdn Bhd	Malaysia	100	Dormant.

Name	Country of Incorporation	Effective equity held by TM (%)	Principal Activity
Tekad Mercu Berhad	Malaysia	100	Special purpose entity.
Telekom Applied Business Sdn Bhd...	Malaysia	100	Provision of software development and sale of software products.
Telekom Enterprise Sdn Bhd	Malaysia	100	Investment holding.
Telekom Malaysia (Australia) Pty Ltd	Australia	100	Provision of international telecommunications services.
Telekom Malaysia (Hong Kong) Limited	Hong Kong	100	Provision of international telecommunications services.
Telekom Malaysia (S) Pte Ltd..	Singapore	100	Provision of international telecommunications services.
Telekom Malaysia (UK) Limited..................................	United Kingdom	100	Provision of international telecommunications services.
Telekom Malaysia (USA) Inc ...	United States of America	100	Provision of international telecommunications services.
Telekom Multi-Media Sdn Bhd...	Malaysia	100	Investment holding.
Telekom Research & Development Sdn Bhd.............	Malaysia	100	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business.
Telekom Sales and Services Sdn Bhd.................................	Malaysia	100	Provision of management of customers care services and trading of customer premises telecommunication equipment.
Telekom Technology Sdn Bhd ..	Malaysia	100	Ceased operations.
TM Broadcasting Sdn Bhd	Malaysia	100	Dormant. (In the process of striking-off pursuant to Section 308 of the Companies Act, 1965).
TM ESOS Management Sdn Bhd...	Malaysia	100	Special purpose entity.
TM Facilities Sdn Bhd	Malaysia	100	Provision of property development activities.
TM Global Incorporated..........	Malaysia	100	Investment holding.
TM Info-Media Sdn Bhd	Malaysia	100	Publication of printed and online telephone directories services as well as provision of multi-platform solutions for advertising.

Name	Country of Incorporation	Effective equity held by TM (%)	Principal Activity
TM Net Sdn Bhd	Malaysia	100	Content and application development for Internet services.
Universiti Telekom Sdn Bhd	Malaysia	100	Managing and administering a private university known as Multimedia University.
VADS Berhad	Malaysia	100	Provision of managed network services, network system integration services and network centric services.

*Subsidiaries held through Intelsec Sdn Bhd ("**Intelsec**"), which is wholly-owned by TM*

Name	Country of Incorporation	Effective equity held by Intelsec (%)	Principal Activity
Inneonusa Sdn Bhd	Malaysia	100	Provision of ICT system security and smart building services including smart tenant services for building owners, operators, residents and visitors.

*Subsidiary held through Mobikom Sdn Bhd ("**Mobikom**"), which is wholly-owned by TM*

Name	Country of Incorporation	Effective equity held by Mobikom (%)	Principal Activity
Packet One Networks (Malaysia) Sdn Bhd	Malaysia	55.3	Providing last mile broadband network infrastructure facilities and services.

Subsidiaries held through Packet One Networks (Malaysia) Sdn Bhd, which is partly owned by Mobikom

Name	Country of Incorporation	Effective equity held by Mobikom (%)	Principal Activity
P1.Com Sdn Bhd.....................	Malaysia	55.3	A collector of telecommunications revenue for fellow group companies.
Millercom Sdn Bhd.................	Malaysia	55.3	Providing project management services.
RuumzNation Sdn Bhd............	Malaysia	55.3	Dormant.
Packet One (L) Ltd.................	Malaysia	55.3	Investment holding.

*Subsidiaries held through Tekad Mercu Berhad ("**TMB**"), which is wholly-owned by TM*

Name	Country of Incorporation	Effective equity held by TMB (%)	Principal Activity
Mediatel (Malaysia) Sdn Bhd ("**Mediatel**") (in liquidation)	Malaysia	100	Investment holding. The Final Meeting of the Members of Mediatel was duly held on 27 February 2015. Mediatel will be dissolved effectively as of 1 June 2015.

*Subsidiary held through TM Info-Media Sdn Bhd ("**TMIM**"), which is wholly-owned by TM*

Name	Country of Incorporation	Effective equity held by Info-Media Sdn Bhd (%)	Principal Activity
Cybermall Sdn Bhd	Malaysia	100	Ceased operations.

Subsidiaries held through TM Facilities Sdn Bhd, which is wholly-owned by TM

Name	Country of Incorporation	Effective equity held by TM Facilities Sdn Bhd (%)	Principal Activity
TMF Autolease Sdn Bhd	Malaysia	100	Provision of fleet management services.
TMF Services Sdn Bhd	Malaysia	100	Ceased operations.

*Subsidiaries held through Universiti Telekom Sdn Bhd ("**UTSB**"), which is wholly-owned by TM*

Name	Country of Incorporation	Effective equity held by UTSB (%)	Principal Activity
Unitele Multimedia Sdn Bhd	Malaysia	100	Provision of training and related services.
Multimedia College Sdn Bhd ...	Malaysia	100	Managing and administering a private college known as Multimedia College.

*Subsidiary held through Unitele Multimedia Sdn Bhd ("**UMSB**"), which is wholly-owned by UTSB*

Name	Country of Incorporation	Effective equity held by UMSB (%)	Principal Activity
MMU Creativista Sdn Bhd	Malaysia	100	Provision of digital video and film production and post production services.

Subsidiaries held through VADS Berhad, which is wholly-owned by TM

Name	Country of Incorporation	Effective equity held by VADS Berhad (%)	Principal Activity
Meganet Communications Sdn Bhd..	Malaysia	100	To develop, operate and provide Intelligent Building Systems, Intelligent Security, Integrated Telecommunications and Information Technology Solutions to both the Government and private sectors.
VADS Business Process Sdn Bhd..	Malaysia	100	Provision of managed contact centre services.
VADS e-Services Sdn Bhd	Malaysia	100	Provision of managed information technology services, managed application services and contact centre service.
VADS Professional Services Sdn Bhd..................................	Malaysia	100	Dormant.
VADS Solutions Sdn Bhd.........	Malaysia	100	Provision of system integration services.

Subsidiary held through VADS Business Process Sdn Bhd, which is wholly-owned by VADS Berhad

Name	Country of Incorporation	Effective equity held by VADS Business Process Sdn Bhd (%)	Principal Activity
PT VADS Indonesia (collectively with VADS Berhad)...................................	Indonesia	100	Provision of managed contact centre services in Indonesia.

Associated Companies

Name	Country of Incorporation	Effective equity held by TM (%)	Principal Activity
Associates held through Telekom Multi-Media Sdn Bhd, which is wholly-owned by TM			
Mahirnet Sdn Bhd (in liquidation).........................	Malaysia	49	Granted Order for Creditors' winding up by the Kuala Lumpur High Court pursuant to Section 217 of the Companies Act, 1965.
Mutiara.Com Sdn Bhd.............	Malaysia	30	Provision and promotion of Internet-based communications services.
Associates held through Telekom Malaysia (S) Pte Ltd, which is wholly-owned by TM			
Bluetel Networks Pte Ltd.........	Singapore	29	Provision of telecommunications and network solutions.

MANAGEMENT

Board of Directors

The Board of Directors is responsible for the overall management of TM. Its principal focus is the overall strategic direction, development and control of the Group in an effective and responsible manner. The Board comprises of Directors with backgrounds in multiple business principles from economics to financial, technical and regulatory experience in the private and public sectors, and with experience in the telecommunications industry both locally and abroad. As at 13 March 2015, two Directors, a foreign Director and a local Director, are experienced in the telecommunications industry from the perspective of consultants and regulators.

The Board of Directors is assisted by a team of experienced and qualified executive officers, each responsible for different functions. The particulars of the Directors as at 13 March 2015 are set out below.

Name	Position
Tan Sri Dato' Seri Dr Sulaiman Mahbob	Chairman Non-Independent Non-Executive Director
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	Managing Director/Group Chief Executive Officer Non-Independent Executive Director
Datuk Bazlan Osman	Executive Director/Group Chief Financial Officer Non-Independent Executive Director
Dato' Fauziah Yaacob	Non-Independent Non-Executive Director
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	Non-Independent Non-Executive Director
Dato' Danapalan T.P Vinggrasalam	Senior Independent Non-Executive Director
Datuk Zalekha Hassan	Independent Non-Executive Director
Dato' Ir Abdul Rahim Abu Bakar	Independent Non-Executive Director
Dato' Ibrahim Marsidi	Independent Non-Executive Director
Davide Giacomo Federico Benello	Independent Non-Executive Director
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	Independent Non-Executive Director
Gee Siew Yoong	Independent Non-Executive Director
Dato' Siti Zauyah Md Desa	Non-Independent Non-Executive Alternate Director to Dato' Fauziah Yaacob
Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil	Non-Independent Non-Executive Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Tan Sri Dato' Seri Dr Sulaiman Mahbob

Chairman and Non-Independent Non-Executive Director

Tan Sri Dato' Seri Dr Sulaiman, aged 66, a Malaysian, was appointed Non-Independent Non-Executive Chairman of TM on 12 January 2015. He holds a degree in Economics from the University of Malaya, a Master of Science from the University of London and a PhD at the Maxwell School of Citizenship and Public Affairs at Syracuse University, New York. He also attended a course on World Currency Reform at Harvard University in 1999. He was conferred an Honorary Doctorate in Economic Management by Universiti Kebangsaan Malaysia in October 2013.

Tan Sri Dato' Seri Dr Sulaiman served the Government sector for over 38 years in various capacities including the position of the Director-General of the Economic Planning Unit, Prime Minister's Department, Secretary-General of Ministry of Domestic Trade and Consumer Affairs (then), and Under Secretary (Economics) of the MOF, as well as Head of Secretariat of the National Economic Action Council (NEAC) during the financial crisis in 1997/1998, when Malaysia implemented the capital control policy. He was then seconded to the Malaysian Institute of Economic Research (MIER) during 1995-1997 as the Executive Director. He has also served at the Institute of Integrity Malaysia (IIM) as its first founding President from 2004 until 2005, where he established several work programmes to promote a culture of ethics and integrity within the public sector and also in the private sector in line with the Government's National Integrity Plan.

Tan Sri Dato' Seri Dr Sulaiman previously served as Chairman of Malaysian Investment Development Authority (MIDA) and the Companies Commission of Malaysia and a Board member of Petroliam Nasional Berhad ("**Petronas**"), Federal Land Development Authority (FELDA), Malaysia Insurance Deposit Corporation (PIDM) and the then Multimedia and Communications Commission.

He is currently the Chairman of Universiti Telekom Sdn Bhd and GITN Sdn Bhd, wholly-owned subsidiaries of TM, as well as the Chairman of the Malaysian Institute of Economic Research (MIER) and Minority Shareholder Watchdog Group (MSWG). He is also the Deputy Chairman of Malaysian Economic Association (MEA) and a Board member of Bank Negara Malaysia, Institute of Strategic and International Studies (ISIS) and Felda Global Ventures Holdings Berhad.

He is an Adjunct Professor (Economics) at the University of Malaya, Universiti Utara Malaysia and Universiti Tun Abdul Razak.

Tan Sri Dato' Sri Zamzamzairani Mohd Isa

Managing Director/Group Chief Executive Officer
Non-Independent Executive Director

Tan Sri Dato' Sri Zamzamzairani, aged 54, a Malaysian, was appointed Non-Independent Executive Director and Managing Director/Group Chief Executive Officer, TM on 25 April 2008.

He holds a Bachelor of Science in Communications Engineering from Plymouth Polytechnic, United Kingdom (UK) and has completed the Corporate Finance, Strategies for Creating Shareholder Value Programme at Kellog School of Management, Northwestern University, USA. He also attended the Strategic Leadership Programme at the University of Oxford's Saïd Business School and the IMD CEO Roundtable Session at Lausanne, Switzerland in 2013.

His vast experience in the telecommunications industry spans more than 30 years. Tan Sri Dato' Sri Zamzamzairani's career started in TM where he served for 13 years, before assuming key positions in several multinationals, such as Global One Communications and then at Lucent technologies (Malaysia) Sdn Bhd as its Chief Executive Officer ("**CEO**"). In 2005, he returned to TM as Senior Vice President ("**SVP**"), Group Strategy and Technology and thereafter as CEO, Malaysia Business, before being appointed to his current office.

Tan Sri Dato' Sri Zamzamzairani is also a Director of a number of TM subsidiaries including as Chairman of VADS Berhad, Packet One Networks (Malaysia) Sdn Bhd and TM Net Sdn Bhd, and Deputy Chairman of GITN Sdn Bhd. Under his leadership, TM has successfully rolled out and launched the high speed broadband service in 2010, in a historic collaboration with the Government of Malaysia. He is an Adjunct Professor of Multimedia University ("**MMU**").

Datuk Bazlan Osman

Executive Director/Group Chief Financial Officer
Non-Independent Executive Director

Datuk Bazlan, aged 51, a Malaysian, was appointed Non-Independent Executive Director of TM on 25 April 2008.

He is also the Group Chief Financial Officer ("**CFO**") of TM, a position he assumed on 1 May 2005. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), UK and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He was a member of the Issues Committee of the Malaysian Accounting Standards Board from 2006 until 2010. He has attended the IMD Programme for Senior Executives in 2008 and the Strategic Leadership Programme at the University of Oxford's Saïd Business School in 2013.

He began his career as an auditor with Messrs Hanafiah Raslan Mohamad, a public accounting firm, in 1986 and subsequently served the Sime Darby Group, holding various finance positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a stint with American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed SVP, Finance/Company Secretary. He joined Celcom Axiata Berhad in 2001 as the SVP, Corporate Finance and Treasury and was subsequently appointed the CFO in 2002 prior to his appointment as TM Group CFO in 2005. He also oversees the operations of Global & Wholesale, Support Business and MMU.

Datuk Bazlan is the Chairman of Fiberail Sdn Bhd and sits on the Boards of several subsidiaries within TM Group including VADS Berhad and Tulip Maple Berhad.

Dato' Fauziah Yaacob

Non-Independent Non-Executive Director

Dato' Fauziah, aged 59, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 4 March 2013.

She graduated with a Bachelor of Arts (Hons) in 1978 and Diploma in Education in 1980, both from the University of Malaya. She obtained a Diploma in Public Administration from the National Institute of Public Administration (INTAN) and later a Diploma in Administrative Studies and a Masters in Public Administration, both from the University of Liverpool, UK.

Dato' Fauziah began her career in the civil service in 1981 as an Assistant Secretary in the Ministry of Education and was appointed Principal Assistant Secretary in the same ministry from 1986 until 1987. She later pursued her studies in the UK and upon her return in 1989, served as Assistant

Secretary in the MOF until 1992. She was then posted to the Ministry of Transport as Assistant Director for two years and later assigned to Kuala Lumpur International Airport Berhad as Senior Manager from 1993 until 1999. Dato' Fauziah returned to MOF in 1999 and was appointed Principal Assistant Director in the Budget Division until 2006. Since then she has served in various capacities in the MOF including as Deputy Secretary General (Systems & Controls) before her appointment as Deputy Secretary General (Investment) on 15 January 2014.

Dato' Fauziah is a director of Pos Malaysia Berhad and several companies and agencies related to the Government, namely Pembinaan BLT Sdn Bhd, Aman Sukuk Berhad (a subsidiary of Pembinaan BLT Sdn Bhd), Pyrotechnical Managers Holdings Sdn Bhd, Lembaga Tabung Angkatan Tentera, Suruhanjaya Koperasi Malaysia and a commission member of Securities Commission. She is also an alternate director on the Board of Malaysian Airlines System Berhad and the Iskandar Regional Development Authority (IRDA).

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Non-Independent Non-Executive Director

Tunku Dato' Mahmood Fawzy, aged 56, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 25 April 2008.

He holds a Bachelor of Arts (Hons) in Business Studies from the Polytechnic of Central London (now Westminster University), a Masters in Business Administration from Warwick University, UK, and a Diploma in Marketing from the Chartered Institute of Marketing. He is a member of the Institute of Public Accountants Australia, the Malaysian Institute of Management (MIM) and the Malaysian Institute of Corporate Governance.

Tunku Dato' Mahmood Fawzy has held a variety of different positions throughout his career. He started as a foreign exchange analyst with NCR UK Limited and later joined Svenska Handelsbanken, London as a Risk Analyst. He then joined Shell Malaysia Trading Sdn Bhd in 1990 and was cross posted to Shell New Zealand Ltd in 1991. In 1997, he joined an investment holding company, Wira Security Holdings Sdn Bhd as Executive Director and later moved to Tajo Bhd as CEO. Tunku Dato' Mahmood Fawzy then joined PricewaterhouseCoopers as Executive Director, Corporate Finance in 2000. In 2002, he was appointed the Managing Director and CEO of Engen Limited, an integrated oil company in South Africa, a subsidiary of Petronas. He was appointed Non-Executive Director of Energy Africa Limited until January 2004 and was a member of the Board of Governors of the South African Petroleum Industry Association (SAPIA). He left Engen in June 2005 and thereafter became the CEO of a shipping company until December 2006. He joined Khazanah Nasional Berhad ("**Khazanah**") in May 2007 as Investment Director and retired as Executive Director, Investments in May 2010.

Tunku Dato' Mahmood Fawzy also sits on the Board of Hong Leong Islamic Bank Berhad, Hong Leong Assurance Berhad, Hong Leong MSIG Takaful Berhad, Hong Leong Asset Management Berhad, SapuraKencana Petroleum Berhad, Malaysia Airports Holdings Berhad and Packet One Networks (Malaysia) Sdn Bhd, as subsidiary of TM.

Dato' Danapalan A/L T.P Vinggrasalam

Senior Independent Non-Executive Director

Dato' Danapalan, aged 72, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008 and was made Senior Independent Director on 21 May 2009. He holds a Bachelor of Arts (Hons) from the University of Malaya and a Masters in Public Administration from Penn State University, USA.

He was Chairman of MCMC from February 2004 until his retirement in March 2006. Prior to that Dato' Danapalan was SVP of the Multimedia Development Corporation Sdn Bhd from June 1998 to January 2004. He also served as Secretary-General of the Ministry of Science, Technology and Environment from December 1991 until March 1998. Prior to that, he was the Deputy Secretary-General of the Ministry of Social and Community Development and Deputy Director of INTAN.

He is currently a Director of Gibraltar BSN Life Berhad (formerly known as Uni.Asia Life Assurance Berhad) and Sirim QAS International Sdn Bhd (a subsidiary of Sirim Berhad), and a member on the Board of Trustees of M.U.S.T Ehsan Foundation and Maybank Foundation. Dato' Danapalan is also Chairman of Telekom Research & Development Sdn Bhd and a Board member of Universiti Telekom Sdn Bhd, wholly-owned subsidiaries of TM.

Datuk Zalekha Hassan

Independent Non-Executive Director

Datuk Zalekha, aged 61, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 9 January 2008 and subsequently re-designated as TM's Independent Non-Executive Director on 1 June 2011, following her retirement from the MOF. She graduated with a Bachelor of Arts (Hons) from the University of Malaya.

Datuk Zalekha began her career in the civil service in 1977, as an Assistant Director in the Training and Career Development Division of the Public Service Department. She continued to serve the Government in numerous ministries including the Ministry of Health, the Ministry of Social Welfare and the Ministry of National Unity and Social Development. She later joined the MOF in 1997 as its Senior Assistant Director of the Budget Division and continued to serve in various capacities including with the Government Procurement Division. She was the MOF's Deputy Secretary-General (Management) until her retirement in May 2011. She was then appointed as MOF's Procurement Advisor from June 2011 until June 2013.

Datuk Zalekha also sits on the Board of Menara Kuala Lumpur Sdn Bhd, a wholly-owned subsidiary of TM, and a Director of Malaysia Airports Holdings Berhad.

Dato' Ir Abdul Rahim bin Abu Bakar

Independent Non-Executive Director

Dato' Ir Abdul Rahim, aged 69, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008.

He holds a Bachelor of Science (Honours) Degree in Electrical Engineering from the Brighton College of Technology, UK. He is a Professional Engineer registered with the Board of Engineers Malaysia and holds the Electrical Engineer Certificate of Competency Grade 1.

He started his career with the National Electricity Board in 1969 and served the organisation until 1979, holding various technical and engineering positions. He later joined Pernas Charter Management Sdn Bhd, a management company for the tin mining industry as an Area Electrical Engineer and subsequently in late 1983, he was appointed to the post of Chief Electrical Engineer.

In 1984, he moved to Malaysia Mining Corporation Berhad as the General Manager in business development until 1991. In November 1991, he was appointed as the Managing Director of MMC Engineering Services Sdn Bhd and later as Managing Director of MMC Engineering Group Berhad. In May 1995, he joined Petronas Gas Berhad to assume the position of Managing Director and CEO, until August 1999. In September 1999, he moved on to take up the post of Vice President of Petronas, in charge of the petrochemical business. He retired from Petronas on 31 August 2002 and was then appointed an independent consultant to Petronas for a period of 6 months. Thereafter, he was appointed to the board of several private and public companies, including TM.

Dato' Ir Abdul Rahim also sits on the boards of Westports Holdings Berhad and Global Maritime Ventures Berhad.

Dato' Ibrahim Marsidi

Independent Non-Executive Director

Dato' Ibrahim, aged 62, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Economics (Analytical) (Hons) from the University of Malaya.

He was previously the Managing Director and CEO of Petronas Dagangan Berhad (PDB) until his retirement on 31 December 2007. During his tenure, he spearheaded the transformation of PDB including the development of its brand and business strategy, as well as the development of its administrative and electronic payment systems. He joined Petronas in 1979 where he held a number of senior managerial positions such as Senior Manager of the Eastern and Northern Region, General Manager of the Liquefied Petroleum Gas (LPG) and Retail Business in PDB and General Manager of the Crude Oil Group.

Dato' Ibrahim sits on the Board of Menara Kuala Lumpur Sdn Bhd, a wholly-owned subsidiary of TM. He is also a Director of UMW Oil & Gas Corporation Berhad.

Davide Giacomo Federico Benello

Independent Non-Executive Director

David, aged 61, an Italian, was appointed Independent Non-Executive Director of TM on 21 November 2011. He graduated with a Bachelor in Mathematics and obtained a Masters in Mathematics from the University of Oxford, UK and Masters in Business Administration from Harvard University, US.

David was previously a Director and Leader of Telecom, Media and Technology Practice at McKinsey & Company, a firm he joined in August 1982. He retired in June 2011 and is currently a Director Emeritus at the firm. He has extensive consulting experience in telco engagements, mainly in Europe (in addition to the US and Asia) on corporate strategy, ICT strategy and business turnarounds as well as operations/customer service. In the early years of his career, he served as a Senior at Arthur Andersen and a Second Lieutenant at Scuola Militare Alpina, Aosta, Italy.

David is also an Independent Director of Telecom Italia S.p.A.

Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor

Independent Non-Executive Director

Datuk Seri Fateh Iskandar, aged 47, a Malaysian, was appointed Independent Non-Executive Director of TM on 7 October 2013. He holds a Bachelor of Law (Hons) and Masters in Business Administration from the University of Queensland, Australia.

Datuk Seri Fateh Iskandar is currently the Group Managing Director and Chief Executive Officer (CEO) of Glomac Berhad ("**Glomac**"). He first joined Glomac Group of Companies in 1992 and was appointed its Group Executive Director in 1997. He was thereafter promoted as Group Managing Director in 2004 and subsequently appointed as CEO of Glomac on 24 March 2009. Prior to joining Glomac, he practised law in Australia before returning to Malaysia to join Kumpulan Perangsang Selangor Berhad.

Datuk Seri Fateh Iskandar is the President of the Real Estate & Housing Developers' Association ("**REHDA**") Malaysia and Immediate Past Chairman of REHDA Selangor Branch. He was the former Deputy Chairman of the Malaysian Australian Business Council (MABC), Chairman of Gagasan Badan Ekonomi Melayu, Selangor Branch (GABEM) a body that promotes entrepreneurship amongst Malays in the country. He is the Co-Chair of the Special Taskforce to Facilitate Business Group ("**PEMUDAH**") on Legal & Services and was also a Member of PEMUDAH Selangor Group. He was one of the founding Directors of Malaysia Property Incorporated, a partnership between Government and the private sector that was established to promote property investments and ownership in Malaysia to foreigners all around the world.

He was awarded the Malaysian Business Award in Property 2012 by the Malay Chamber of Commerce and Outstanding Entrepreneurship Award at the 2013 Asia Pacific Entrepreneurship Awards. In April 2014, he was awarded by The Leaders International the "Global Leadership Awards 2014 — Commercial Property Development". Datuk Seri Fateh Iskandar also sits on the Boards of VADS Berhad (a wholly-owned subsidiary of TM), Axis Reit Managers Berhad, Media Prima Berhad, and The New Straits Times Press (Malaysia) Berhad.

Gee Siew Yoong

Independent Non-Executive Director

Gee Siew Yoong, aged 65, a Malaysian, was appointed Independent Non-Executive Director of TM on 13 March 2014. She is a member of the Malaysian Institute of Certified Public Accountants and the MIA. She had attended the International Banking Summer School (IBSS) Cambridge, Massachusetts, USA.

She began her career in 1969 with PriceWaterhouse, leaving in 1981 as Senior Audit Manager and Continuing Education Manager. She then joined the Selangor Pewter Group as Group Financial Controller and was seconded to the USA from 1983 to 1984 as CEO of Senaca Crystal Inc., a company in the Group, which was undergoing reorganisation under Chapter XI of the US Bankruptcy Code. She later became the Personal Assistant to the Executive Chairman of Lipkland Group from 1985 until 1987.

Gee was then appointed by Bank Negara Malaysia as the Executive Director and Chief Executive of Supreme Finance (M) Berhad, a financial institution undergoing rescue and reorganisation under the supervision of the Central Bank until the successful completion of the reorganisation in 1991. She later joined Land & General Berhad as the Group Divisional Chief, Management Development Services in 1993 before joining Multi-Purpose Capital Holdings Berhad as Executive Assistant to the Chief Executive in 1997 until 1999. During this period, she also served as a Director of Multi-Purpose Bank Berhad, Multi- Purpose Insurans Berhad and Executive Director of Multi-Purpose Trustee Berhad.

She currently sits on the Board of Sapura Resources Berhad, SapuraKencana Petroleum Berhad and Malaysia Smelting Corporation Berhad as an Independent Non-Executive Director.

Dato' Siti Zauyah Md Desa

Non-Independent Non-Executive Alternate Director to Dato' Fauziah binti Yaacob

Dato' Siti Zauyah, aged 55, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Dato' Fauziah Yaacob on 5 November 2014.

She holds a Bachelor of Science (Hons) in Quantity Surveying from the University of Reading, UK, Diploma in Public Administration from INTAN and a Master in Business Administration (International Banking) from the University of Manchester, UK.

Dato' Siti Zauyah began her career in civil service in 1982 as a Quantity Surveyor with the Public Works Department and later moved on to hold several other positions with a higher learning institution and several private sectors before pursuing her Diploma in Public Administration at INTAN. Upon graduation, she joined the MOF and served in the Contract Management Division as Assistant Secretary from 1989 to 1993 before pursuing her Masters in 1995.

Dato' Siti Zauyah continued to serve as Assistant Secretary with the Tax Division and Finance Division at MOF before being promoted as Principal Assistant Secretary in 2001. In 2003, she was seconded to the Asian Development Bank, Manila as Director's Advisor until August 2006. Upon her return, she continued her service with MOF in the Loans Management Division and was appointed as the Deputy Secretary (Economy, Public Transportation and Infrastructure), Investment, MOF (Inc.) and Privatisation Division in April 2008. She was as the Secretary, Loan Management Division in November 2012 and later as Secretary, Government Investment Company Division before assuming her current position as Director, National Budget of National Budget Office, MOF on 18 December 2014.

Dato' Siti Zauyah is also a Director of Malaysia Airports Holdings Berhad, Bank Simpanan Nasional, Johor Corporation, Malaysia Debt Ventures Berhad, Prasarana Malaysia Berhad abd Westports Malaysia Sdn Bhd (a subsidiary of Westports Holdings Berhad) as well as Alternate Director of Johor Petroleum Development Corporation Berhad.

Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil

Non-Independent Non-Executive Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Nik Rizal Kamil, aged 42, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on 29 November 2012.

He holds a Masters in Science (Finance) from London Business School and a Bachelor of Science (Hons) in Economics & Accounting from the University of Bristol, UK. He is also a Fellow Chartered Accountant with the Institute of Chartered Accountants in England and Wales (ICAEW).

He started his professional career in 1995 as an Accountant/Auditor with Coopers & Lybrand, UK for a period of two years. He then returned to Kuala Lumpur in 1997 and joined Arthur Anderson & Co as an Assistant Manager in Audit and Business Advisory. After five years in audit, he joined RHB Sakura Merchant Bankers Bhd in 2000 as Assistant Manager in its corporate finance department. Subsequently, he joined Sarawak Shell Berhad as Principal Sector Planner of Business Planning in Miri, Sarawak for two years before being posted to Shell Regional Exploration & Production, Singapore as a Senior Business Analyst. During this period, Nik Rizal also assumed the role of Head of Planning and Economics for Shell Deepwater Borneo Ltd of Brunei. In early 2007, he was posted to Shell Corporate Global HQ in London as a Senior Downstream Financial Analyst for Shell's Global Lubricants and B2B businesses. He was with Shell Malaysia Limited as Finance Manager in Special Projects before joining Khazanah in April 2011, where he is currently a Director of Investments.

Senior Management Team

The day-to-day operations of TM are entrusted to the members of the senior management team. The members of the key management team and their profiles are as follows:

Tan Sri Dato' Sri Zamzamzairani Mohd Isa

Managing Director/Group Chief Executive Officer

See "- Board of Directors".

Datuk Bazlan Osman

Executive Director/Group Chief Financial Officer

See "- Board of Directors".

Dr Farid Mohamed Sani

Chief Strategy Officer

Dr Farid, aged 39, holds a PhD in Chemical Engineering, a Masters in Engineering and a Bachelor of Arts with first class honours specialising in Chemical Engineering, all from the University of Cambridge, UK.

He was appointed TM's Chief Strategy Officer (CSO) on 1 January 2012. Prior to joining TM, he was with Khazanah holding the position of Director, Investments, specialising in the telecommunications sector. He has served in Khazanah's Transformation Management Office and as SVP, Managing Director's Office. Dr Farid was a consultant at McKinsey & Company for two years before joining Khazanah in 2004.

Giorgio Migliarina

Chief Technology and Innovation Officer/Chairman Managed Accounts

Giorgio, 46, holds a Masters (Sc) in Electronic Engineering from the Polytechnic University of Turin, Italy and an MBA from INSEAD, France.

He was previously a Partner at McKinsey & Company based in London and Beijing, serving some of the world's leading operators and high tech companies. Prior to joining McKinsey, Giorgio helped launch Infostrada SpA, Italy's second fixed line operator, where he held positions in network planning and corporate development. Before Infostrada, he worked with Olivetti SpA.

As TM's Chief Technology and Innovation Officer ("**CTIO**"), Giorgio is responsible for Network, IT, R&D and overall technical operations. He is also overseeing the transformation of the Managed Accounts cluster in TM with direct responsibilities for the TM Enterprise and the ICT & BPO businesses. He was named Asia's Chief Technology Officer of the Year 2012 by the Asia Communication Award.

Rafaai Samsi

Head of Customer Experience Management & Transformation / Deputy Chief Technology & Innovation Officer

Rafaai, 57, holds a Bachelor of Science (Hons) in Electronic Engineering from Brighton University, UK and a Masters in Communications Management from the University of Strathclyde, UK.

His career in telecommunications started with the then Jabatan Telekom Malaysia in 1978, following which he assumed roles of increasing responsibility covering broad technical and business management fields within the TM Group. He was appointed CEO of TM-NTT Communications Corporation joint-venture Company in July 1997 before returning to TM mainstream in July 2001, where he was assigned as General Manager ("**GM**") of a number of divisions including State Business Operations, Market Development and the Domestic Carrier Business Division. He was appointed VP of Marketing and Sales for the Wholesale segment in October 2006 and subsequently promoted to Executive Vice President ("**EVP**") to lead the Wholesale Line of Business on 1 July 2008. Rafaai was assigned as Deputy Chief Technology and Innovation Officer ("**Deputy CTIO**") to run the day-to-day operations and turn-around initiatives of the IT and Network Technology Division in January 2013.

Rafaai was assigned as Head of Customer Experience Management & Transformation, reporting directly to TM Group CEO on 1 July 2014 and at the same time remained as the Deputy CTIO. He is also the Chairman of Service Management Council (SMC) responsible for TM's overall customer service management.

Dato' Mohd Khalis Abdul Rahim

Chief Human Capital Officer

Dato' Khalis, 51, holds a Masters in Human Resource Management from the University of Canberra, Australia and a Bachelor of Science with Honours in Applied Psychology (CAHRP) from Coventry University, UK. He is also a Certified Advanced Human Resource Professional from the Malaysian Institute of Human Resource Management and is also a Certified Business and Executive Coach from the University of Malaya Centre for Continuing Education (UMCCeD).

He has extensive exposure in human capital management, having served in several multinational companies over 20 years in the field of human resource ("**HR**") management across different industries. Dato' Khalis has been involved in various disciplines of the profession from organisational development and change management to performance management, industrial relations, HR reengineering as well as talent development. He was the HR Director of Colgate Palmolive Malaysia from June 2000 until October 2006 before moving to Freescale Semiconductor as a Human Resources Director responsible for Malaysia, Singapore and Asia Supply Chain.

He joined TM as its Chief Human Capital Officer on 17 August 2009. Dato' Khalis was awarded the Chief Human Resource Officer of the Year and HR Leadership Award at the 21st Global HR Excellence Awards in 2013.

Idrus Ismail

Chief Legal, Compliance and Company Secretary

Idrus, 61, holds a Bachelor in Economics from the University of Malaya and a Bachelor of Law from the National University of Singapore. He has a Certificate in Translation from the National Translation Institute of Malaysia, an Executive Masters in Islamic Banking and Finance from Asia e University and is currently pursuing an online Chartered Islamic Finance Programme at the International Centre for Islamic Finance (INCEIF). He was called to the Malaysian Bar in 1988.

Idrus started his career as a management trainee with Petronas and brings with him over 30 years of experience mostly in conventional and Islamic financial institutions, where he served as company secretary as well as in-house counsel. Before joining TM, he was Company Secretary of the CIMB Group, served the PROKHAS secretarial department (providing secretarial services to Minister of Finance, Inc. companies) and was Senior Counsel of Islamic Banking and Finance in a major corporate law practice.

He joined TM as Chief Legal and Compliance on 1 December 2009 and assumed the position of Company Secretary on 18 January 2010. He is also responsible for implementing programmes to inculcate overall ethics and integrity practices in TM as contained in TM's Code of Business Ethics. He is a Certified Integrity Officer (CeIO) jointly certified by the Malaysian Anti-Corruption Commission and the Malaysian Institute of Integrity.

Ahmad Ismail

Chief Corporate and Regulatory Officer

Ahmad, 54, holds a Bachelor of Science (Hons) in Electrical & Electronic Engineering from the University of Aston in Birmingham, UK and an MBA from the MMU, Cyberjaya.

He joined TM in 1983 as an Assistant Controller of Telecom and held various engineering positions before engaging in more managerial responsibilities. During his more than 30 years with the Group, he has been Managing Director of TM International Bangladesh Limited (now known as Robi Axiata Limited), GM Business Strategy, TM Retail and Chief Strategy Officer ("**CSO**") of Telco Strategy Division, the CEO of Telekom Sales and Services Sdn Bhd as well as State GM for Penang and Melaka. He then assumed the position of VP, Customer Service Management in 2008 and was later appointed VP, Programme and Performance Management Office in July 2010. Ahmad was appointed the Chief Corporate and Regulatory Officer on 1 October 2010.

Mohamad Mohamad Zain

Chief Procurement Officer

Mohamad, 51, is a Chartered Insurance Practitioner and an Associate Member of the Chartered Insurance Institute, UK as well as a Member of the Society of Fellow Chartered Insurance Institute, UK. He also holds a Diploma in General Insurance from the Australian Insurance Institute and Master of Communications Management from the University of Strathclyde Glasgow. He is currently the Chairman of the Malaysian Association of Risk & Insurance Management (MARIM). He gained vast experience in insurance services while serving a UK based insurance company for six years, including as Officer in charge for agency and direct client underwriting, claim management and re-insurance, designing insurance for credit card company and bank assurance, serving both domestic and MNC clients.

Mohamad joined TM in 1993 as Assistant Manager and has been tasked with managing the corporate insurance programme and implementing the Enterprise Risk Management programme for TM in 2001. In 2007, he was appointed GM entrusted with an expanded portfolio of Group Business Assurance covering Enterprise Risk Management, Revenue Assurance, Fraud Management, Insurance Management, Credit Management Policy & Monitoring, Corporate Compliance, Business Continuity Management and Enterprise Business Management. He was promoted as VP, Group Business Assurance, a position he held from 2011 until his appointment as Chief Procurement Officer on 1 September 2014.

Hazimi Kassim

Chief Internal Auditor

Hazimi, 50, holds a Bachelor of Arts in Accounting from the University of Canberra, Australia. He also attended the Wharton Advanced Management Programme at the University of Pennsylvania, USA in 2006. He is a Certified Practicing Accountant (CPA) of the Australian Society of Certified Practicing Accountants, a Chartered Member of the MIA and the Institute of Internal Auditors Malaysia (IIAM).

He has vast experience in external and internal audit, financial and management accounting, corporate finance as well as strategic planning, business development and investor relations. His wide-ranging career to date has spanned across audit and consulting services to securities, insurance, banking and telecommunications companies. He was the Chief Audit Executive in the Internal Audit Division of Malayan Banking Berhad and later Head of Corporate and Strategic Planning prior to joining TM as the Chief Internal Auditor.

Ahmad Azhar

Chief Advocate Officer

Ahmad Azhar, 50, holds a Bachelor of Science in Electrical Engineering from Oklahoma State University, USA.

He began his career in 1987 as an engineer in Agilent Technologies (formerly known as Hewlett Packard). He then joined management consulting firm, Accenture in 1990 servicing a portfolio of clients in Malaysia, Asia and the Middle East in various industries from communications to high technology, oil and gas and the public sector. His experience includes strategic planning and change management, business and operations support systems, enterprise resource management, revenue and customer relationship management. He became a Partner at Accenture in 2000 before joining TM as Group Chief Information Officer on 2 August 2004. He was later appointed TM's Programme Director of the High Speed Broadband (HSBB) Programme in 2008 and contributed to the successful launch of UniFi in March 2010. He was the CSO of TM from 15 July 2010 until December 2011 and subsequently served as CEO of VADS Berhad from a January 2012 until 31 January 2015 before assuming his current position as TM's Chief Customer Advocate on 1 February 2015.

Dato' Kairul Annuar Mohamed Zamzam

Executive Vice President, Government

Dato' Kairul Annuar, 51, holds a Bachelor in Engineering Science from the University of Western Ontario, Canada and an MBA from the MMU, Cyberjaya and attended the Advanced Management Training programme at INSEAD in 2003.

He has over 20 years of experience in the telecommunications industry, beginning with the then Jabatan Telekom Malaysia in 1985 as a Human Resource Planning Executive. He has since held various positions in local access, switching and transmission networks. He was appointed GM of the Terengganu Operations Area in 1998 and then the Personal Assistant to the Group Chief Executive in 2002. He was appointed GM of Corporate Affairs and later VP, Consumer & Business Sales Division in TM Retail in 2004. Prior to assuming his current position as EVP, Government in 2009, he was the CEO of Telekom Sales & Services Sdn Bhd.

Wan Ahmad Kamal Wan Halim

Executive Vice President, Enterprise

Wan Ahmad Kamal, 51, holds a Bachelor of Science in Computer Science & Statistics from Monash University, Melbourne, Australia.

He has over 25 years of professional experience specialising in the Senior and Regional Sales Management, Business Management and Account Management roles across the Service Provider and Enterprise sectors in ASEAN and Malaysia. His career began in 1986 as an Assistant Director of the Planning and Research Division with the Ministry of Education Malaysia until 1990 and later moved to Kumpulan Guthrie Berhad in Accounts and Sales Management. In 1994, he joined Sapura Telecommunications Berhad, where he served in Sales, Channel, Marketing and Product Management. In 2000, he joined Juniper Networks as Country Manager, Malaysia and was made the Sales Director for Malaysia, Indonesia and Vietnam in 2002. He was later appointed Managing Director Malaysia in 2007 and promoted to Managing Director ASEAN in 2012. He joined TM on 1 June 2014 as EVP, Enterprise.

Imri Mokhtar

Executive Vice President, Consumer and SME

Imri, 41, holds a Bachelor of Engineering (BEng) in Electronics Engineering and Management Studies with first class honours from University College London, UK and has attended leadership programmes at Cambridge Judge Business School and Harvard Business School.

He started his career with TM in 1996 before joining McKinsey & Company as a management consultant in 1999, followed by a stint in a Malaysian pay-TV company. In 2005, he returned to TM as GM of Strategy Development. He was made GM, Programme Management Office in 2006 and later VP, Programme and Performance Management Office in 2008. He was promoted as EVP, Consumer in 2010 and also served as CEO of Telekom Sales & Services Sdn Bhd from 2012 until early 2014. Imri was re-assigned as EVP, Consumer and SME in October 2014, responsible for the overall business operations of TM's Consumer and SME customer segments, plus product development and management. Additionally, he is entrusted to oversee the Mass Market cluster in TM.

Jeremy Kung Eng Chuang

Executive Vice President, New Media / CEO, TM Net Sdn Bhd

Jeremy, 51, holds an Honours Degree in Computer Science from the University of Ottawa, Canada.

He has more than 20 years' experience in technical and managerial roles in IT systems development for media, telecommunications and Business-to-Consumer (B2C) business. He spent three years at J. Walter Thompson and seven years at Star-TV, before serving more than 10 years at PCCW Limited ("**PCCW**"), Hong Kong and its group of companies. His last positions there were as SVP of Customer Advocacy and Chief Information Officer of PCCW Global, a business unit of PCCW that provides global telecom services. Jeremy joined TM Group as CEO of TM Net Sdn Bhd ("**TM Net**") on 20 May 2008 and was appointed EVP, Consumer, on 1 February 2009. He was later appointed EVP, New Media effective 15 July 2010 and remains as CEO of TM Net.

Mohamad Rozaimy Abd Rahman

Executive Vice President, Global & Wholesale

Rozaimy, 43, obtained a Bachelor in Distributed Computing from the University of East London, and a Masters of Science in Technology Management from Staffordshire University, UK. He attended technical and telecommunications training programmes at the AT&T School of Business and Technology and AT&T Bell Labs in New Jersey, USA. He also attended the Advanced Leadership Management Programme at the Madinah Institute of Leadership and Entrepreneurship, Saudi Arabia.

Rozaimy has more than 18 years' experience in the telecommunications industry. He served AT&T as its Sales Director before joining TM in 2006 as the GM of Product Marketing. He was then appointed as EVP of TM Global on 1 July 2009, responsible for managing TM's global business and TM's regional offices in the UK, USA, Hong Kong, Singapore and Australia. Following the re-alignment of the Company's market segments in January 2013, Rozaimy has been spearheading the TM Global and Wholesale cluster, overseeing the global and wholesale business operations.

Dato' Ghazali Omar

Group Special Advisor, Transformation Program

Dato' Ghazali, 57, holds a Bachelor (Hons) in Electrical and Electronic Engineering from the University of Leeds, UK and an MBA from the MMU, Cyberjaya.

He has more than 34 years of experience in the telecommunications industry, beginning his career with the then Jabatan Telekom Malaysia in 1980 as Planning and Development Engineer specialising in Data Communications. He was later appointed GM, Marketing and Sales, TM Net in 2002 before being promoted as VP of Enterprise and Government Sales, TM Retail in 2007. Dato' Ghazali was appointed as TM's EVP, Enterprise in February 2009 before assuming his current position as Group Special Advisor, Transformation Programme on 1 June 2014. He was also the CEO/Executive Director of VADS Berhad from March 2009 until January 2012.

Dato' Zuraidah Mohd Said

Vice President, Support Business

Dato' Zuraidah, 53, holds a Bachelor (Hons) in Computer Science from Ohio University, USA and a Masters (Science) in Management Information Systems from the University of Leeds, UK.

She has over 28 years' experience in IT, Marketing and the telecommunications industry, where her career began in 1985 with Malaysia Institute of Microelectronic Systems (MIMOS). She joined TM's Information Technology Division in late 1988 and was later assigned to the TM Product Marketing Group from 1996 until 2001. She was subsequently transferred to the Major Business and Government Sales Division before moving to Business Sales, TM Retail, as GM, handling the SME sector with revenue of RM2.1 billion in 2004. She was later appointed GM, Enterprise Sales in 2009, handling high-end corporate customers with excellent sales and cost performance. She was the CEO of Menara Kuala Lumpur Sdn Bhd ("**MKLSB**") from August 2010 until 30 June 2014. During her tenure as CEO, MKLSB was recognised as TM best subsidiary in 2011 and 2012. Dato' Zuraidah was appointed VP, Support Business on 1 September 2013. She is a member of the World Federation of Great Towers, an international association that links 35 leading telecommunications towers globally.

Izlyn Ramli

Vice President, Group Brand & Communications

Izlyn, 44, holds a Masters in Business Administration (Distinction) from City University (Cass) Business School, London, specialising in Strategic Management of Technology and E-Business and a Bachelor of Science (Hons) in Economics from University College London.

She started her career in 1992 at PricewaterhouseCoopers before moving to BzW Capital as an investment analyst. Izlyn joined TM in 1998 and served 10 years in Group Strategy and Planning. From 2006 until 2008, she was also appointed Special Assistant to the TM Group Chairman, as key policy liaison officer for national and international fora and organisations, including APEC, APEC Business Advisory Council and United Nations Global Alliance, focused on ICT Development and ICT for Development. Following the TM demerger in 2008, Izlyn moved to Axiata Group Berhad ("**Axiata**") and was promoted to head the Corporate Communication Division. She was a key member of the Axiata rebranding team, and was also key in crafting Axiata's Corporate Responsibility Strategy. Izlyn returned to TM as VP, Group Corporate Communication, on 1 October 2010 and was reassigned with an expanded role as VP, Group Brand and Communication effective 1 June 2014.

Puan Chan Cheong

CEO, Packet One Networks (Malaysia) Sdn Bhd

Puan Chan Cheong, more commonly known as CC, 46, holds a Bachelor of Science in Business Administration and Management Information Systems and Finance from University of Nebraska-Lincoln, USA.

He is an entrepreneur with more than 20 years of business experience from consulting and the development and management of large-scale telecommunications to infrastructure and property projects internationally. His personal accolades include the PIKOM (Malaysia's ICT Association) Technopreneur of the Year award in 2004. He sits on the Board of Green Packet Berhad (Green Packet), a company he co-founded, which was incorporated as Green Packet Inc. in Silicon Valley in 2000. In 2008, Green Packet under CC's helm, launched Malaysia and Southeast Asia's first large-scale commercial WiMAX operator, Packet One Networks (Malaysia) Sdn Bhd (P1). He assumed the role of P1 CEO in 2013 and was re-appointed to the role in 2014 after TM's acquisition of a majority stake in P1.

Massimo Migliuolo

CEO, VADS Berhad

Massimo, 52, holds a Baccalaureate from Lycee Chautebriand, France and Bachelor of Science and Masters of Science in Business Management from University Luigi Bocconi, Italy.

He has more than 20 years of experience in strategic business development, architecture sales and go-to-market strategy, especially in the mobile and cloud industry. He is an experienced global business leader with a proven track record in building businesses in innovative markets. He began his career in 1989 as Contract Manager with Montedison Group (Italy) and later moved to AT&T Network System, Italy in 1991 as Director, Business Development Mobile. In 1996, Massimo joined Lucent Technologies as Managing Director, Europe, Middle East and Africa (EMEA) Mobile Sales. He then spent 11 years at Cisco from 1999 where his last position there was VP of Emerging Markets, responsible for the Service Provider, Enterprise, Public Sector and Small and Medium Lines of Business in the Theatre as well as Marketing and Technology Architecture functions. Massimo joined TM in 2014 as VP, Real Estate, Managed Account and later appointed as CEO of Intelsec Sdn Bhd ("**Intelsec**"), a subsidiary of TM on 1 November 2014. He was appointed CEO, VADS Berhad on 1 February 2015 and remained as CEO of Intelsec.

SHARE OWNERSHIP

Government of Malaysia Ownership

As at 13 March 2015, Khazanah (which is owned by MOF Inc.) owned 28.95 per cent. of TM's shares; the Employees Provident Fund Board owned 14.26 per cent. of TM's shares; and AmanahRaya Trustees Berhad owned 13.30 per cent. of TM's shares.

Under the provisions of the Articles of Association of TM, any person other than the Government of Malaysia, anyone acting on the Government of Malaysia's behalf, a trustee of any employees' share scheme of TM and Bursa Malaysia Depository Sdn. Bhd. (previously known as Malaysia Central Depository Sdn. Bhd.) is restricted from holding more than 5 per cent. of the issued shares or from exercising more than 5 per cent. voting control of TM.

Pursuant to the Articles of Association of TM, there is a maximum foreign ownership level of 30.0 per cent. The proportion of registered foreign shareholding has increased to 15.23 per cent. as at 13 March 2015.

The Special Share

The Special Share enables MOF Inc. to exercise a veto power that ensures major decisions affecting the operations of TM, such as the universal provision of telecommunications and related services, are consistent with Government of Malaysia policy. The Articles of Association of TM provide that the holder of the Special Share (the "**Special Shareholder**"), shall be MOF Inc., a body corporate established under the Minister of Finance (Incorporation) Act 1957, its successor or any Minister or any representative or person acting on behalf of the Government of Malaysia. The Special Share entitles the holder thereof to receive notices of annual general meetings of shareholders, but does not carry any right to vote at those meetings. However, the Special Shareholder is entitled to attend and speak at such meetings.

Certain matters, particularly the alteration of certain clauses of the Articles of Association of TM, insofar as they relate to the rights of the holder of the Special Share, the dissolution of TM, any substantial acquisitions or disposals of assets, amalgamations, mergers or takeovers, require the prior consent of the holder of the Special Share. The Special Shareholder makes its decisions through Directors appointed to the Board of TM by the Government of Malaysia.

The holder of the Special Share has the right to require TM to redeem the Special Share at par at any time. The Special Shareholder does not have any right to participate in the capital or profits of TM.

As the holder of the Special Share, the Government of Malaysia retains the right to appoint between two to six out of a maximum of 12 Directors of TM. As at 13 March 2015, four of TM's directors are Government of Malaysia appointees. The provisions of the Articles of Association of TM apply to the Government of Malaysia Appointed Directors in the same manner as they apply to the other Directors, except that any vacancy in the Government of Malaysia Appointed Directors may only be filled by a person appointed by the holder of the Special Share and the provisions of the Articles of Association relating to the appointment of Directors do not apply to the government of Malaysia Appointed Directors.

There is no guarantee that the Government of Malaysia will retain its ownership of TM or that it will not reduce its shareholdings in TM in the future.

Substantial Shareholders

As at 13 March 2015, the substantial shareholders of TM holding five per cent. or more of TM's total issued capital as recorded in the register of members included:

Shareholder	Number of Ordinary Shares Held	Percentage of Shareholding
		%
Khazanah Nasional Berhad	1,076,725,713	28.95
Citigroup Nominees (Tempatan) Sdn Bhd — Employees Provident Fund Board	530,295,028	14.26
AmanahRaya Trustees Berhad — Skim Amanah Saham Bumiputra	494,514,000	13.30

Regulatory regime

Objectives and legislation

In 1994, the government issued the National Telecommunications Policy of Malaysia (1994—2020) ("**NTP**") setting forth its objectives for Malaysia's telecommunications industry, namely the creation of a robust and vibrant communications and multimedia industry as the primary platform for developing a knowledge-based economy.

To achieve the NTP's objectives, the government introduced a new legal framework for the telecommunications and broadcasting sectors based on the:

- Malaysian Communications and Multimedia Commission Act 1998 (the "**MCMCA**"), which came into force on 1 November 1998; and

- Communication and Multimedia Act 1998 ("**CMA**"), which came into force on 1 April 1999 (except for certain sections which came into force at later stages).

The CMA (including its subsidiary legislation) is the primary legislation regulating the converging communications and multimedia industries. The CMA applies to communications over electronic media but not print media. It also sets out the licensing and regulatory framework in relation to the communications and multimedia industry, establishes the powers and functions for the Minister and the Commission and the powers and procedures for the administration of the Act.

Under the CMA, the national policy objectives for the communications and multimedia industry include but are not limited to:

- establishing Malaysia as a major global centre and hub for communications and multimedia information and content services;

- ensuring an equitable provision of affordable services over ubiquitous national infrastructure;

- facilitating the efficient allocation of resources; and

- promoting the development of capabilities and skills within Malaysia's convergence industries.

Regulator

The Commission is responsible for the regulation of the communications and multimedia industry. The Commission's principal functions include:

- advising the Minister on all matters concerning the national policy objectives for communications and multimedia activities;

- implementing and enforcing the provisions of the communications and multimedia laws;

- regulating all matters relating to communications and multimedia activities not provided for in the communications and multimedia laws;

- considering and recommending reforms to the communications and multimedia laws;

- supervising and monitoring communications and multimedia activities;

- encouraging and promoting the development of the communications and multimedia industry, including in the area of research and training;

- encouraging and promoting self-regulation in the communications and multimedia industry;

- promoting and maintaining the integrity of all persons licenced or otherwise authorised under the communications and multimedia laws;

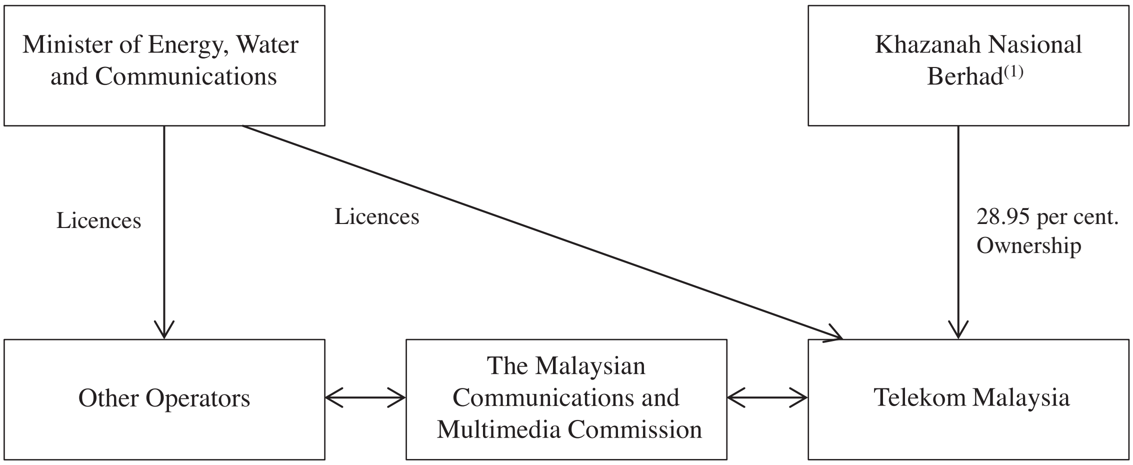
- rendering assistance in any form to, and promoting co-operation and co-ordination amongst, persons engaged in communications and multimedia activities; and

- carrying out any function under any written law as may be prescribed by the Minister by notification published in the official Gazette, a government publication containing regulations and other pronouncements.

The Minister's powers and functions are stipulated in the CMA. Some of the Minister's powers and functions include issuing directions to the Commission on the exercise of its powers and the performance of its functions and duties under the CMA. The Minister may also from time to time determine any matter specified by the CMA as being subject to Ministerial determination without consultation with any licensee or other persons.

Institutional Framework

The diagram below sets forth the relationships among TM, other operators and relevant regulators and between TM and its principal Government shareholders:



Notes:

(1) Khazanah is a corporation formed by the Government to hold investment in companies. MOF Inc. owns all the shares in Khazanah and as at 13 March 2015, Khazanah held 28.95 per cent. of the ordinary shares of Telekom.

Licensing Regime

Malaysia's communications licensing regime is set out in the CMA. The CMA provides that, unless exempted by the Minister, no person may:

(a) own or provide any network facilities;

(b) provide any network services;

(c) provide any applications services; or

(d) provide any content applications services,

except under and in accordance with the terms and conditions of either an individual licence granted or a class licence registered under the Act.

The regulatory framework established by the CMA and the licensing regulations provide for four categories of provider licences:

- ***network facilities provider:***

  network facilities provider licences are for owners or providers of facilities on which network services, applications services and content application services are provided;

- ***network services provider:***

  network services provider licences are for providers of basic connectivity and bandwidth which support a variety of applications. Network services enable connectivity or transport between different networks. A network service provider is typically also the owner of the network facilities. However, connectivity service may be provided by a person using network facilities owned by another licensee;

- ***applications service provider:***

  applications service provider licences are for providers of particular functions, such as voice, data, content, electronic commerce and other transaction services, over the network service. Applications services are essentially the functions or capabilities which are delivered to end-users; and

- ***content applications service provider:***

  content applications service provider licences are for providers of certain content-based applications services, including traditional broadcasting (television and radio), online publishing and information services.

Malaysia's licensing framework distinguishes two types of licences: (i) individual licences and (ii) class licences. Generally, individual licences are required for communications businesses, which require higher degree of the regulatory control. Within the above four categories, the CMA provides for the issuance of individual and class licences which are discussed below.

Individual Licences

Individual licences are generally granted to providers of services or owners of facilities which have national or social significance or where there is a need to control market entry, establish conditions of operation or limit the scope of licenced activities which necessitate a higher degree of regulation. Licenced companies must be incorporated in Malaysia and shareholdings in such companies must comply with Malaysian foreign investment restrictions. The Minister shall consider the recommendation of the Commission before making a decision to issue an individual licence.

Pursuant to the Communications and Multimedia (Licensing) (Amendment) Regulations 2001 which came into operation on 1 October 2001, where a licence granted under predecessor legislation for a similar activity or service has a residual term exceeding five years from 1 April 2000, the validity period of that individual applications service provider licence shall be equivalent to the residual term of the licences granted under the predecessor legislation.

Standard licence conditions applicable to individual licences include but are not limited to the following:

- the licensee shall notify the Minister of any changes in substantial shareholdings;

- the licensee shall comply with the provisions of the CMA;

- the licensee shall comply with the provisions of any subsidiary legislation made pursuant to, or other instruments, guidelines or regulatory policies issued, under the CMA;

- the licensee shall notify the Minister of any joint ventures or consortium which it enters into with after the grant of the licence;

- the licensee shall indemnify the Minister and the Commission against any claims or proceedings arising from any breaches or failings on part of the licensee; and

- the licensee shall comply with other standard conditions and matters declared by the Minister, or provided in any subsidiary legislation, under the CMA.

The Minister may declare special licence conditions applicable to individual licences which may include but are not limited to the following:

- the term of the licence;

- licence fees;

- licenced areas and location of control centres;

- specific undertakings with respect to levels of investment, specific activities and operations;

- specific rights and privileges agreed between the licensee and the Government which are conditional upon the undertakings entered into by the licensee; and

- other special conditions and matters as declared by the Minister, or provided in any subsidiary legislation, under the CMA.

Under the CMA, the Minister is vested with the power to make a declaration at any time:

- to modify or vary the special or additional conditions (as distinguished from standard conditions) of an individual licence;

- to revoke the special or additional conditions of an existing individual licence; or

- to impose further special or additional conditions on an existing individual licence.

Before making any such declaration, the Minister must give the affected licensee written notice of his intention to do so together with a draft copy of the declaration. The licensee may make submissions in response to any such declaration to the Minister by submitting them to the Commission within a specified period of time which is in excess of thirty (30) days. After the expiry of the notice, the Minister, on the recommendation of the Commission, must decide on the next course of action, taking into account any submission made by the affected licensee. Any declaration must be consistent with those objects and provisions of the CMA which are relevant to the particular matter or activity.

A licensee cannot assign or transfer an individual licence to any other party without the prior written approval of the Minister. The Minister may seek the advice of the Commission before granting such approval.

Class Licences

Class licences relate to services and facilities which are subject to a lesser degree of regulatory control. Under the Licencing Regulations, subject to the applicant submitting the requisite information and paying the applicable licence fee, the Commission must endorse a registration notice submitted by an applicant, which evidences registration.

Class licence conditions require, among other things, the licensee to:

- comply with the provisions of the CMA;

- comply with the provisions of any subsidiary legislation made, or other instruments, guidelines or regulatory policies issued, under the CMA;

- indemnify the Minister and the Commission against any claims or proceedings arising from any breaches or failings on the part of the licensee; and

- comply with any other standard conditions and matters as may be declared by the Minister, or provided in any subsidiary legislation, under the CMA.

All class licences are valid for one year and are renewed by annual registration. The Minister may by declaration amend the conditions of class licences.

Exempt Services

The CMA exempts a range of network facilities, network services, application services and content applications services from its licensing requirements. The Communications and Multimedia (Licensing) (Exemption) Order 2000, which came into operation on 1 April 2000, provides that the following facilities and services are exempt from licensing under the CMA:

- ***exempt network facilities:***

  broadcasting and production studios, incidental network facilities and private network facilities;

- ***exempt network services:***

  incidental network services, LAN services and private network services;

- ***exempt applications services:***

  electronic transaction services, interactive transaction services, networked advertising boards and cineplex and web hosting/client servers; and

- ***exempt content applications:***

  Internet content applications services.

Spectrum allocation

The spectrum regulations regulate, amongst other things, the establishment of a spectrum plan, the issuance of spectrum assignment, apparatus assignment, class assignment and the compulsory acquisition of a spectrum assignment.

The spectrum regulations are further supported by the Notification of Issuance of Class Assignments, which confer rights on any person to use any frequency band or bands for a specified purpose. The following devices are subject to a class assignment:

- citizen band communications;
- mobile access;
- leased channel radio access;
- spread spectrum; and
- trunked radio access.

TM's Licences

The Group holds the following licences issued or registered pursuant to the CMA:

- Network Facilites Provider ("**NFP**") Individual Licence;
- Network Services Provider ("**NSP**") Individual Licence; and
- Application Service Provider ("**ASP**") Class Licence.

TM believes that its licences are in good standing and expects to be able to continue to fulfil its licence obligations to the satisfaction of the Commission. TM has successfully renewed its NFP and NSP licences, which will be valid up to 19 February 2023. TM's ASP licence is registered on a yearly basis.

Self Regulation

As part of the Government's objective to promote greater industry self-regulation, the CMA provides that the Commission may designate and register an industry body to be an industry ''forum''. Four industry forums are recognised by the CMA: the Access Forum; the Technical Standards Forum; the Consumer Forum and the Content Forum. A forum may, either by itself or at the Commission's request, prepare a voluntary industry code to govern the industry. In order to take effect, the Commission must register a voluntary industry code which would be done only if the code is consistent with the objectives of the CMA and if the Commission is satisfied that there has been sufficient opportunity for public consultation. Compliance with a voluntary code is not mandatory but compliance is a defence against any prosecution, action or proceeding of any nature, relating to a matter dealt with in that code. However, the Commission may direct any person to comply with a registered voluntary industry code, and failure to comply could lead to a fine of up to RM200,000. In the event that a voluntary code is not developed and the Commission is satisfied that a voluntary code is unlikely to develop, the Commission has the power to determine a voluntary industry code in accordance with the provisions of the CMA.

Pursuant to section 104(1) of the CMA, the Commission may determine a mandatory standard if it is satisfied that a voluntary industry code has failed to promote industry conduct which is consistent with the objects of the CMA, any relevant instrument under the CMA or the relevant provisions of the CMA and its subsidiary legislation. Further, pursuant to section 104(2) of the CMA, the Commission shall determine a mandatory standard if so directed by the Minister. Compliance with mandatory standards is compulsory.

Access Regime

Introduction

The Access Regime is a regime established under the CMA to ensure that all network facilities providers, network service providers, applications service providers and content applications service providers can gain access to the necessary facilities on reasonable terms and conditions in order to prevent the inhibition of downstream services. The regime, which is overseen by the Commission, consists of rules and procedures to develop codes and undertakings to ensure that the provision of access by an access provider to an access seeker is provided on reasonable terms and that it complies with the standard access obligations. There is also a dispute resolution process under the regime.

The Access List, voluntary industry codes on access, mandatory standards on access and access pricing, and the Access Forum all fall within this regime.

Access List

The Access List is a specific list of facilities and/or services which have been determined by the Commission to be essential to the provision of network services and application services unless exempted by the Minister. An "Access Provider" shall, upon written request by an "Access Seeker", provide the "Access Seeker" with access to its facilities and/or services which are listed in the Access List on reasonable terms and conditions and in accordance with the standard access obligations.

Voluntary Access Codes

Under the Access Regime, the Access Forum may develop voluntary industry access codes ("**Access Codes**") incorporating model terms and conditions for the provision of access to facilities and/or services in the Access List by an "Access Provider" to an "Access Seeker". Such model terms and conditions must comply with the standard access obligations, being obligations on the Access Provider to provide access on at least the same or more favourable technical standards and quality as the technical standards and quality the Access Provider provides on its network facilities and network services and on an equitable and non-discriminatory basis.

Access Codes may include, but are not limited to, the following matters:

- the time frame and procedures for negotiation and concluding access agreements;
- rate methodologies;
- protection of intellectual property;
- protection of commercial information;
- provision of facilities; and
- sharing of technical information.

On 31 March 2003, the Commission designated the Malaysian Access Forum Berhad ("**MAFB**"), an industry body, as the Access Forum. Section 153(1) of the CMA provides that the Commission shall make a written request to the MAFB to prepare an Access Code. An Access Code is only effective once it is registered by the Commission.

Mandatory Standards on Access

Pursuant to the Ministerial Direction No. 2 of 2003, the Commission via the Commission Determination on Mandatory Standard on Access ("**Commission's Determination No. 2 of 2005**") determined a mandatory standard on access which came into force on 1 July 2005 and was varied pursuant to the Variation to Commission Determination on Mandatory Standard on Access (Determination No.2 of 2005) Determination No. 2 of 2009.

The Mandatory Standard on Access generally sets out principles and model terms and conditions for the provision of access to facilities and/or services in the Access List by an "Access Provider" to an "Access Seeker". Compliance with the Mandatory Standard on Access is mandatory.

Interconnection Arrangement and Access Pricing

Interconnection Arrangement

The interconnection arrangements between TM and other licensees are currently governed by the Access Regime and interconnection agreements signed between the respective parties. TM's existing interconnection arrangements with other licenced operators have been replaced with new access agreements to be consistent with the Mandatory Standard on Access. TM has submitted to the Commission the access agreements entered into pursuant to the Mandatory Standard on Access and the Mandatory Standard on Access Pricing for registration.

Mandatory Standard on Access Pricing

Previously, the interconnection charges provided for in the interconnection agreements were in accordance with the Determination of Cost-based Interconnect Prices and the Cost of Universal Obligations, TRD 006/98 issued by the Director General of Jabatan Telekom Malaysia prior to the promulgation of the CMA.

However, the Commission issued a determination on mandatory standard on Access Pricing, which is cited as ''the Commission's Mandatory Standard on Access Pricing, Determination No. 1 of 2003'' which came into operation on 1 July 2003 (the "**Access Pricing Determination**"). The Access Pricing Determination sets out the maximum standard prices for fixed network origination/termination services and mobile network origination/termination services in the form of 24-hour weighted average prices which will be fixed until 2005. More recently, the Commission has issued a Commission's Mandatory Standard on Access Pricing, Variation to Determination No. 1 of 2012 which came into operation on 1 January 2013 which sets out the maximum standard prices for fixed network origination/termination services and mobile network origination/termination services in the form of 24-hour weighted average prices which will be fixed until 31 December 2015.

The Access Pricing Determination has revoked, amongst others, the provisions in the TRD 006/98 pertaining to access pricing for fixed network and mobile network origination/termination services. Therefore, with the issuance of the Access Pricing Determination, the access agreements entered into by TM pursuant to the Mandatory Standard on Access has incorporated the revised access charges to be consistent with the Access Pricing Determination which applies retrospectively from 1 July 2003.

Key regulatory issues

Competition

General competition practices are addressed by the CMA. In particular, a licensee may not engage in conduct which has the purpose of substantially lessening competition in the Malaysian communications market. The CMA also prohibits a licensee from entering into any understanding, agreement or arrangement which provides for rate fixing, market sharing, boycott of a supplier of apparatus or boycott of a competitor. Furthermore, the CMA prohibits mandatory tying or linking arrangements regarding the provision or supply of products and services in a Malaysian communications market.

Under section 137 of the CMA, the Commission may determine that a licensee is in a dominant position in a communications market. The determination that a licensee is in a dominant position is a pre-requisite to the exercise by the Commission of its powers to direct a licensee in a dominant position to cease conduct which has or may have the effect of substantially lessening competition in a communications market and to implement appropriate remedies.

The Commission had on 3 October 2014 issued its latest Commission Determination on Dominant Position in a Communications Market after concluding its public inquiry exercise on the "Assessment of Dominance in Communication Market" and determined that:

- TM is in a dominant position in 6 out of 7 defined retail markets; and

- TM is in a dominant position in 11 out of 12 defined wholesale markets.

In line with the exercise, the Commission also revised and updated the accompanying competition guidelines:

- Guideline on Substantial Lessening of Competition; and

- Guideline on Dominant Position.

TM is of the view that the risks of non-compliance under the dominance position regulatory instruments are manageable and considerably low.

Competition in the Access Network

As part of the national policy objective to promote competition, the Commission has considered introducing competition in the access network, which is the connection between a customer's premises and the local exchange. The Commission issued a "Public Consultation Paper on Effective Competition in the Access Network" on 23 July 2003. Based on the comments received, the Commission reported, generally, that all respondents (excluding TM) have welcomed the Commission's initiative to introduce competition in the access network.

The Commission had on 17 May 2005 issued a report on a public inquiry into the "Review and Expansion of the Access List Determination". The purpose of this inquiry is with respect to the inclusion of additional facilities and services to the Access List, one of which is "Access to Network Elements". See "Investment Considerations — Competition".

Universal Service Provision

Under the new universal service system which came into operation on 1 January 2002, the Commission will, subsequent to a bidding process, designate a licensee in underserved areas targeted by the Commission and the designated universal service provider will receive payment from the universal payment fund operated by the Commission to roll out the relevant projects. Unlike the old system, TM will no longer receive contributions from industry participants for the loss-making universal services it was obliged to provide under the old system. The Commission may, in certain circumstances, designate an operator as a universal service provider in a particular area if the operator did not make a bid for service in that area.

The "Universal Service Provision Determination No. 6 of 2002" was made by the Commission on 13 December 2002 and it was subsequently varied by the Commission on 30 October 2003 via the "Variation to Commission's Determination on Universal Service Provision (Determination No. 6 of 2002, Variation No.1 of 2003)" (collectively referred to as "2002 USP Determination (Amendment)"). The 2002 USP Determination (Amendment) came into operation on 1 November 2003 and it revoked Determination No. 2 of 2001. The 2002 USP Determination (Amendment), among other things, introduced certain changes in connection with the calculation of contributions to the Universal Service Fund including:

- For services regulated under the Communications and Multimedia (Rates) Rules 2002:
  - from 1 January 2004, national calls, operator assisted calls and audio text hosting have had a weightage factor of zero, a decrease from the previous weightage factor of one.
- For services not regulated under the Communications and Multimedia (Rates) Rules 2002:
  - from 1 January 2004, cellular mobile services and international roaming services have had a weightage factor of one, an increase from the previous weightage factor of 0.5;
  - from 1 January 2004, other activities subject to individual or class licences (which are not specifically listed in the 2002 USP Determination (Amendment)) have had a weightage factor of one, an increase from the previous weightage factor of zero.

The revision of the weightage factor will benefit the Group's fixed line business as their contribution to the USP Fund is expected to be less. However, the revision is not favourable to the Group's mobile business as it will have to contribute a higher sum to the USP Fund.

The 2002 USP Determination (Amendment) also changed the minimum revenue threshold for contributions to the USP Fund. Up until 31 December 2003, the minimum revenue threshold was RM500,000. With effect from 1 January 2004, it increased to RM2 million.

Under the Revised Determination, provisioning of network is extended to include mobile-based network as against the current confinement to PSTN.

The above changes introduced by the 2002 USP Determination (Amendment) are also reflected in the Communications and Multimedia (Universal Service Provision) Regulations 2002 (as amended).

The Amended Universal Service Provision Regulations 2002 which came into effect in August 2008 included, among other things, a revision of the definition for underserved areas and underserved groups within the community. The definition for underserved areas was expended to also include the availability of other types of access (namely broadband and cellular). Subsequently, MCMC released a notification setting new universal service targets (i.e. underserved areas and underserved groups within the community) in addition to the current 89 districts. Furthermore, a major contributor programme was introduced. Under this programme, a service provider (such as TM) that contributes more than RM20 million to the USP Fund in particular year can propose one or more projects from all USP areas to which 50 per cent. of such annual contribution shall be allocated by the MCMC to fund the capital costs of projects so designated upon approval by the MCMC.

Tariffs

The CMA provides that a facilities or services provider may set prices in accordance with market rates on the basis of the following principles:

- rates must be fair and, for similarly situated persons, not unreasonably discriminatory;
- rates should be oriented towards costs and, in general, cross-subsidies should be eliminated;

- rates should not contain discounts that unreasonably prejudice the competitive opportunities of other providers;

- rates should be structured and levels set to attract investment into the communications and multimedia industry; and

- rates should take account of the regulations pertaining to rate setting and recommendations of the international organisations of which Malaysia is a member.

However, the Minister may, on the Commission's recommendation, intervene in determining and setting the rates for any competitive facilities or services for good cause, or as the public interest may require.

The Communications and Multimedia (Rates) Rules 2002 regulates the tariffs for local calls, national calls, payphone, operator assistance, Internet access service, audio text hosting service, rental, connection fees and reconnection fees for the fixed telephony services. The rates for mobile service are not regulated and may be set according to market forces.

Mandatory Standards on Quality of Service

In 2007, the Commission issued the mandatory standard on quality of service for Broadband Access Service which was registered on 6 July 2007 and came into effect on 1 January 2008. The Commission thereafter issued the mandatory standard on the quality of services for Digital Leased Line Service which was registered on 15 June 2009 and came into effect on 1 July 2009.

Non-compliance with the mandatory standards on quality of service is a breach of Section 105(3) of the CMA and is liable to a fine of up to RM200,000 under Section 109 of the CMA.

Malaysia's World Trade Organisation Commitments

In April 1997, the Government entered into a Schedule of Specific Commitments (the "**Schedule**") with respect to telecommunications services under the General Agreement on Trade in Services ("**GATS**") among members of the World Trade Organisation ("**WTO**"), and, more specifically, the Agreement on Basic Telecommunications ("**ABT**") among WTO members. In the Schedule, the Government made a commitment that foreign suppliers from other WTO member countries would be free to provide telecommunications services cross-border into Malaysia. Malaysian consumers would be free to purchase telecommunications services from providers in other WTO member countries, and foreign individuals who enter and temporarily stay in Malaysia to work in the telecommunications sector will be provided with the same opportunities as foreigners entering Malaysia to work in other sectors. Under the Schedule, the Government stipulated that foreign telecommunications services providers may establish, operate or expand a commercial presence in Malaysia only through the acquisition of shares of existing telecommunications operators in Malaysia. Furthermore, such foreign shareholdings are limited on an ongoing basis to a total of 30 per cent. of those individual existing telecommunications operators.

Under the GATS, the Government is obligated to accord to the services, service suppliers and employees of any other WTO member operating in Malaysia treatment no less favourable than that which is accorded to domestic services, service suppliers and employees. The Government has also undertaken to adhere to the Pro-competitive Regulatory Principles set out in the Reference Paper to the ABT, with respect to, *inter alia*, providing interconnection and protecting competition in the telecommunications sector.

The following is a summary of certain provisions of the relevant principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the relevant principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Delegate and the Paying Agents (as defined in the Conditions).

Unless otherwise specified, defined terms in this section should be interpreted as being applicable to each Series, *mutatis mutandis*, as the relevant context may require.

DECLARATION OF TRUST

Pursuant to a master declaration of trust dated on or about the date of establishment of the Programme (the "**Closing Date**") (the "**Master Declaration of Trust**") between the Issuer as Trustee, TM and the Delegate, as supplemented, in respect of each Series, by a supplemental declaration of trust (each a "**Supplemental Declaration of Trust**" and, together with the Master Declaration of Trust and in respect of such Series only, the "**Declaration of Trust**"), the Trustee agrees to hold the Trust Assets (as defined below) upon trust absolutely for the Sukukholders of each such Series as beneficiaries in respect of that Series only, in accordance with the provisions of the relevant Declaration of Trust.

Pursuant to the Declaration of Trust, the Trustee will declare a trust (the "**Trust**") over certain assets (the "**Trust Assets**") for and on behalf of the Sukukholders of each Series. Each Trust shall be held separately and beneficially for the Sukukholders of the relevant Series. The Sukuk issued by the Trustee for each Series will represent the Sukukholders' undivided and proportionate beneficial ownership of and interest in the Trust Assets for such Series.

Unless otherwise specified in the relevant Supplemental Declaration of Trust and the applicable Pricing Supplement, the Trust Assets of each Series shall comprise:

(i) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Assets of that Series;

(ii) the right, title, interest and benefit, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) the Programme Agreement and (ii) any representations given by TM to the Trustee and the Delegate pursuant to any of the Transaction Documents);

(iii) all monies standing to the credit of the relevant transaction account ("**Transaction Account**") of that Series; and

(iv) any other assets, rights, cash or investments as may be specified in the applicable Pricing Supplement,

and all proceeds of the foregoing.

Pursuant to the Master Declaration of Trust, as supplemented by any relevant Supplemental Declaration of Trust, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the holders of the Sukuk of such Series *pro rata* according to the face amount of Sukuk held by each holder for the relevant Series.

The Trust Assets of a Series will be legally segregated from the Trust Assets of each other Series.

The Trustee unconditionally and irrevocably appoints the Delegate to be its attorney to exercise certain powers, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust.

The Master Declaration of Trust and Supplemental Declarations of Trust are governed by, and shall be construed in accordance with, English law.

"**Sukuk Assets**" means:

(a) any Vouchers (as defined below) to be purchased by the Trustee from TM pursuant to the Master Asset Purchase Agreement and any relevant Supplemental Asset Purchase Agreement;

(b) any Commodities to be purchased by the Trustee (or by the Wakeel on its behalf) to be sold to TM pursuant to the Master Murabaha Agreement); and

(c) any New Vouchers (as defined in the Substitution Undertaking) to be transferred and conveyed by TM in the circumstances specified and subject to the terms set out in the Substitution Undertaking,

provided that Sukuk Assets shall not include any underlying assets to be redeemed and/or repurchased in connection with the purchase and cancellation of any Cancellation Sukuk.

ASSET PURCHASE AGREEMENT

Pursuant to:

(a) a master asset purchase agreement (the "**Master Asset Purchase Agreement**") dated on or about the Closing Date between TM as seller (in such capacity, the "**Seller**" for the purposes of this paragraph 2) and the Trustee as purchaser; and

(b) a supplemental asset purchase agreement in connection with each Series issued (a "**Supplemental Asset Purchase Agreement**"),

the Seller may sell, transfer and convey to the Trustee vouchers representing an entitlement to either (i) a specified number of minutes of airtime on TM's mobile or fixed telecommunications network; or (ii) a specified number of units of high speed broadband services on TM's telecommunications network, as specified in the relevant Supplemental Asset Purchase Agreement (the "**Vouchers**"), at the specified cost price.

In connection with each Series, the Seller and Trustee will enter into a Supplemental Asset Purchase Agreement and the Trustee will pay to the Seller (or procure that the Seller is paid) the relevant purchase price set out in the Supplemental Asset Purchase Agreement, in the currency in which that Series is denominated (inclusive of any applicable Taxes) on, or immediately after, the date of that Supplemental Asset Purchase Agreement, in consideration for the transfer to the Trustee of the Seller's rights, benefits, entitlements and interests in, to and under the relevant Vouchers.

The Master Asset Purchase Agreement and Supplemental Asset Purchase Agreements are governed by, and shall be construed in accordance with, English law.

"**Taxes**" means any tax, levy, impost, duty, registration fee or other charge or withholding of a similar nature.

MASTER WAKALA AGREEMENT

Pursuant to a master wakala agreement (the "**Master Wakala Agreement**") dated on or about the Closing Date between the Trustee and TM, the Trustee (as principal) appoints TM as its agent (in such capacity, the "**Wakeel**") to perform certain services on its behalf. Pursuant to the terms of the Master Wakala Agreement, the Wakeel shall, in relation to each Series:

(a) use all reasonable endeavours to procure that, at all times following each Issue Date (as defined below) and during the tenor of the respective Series, where a particular Series comprises outstanding Murabaha Contracts the ratio (expressed as a percentage) of (A) the aggregate of the Value of any Vouchers owned by the Trustee but unsold by the Wakeel in that Series (each a "**Tangible Asset**" and together, the "**Tangible Assets**") to (B) the Sukuk Assets, is equal to at least 33 per cent. (the "**Tangibility Ratio**"). Notwithstanding the foregoing, the Tangibility Ratio as at each Issue Date shall be equal to at least 51 per cent.;

(b) ensure that, in the event that it is in breach of the Tangibility Ratio at any time, use all reasonable endeavours to acquire as soon as reasonably practicable thereafter sufficient Tangible Assets to ensure that the Tangibility Ratio is maintained;

(c) upon receipt of a Notice of Request to Purchase (as defined below) under the Master Murabaha Agreement, acquire Commodities, through the Transaction Agent, for an amount to be determined by the Trustee in the relevant Notice of Request to Purchase (the "**Commodity Amount**") on or before the Issue Date of the relevant Series provided always that the Commodity Amount for each Series as at each Issue Date shall be an amount equal to or less than 49 per cent. of the relevant Proceeds, and selling such Commodities to TM (as Purchaser) at a Deferred Payment Price; and

(d) act as the Trustee's sole and exclusive distributor to sell Vouchers to Customers (as defined below) on the terms of the Master Wakala Agreement and/or, as applicable, the relevant Distribution Notice.

The minimum sale price for the Vouchers (as specified in the Master Wakala Agreement) shall be calculated by reference to the aggregate of the relevant Voucher Cost Price and the applicable Voucher Profit Amount, such that the proceeds from the sale of Vouchers in any Distribution Period shall always be sufficient to pay the relevant Periodic Distribution Amounts (as defined in the Conditions) due under the relevant Series.

In respect of each Series and on or prior to the relevant Issue Date, the Wakeel shall establish the following ledger accounts and maintain each such account in its books in accordance with the terms of the Master Wakala Agreement:

(a) a collection account (the "**Collection Account**"); and

(b) a reserve account (the "**Reserve Account**"),

each denominated in the Relevant Currency (as defined in the Master Wakala Agreement) for that Series.

The Wakeel shall ensure that all proceeds of the distribution and sale of any Vouchers pursuant to the terms of the Master Wakala Agreement and/or, as applicable, each Distribution Notice (the "**Voucher Proceeds**") are promptly credited in the Relevant Currency (as defined in the Master Wakala Agreement) up to an amount equal to the Voucher Cost Price attributed to each such Voucher to the relevant Reserve Account and any further proceeds to the relevant Collection Account.

In respect of each Series, no later than the last Business Day of a Distribution Period, the Wakeel shall:

(a) debit the relevant Collection Account with an amount equal to the Wakala Profit Amount for that Distribution Period;

(b) transfer the amount of such Wakala Profit Amount to the relevant Transaction Account; and

(c) following the steps referred to in (a) and (b) above, transfer and credit any amount remaining in the relevant Collection Account to the relevant Reserve Account.

In respect of each Series and following the occurrence of an Additional Purchase Event under that Series, the Wakeel undertakes to use any Voucher Proceeds credited to the relevant Reserve Account to purchase Additional Vouchers (for the account of Tulip Maple Berhad) and, accordingly, to debit from the relevant Reserve Account an amount equal to the Voucher Purchase Price of such Additional Vouchers.

On the Dissolution Date, subsequent to application of the monies standing to the credit of the Transaction Account in accordance with Condition 6(d)(i)-(iv) (*Trust — Application of Proceeds from Trust Assets*), the amount (if any) remaining credited to the Transaction Account shall be paid to the Wakeel as an incentive fee for acting as Wakeel (in relation to each Series, an "**Incentive Fees**").

The Wakeel may use the amounts credited to the relevant Reserve Account from time to time for its own Shariah compliant purposes, provided that the Wakeel shall be required (without notice) to immediately re-credit all such amounts (except for any properly deducted Incentive Fees) against the Reserve Account in accordance with the Master Wakala Agreement.

If, for whatever reason, the Wakeel does not distribute and sell the full Designated Voucher Quantity during a particular Distribution Period (the number of Vouchers equal to the shortfall in the Vouchers sold being the "**Surplus Vouchers**"), then:

(a) the Wakeel shall notify the Trustee of such event (or expected event), no later than five (5) Business Days prior to the relevant Payment Date, specifying the number, or expected number, of Surplus Vouchers; and

(b) the Trustee shall be entitled to sell any Surplus Vouchers still unsold on the Business Day prior to the relevant Payment Date in accordance with the terms of the Purchase Undertaking.

If, for whatever reason (including, without limitation, as a result of a breach by the Wakeel of its obligations under the Master Wakala Agreement), the proceeds from the distribution and sale of a Voucher during a Periodic Distribution Period are less than the relevant minimum sale price (as specified in the Master Wakala Agreement) (a "**Voucher Shortfall Amount**"), the Wakeel shall indemnify the Trustee in respect of all such shortfalls and the Wakeel shall credit the relevant Collection Account (as defined in the Master Wakala Agreement) on the last Business Day of that Periodic Distribution Period with funds equal to the aggregate of all Voucher Shortfall Amounts incurred (or expected to be incurred on such date) during that Distribution Period.

Other than on the first Wakala Services Payment Date, the Trustee shall reimburse the Wakeel for each Wakala Services Charge Amount:

(a) on the Wakala Services Payment Date for the next Wakala Services Period; and

(b) in the case of the final Wakala Services Period of the Wakala Services Term, on the Wakala Services End Date, provided that an amount equal to the Wakala Services Charge Amount that is payable as part of any exercise price pursuant to the Purchase Undertaking or Sale Undertaking shall be set off against the Wakala Services Charge Amount to be paid by the Trustee to the Wakeel under the Master Wakala Agreement.

The Master Wakala Agreement is governed by, and shall be construed in accordance with, English law.

"**Additional Distribution Period**" has the meaning given to it in the Purchase Undertaking.

"**Additional Purchase Event**" means, in relation to a particular Series and except as provided in the Purchase Undertaking and provided that a Revocation Event has not occurred, any time at which the Voucher Cost Price of the unsold Vouchers is less than 33 per cent. of the aggregate Outstanding Amount for that Series at that time;

"**Additional Vouchers**" has the meaning given to it in the Master Asset Purchase Agreement;

"**Authorised Entity**" has the meaning given to it in the Master Asset Purchase Agreement.

"**Commodities**" has the meaning given to it in the Master Murabaha Agreement.

"**Customer**" means any person (other than the Trustee or TM) who purchases the Vouchers or the Units which the Vouchers represent.

"**Deferred Payment Price**" has the meaning given to it in the Master Murabaha Agreement.

"**Dissolution Date**" has the meaning given to it in the Conditions.

"**Distribution Notice**" means, in relation to a particular Series, any notice substantially in the form set out at schedule 1 (*Form of Distribution Notice*) of the Master Wakala Agreement and delivered by or on behalf of the Trustee to the Wakeel in accordance with the terms of the Master Wakala Agreement.

"**Issue Date**" means, in relation to a particular Series, the date specified as such in the applicable Pricing Supplement.

"**Murabaha Contract**" has the meaning given to it in the Master Murabaha Agreement.

"**Murabaha Indemnity Amount**" has the meaning given to it in the Master Murabaha Agreement.

"**Notice of Request to Purchase**" has the meaning given to it in the Master Murabaha Agreement.

"**Outstanding Amount**" means, in relation to a particular Series and at any given time, the aggregate face amount of the relevant Sukuk outstanding at that time.

"**Revocation Date**" means, in relation to a Revocation Event, the date on which either (i) TM has ceased to be an Authorised Entity and its obligations relating to Vouchers under the Transaction Documents have not been validly transferred in accordance with all applicable laws to any of its Subsidiaries which is an Authorised Entity; or (ii) in the event that any Subsidiary of TM has validly assumed the obligations of TM (or of any other Subsidiary of TM, as the case may be) relating to Vouchers under the Transaction Documents, such Subsidiary has ceased to be an Authorised Entity and its obligations relating to Vouchers under the Transaction Documents have not been validly transferred in accordance with all applicable laws to any other Subsidiary of TM which is an Authorised Entity.

"**Revocation Event**" means, in respect of a Series, an event or circumstance where (a) the Revocation Date has occurred and (b) TM is unable within 45 days of the Revocation Date to (in its capacity as Wakeel) obtain Vouchers pursuant to a Supplemental Asset Purchase Agreement for an amount at least equal to the aggregate amount of Vouchers owned by the Trustee but unsold as at the Revocation Date.

"**Units**" has the meaning given to it in the Master Asset Purchase Agreement.

"**Voucher**" means, in relation to a particular Series, vouchers sold pursuant to the Supplemental Asset Purchase Agreement relating to such Series.

"**Voucher Cost Price**" has the meaning given to it in the Master Asset Purchase Agreement and the relevant Supplemental Asset Purchase Agreement.

"**Wakala Profit Amount**" means, in respect of any Wakala Services Period, the corresponding Periodic Distribution Amount for such Wakala Services Period;

"**Wakala Services**" means, in relation to each Series:

(a) the services relating to Taxes specified in the Master Wakala Agreement to be provided by the Wakeel on behalf of the Trustee;

(b) where such Series comprises a Murabaha Contract, each of the services relating to the Murabaha Contracts specified in the Master Wakala Agreement to be provided by the Wakeel on behalf of the Trustee; and

(c) each of the services relating to the Vouchers specified in the Master Wakala Agreement to be provided by the Wakeel on behalf of the Trustee,

in each case, in accordance with the terms and conditions of the Master Wakala Agreement.

"**Wakala Services Charge Amount**" means, in respect of a Wakala Services Period, all payments made or costs incurred by the Wakeel in respect of the Wakala Services performed during that Wakala Services Period.

"**Wakala Services End Date**" means, in relation to a particular Series, the Dissolution Date for that Series, unless (i) a Revocation Event occurs; or (ii) the Wakala Services End Date is extended in accordance with the Purchase Undertaking, in which case it shall mean (x) in the case of (i) above, the date of the Revocation Event Dissolution Date, and (y) in the case of (ii) above, the last day of the final Additional Distribution Period (as appropriate).

"**Wakala Services Payment Date**" means the date of each Periodic Distribution Date.

"**Wakala Services Period**" means, in relation to a Series, the period from, and including, a Wakala Services Payment Date (or with respect to the first Wakala Service Period, from, and including, the Issue Date of the relevant Sukuk for that Series) to, but excluding, the immediately following Wakala Services Payment Date (or, with respect to the final Wakala Services Period, the Wakala Services End Date).

"**Wakala Services Term**" means, in relation to each Series, the period beginning on the Issue Date and ending on the date on which all of the Sukuk for that Series are redeemed in full.

MASTER MURABAHA AGREEMENT

Pursuant to a murabaha agreement (the "**Master Murabaha Agreement**") dated on or about the Closing Date between the Trustee as the seller of Commodities (for the purposes of this paragraph, the "**Seller**") and TM as the purchaser of Commodities (the "**Purchaser**"), the Purchaser may request the Seller, either itself or through the Transaction Agent (on behalf of the Wakeel), to purchase Commodities no later than the Issue Date of the relevant Series from the Supplier, for an amount set out in the relevant Notice of Request to Purchase (which shall be no greater than 49 per cent. of the aggregate proceeds of issuance for that Series) (the "**Purchase Price**") and irrevocably and unconditionally undertakes to purchase such Commodities from the Seller (or the Transaction Agent and the Wakeel acting in their capacities as agents or sub-agents, as the case may be, of the Seller) once they have been acquired by the Seller for a deferred payment price equal to the amount set out in the relevant Offer Notice (the "**Deferred Payment Price**").

The Seller (or the Transaction Agent and/or the Wakeel acting in their capacities as agents or sub-agents, as the case may be, of the Seller) will purchase Commodities from the Supplier on immediate delivery and immediate payment terms and will immediately on-sell such Commodities to the Purchaser for the Deferred Payment Price on immediate delivery terms but with payment on a deferred basis such that the outstanding Deferred Payment Price will be immediately due and payable on the Business Day prior to the relevant Dissolution Date.

The Purchaser irrevocably and unconditionally undertakes to pay to the Seller an amount equal to the outstanding Deferred Payment Price by crediting such amount to the Transaction Account on or before two Business Days prior to the Dissolution Date. Provided that the Purchaser has concluded a Murabaha Contract with the Seller in accordance with the Master Murabaha Agreement, the amount of the Deferred Payment Price to be paid by the Purchaser to the Seller shall be set off to the fullest extent possible against any outstanding Cancellation Amounts to be paid by the Seller (in its capacity as Trustee) to the Purchaser pursuant to the exercise of the Redemption Undertaking.

In the event that the Purchaser fails to comply with its undertaking to purchase such Commodities from the Seller for the Deferred Payment Price, the Purchaser acknowledges that the Seller will have incurred losses in an amount equal to the Purchase Price (the "**Murabaha Indemnity Amount**") and undertakes to indemnify the Seller, on the relevant Dissolution Date, for an amount equal to the outstanding Murabaha Indemnity Amount. The amount equal to the Murabaha Indemnity Amount to be paid by the Purchaser to the Seller shall be set off to the fullest extent possible against any outstanding Cancellation Amounts to be paid by the Seller to the Purchaser in relation to the exercise of the Redemption Undertaking.

Provided that no further Murabaha Indemnity Amount is due from the Purchaser to the Seller following a claim under the indemnity, the Seller shall:

(a) to the extent that it continues to have ownership of the relevant Commodities, transfer such ownership to the Purchaser; or

(b) to the extent that it has sold the Commodities to a third party, give to the Purchaser any proceeds of such sale up to the Murabaha Indemnity Amount paid by the Purchaser to the Seller, provided that any proceeds of such sale that are in excess of the Murabaha Indemnity Amount shall be retained by the Seller.

The Master Murabaha Agreement is governed by, and shall be construed in accordance with, English law.

"**BCH System**" means the Bursa Commodity House System, established, owned and operated by BMIS which provides the automated and computerised electronic trading system to carry out trades on the Market.

"**BMIS**" means Bursa Malaysia Islamic Services Sdn Bhd (formerly known as BMIS Sdn Bhd) (Company No. 853675-M), a company established under the Malaysian Companies Act 1965, which operates the BCH System, and includes its successors in title, assigns and such other entities into which it is merged or amalgamated or to which its business or undertaking are transferred from time to time.

"**Commodities**" means any Shariah compliant commodities that are traded on the Market (excluding, for the avoidance of doubt, gold and silver).

"**Market**" means the commodity market operated by BMIS for the trading of commodities.

"**Notice of Request to Purchase**" means, in relation to a proposed Murabaha Contract, the notice from the Purchaser to the Seller requesting that the Seller purchase certain Commodities from the Supplier, substantially in the form set out in Schedule 1 (*Form of Notice of Request to Purchase*) of the Master Murabaha Agreement.

"**Offer Notice**" means, in relation to a proposed Murabaha Contract, the confirmation from the Seller to the Purchaser that the Seller has purchased the Commodities from the Supplier as requested by the Purchaser and the offer from the Seller offering to sell the same Commodities to the Purchaser, substantially in the form set out in Schedule 2 (*Form of Offer Notice*) of the Master Murabaha Agreement.

"**Supplier**" means any person admitted as a participant of BMIS who supplies Commodities on the Market and whose functions include those referred to in Rule 302.2 of the Rules.

"**Transaction Agent**" means HSBC Amanah Malaysia Berhad, a commodity trading participant registered with BMIS or such other agent appointed from time to time pursuant to the Transaction Agency Agreement.

TRANSACTION AGENCY AGREEMENT

Pursuant to a transaction agency agreement (the "**Transaction Agency Agreement**") dated on or about the Closing Date between the Wakeel, TM and the Transaction Agent:

(a) the Wakeel appoints the Transaction Agent as its agent to purchase; and

(b) TM (acting in its capacity as Purchaser under the Master Murabaha Agreement) appoints the Transaction Agent as its agent to sell,

Commodities pursuant to, and in accordance with, the terms of the Transaction Agency Agreement.

The Transaction Agent agrees to perform and execute all acts with respect to the purchase and sale of Commodities on behalf of the Wakeel or, as the case may be, TM, through purchase agreements, sale agreements, certificates and other documents and instruments as fully as the Wakeel and/or TM could respectively perform and to negotiate at the very best of its professional capability with the relevant suppliers and buyers of Commodities on behalf of the Wakeel and TM, as applicable.

The Transaction Agency Agreement is governed by, and shall be construed in accordance with, Malaysian law.

AGENCY AGREEMENT

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or about the Closing Date entered into between the Trustee, the Delegate, TM, the entity or entities to be appointed as principal paying agent, the calculation agent, the transfer agents (together the "**Agents**") and the registrar, ("**Registrar**"), pursuant to which the Agents and the Registrar are appointed as such in respect of the Programme. The Agency Agreement set outs *inter alia* the provisions for payment of all sums due in respect of the Sukuk issued under the Programme.

The Agency Agreement is governed by, and shall be construed in accordance with, English law.

PURCHASE UNDERTAKING

Pursuant to a purchase undertaking (the "**Purchase Undertaking**") dated on or about the Closing Date granted by TM in favour of the Trustee and the Delegate, TM (in its capacity as Obligor) irrevocably grants to the Trustee, on behalf of Sukukholders, the right, in respect of each Series, to require TM (as Obligor) to purchase and accept the transfer of all of the Trustee's interests, rights, benefits and entitlements in and to some or all of the relevant Wakala Assets at the Sukuk Exercise Price (as defined below) specified in the Exercise Notice:

(a) on the Scheduled Dissolution Date of the relevant Sukuk;

(b) at any time on or prior to a Dissolution Date other than a Scheduled Dissolution Date, a Cancellation Dissolution Date, or a Revocation Event Dissolution Date, following the occurrence of a Dissolution Event which is continuing, and in respect of which a notice has been given by the Delegate to the Trustee that a Dissolution Request has been made in accordance with Condition 15 (*Dissolution Events*); or

(c) upon the cancellation of all outstanding Sukuk in the relevant Series following the exercise of the Redemption Undertaking or Change of Control Undertaking, on the Cancellation Dissolution Date specified in the Exercise Notice.

Pursuant to the Purchase Undertaking, and in relation to each Series, TM irrevocably undertakes to purchase and accept the transfer on any Surplus Date of all of the Trustee's interests, rights, benefits and entitlements in and to all Surplus Vouchers corresponding to that Surplus Date, in consideration for the payment of the applicable Surplus Purchase Price.

Pursuant to the Purchase Undertaking, and in relation to each Series, TM undertakes to, upon the occurrence of a Revocation Event, purchase and accept the transfer and conveyance on the relevant Revocation Event Dissolution Date specified in the Exercise Notice of all of the Trustee's interests, rights, benefits and entitlements in and to any relevant Residual Assets at the Residual Assets Exercise Price specified in the Exercise Notice.

In order to exercise these rights, the Trustee (or the Delegate as applicable, on its behalf) is required to deliver an Exercise Notice to TM under, and in accordance with the terms of, the Purchase Undertaking.

On a Dissolution Date:

(a) an amount equal to the Wakala Services Charge Amount to be paid by TM as part of any Sukuk Exercise Price or Residual Assets Exercise Price and any Wakala Services Charge Amount to be paid by the Trustee in accordance with the Master Wakala Agreement shall be set off against one another; and

(b) a proportion of the amount equal to the outstanding Cancellation Amounts (if any) to be paid by TM as part of any Sukuk Exercise Price or Residual Assets Exercise Price (as applicable) and any outstanding Cancellation Amounts to be paid by the Trustee to TM in relation to the exercise of the Redemption Undertaking that will not be set off against the Deferred Payment Price pursuant to, and in accordance with, the Master Murabaha Agreement shall be set off against one another.

TM agrees in the Purchase Undertaking that, except for the set off of any outstanding Wakala Services Charge Amount or Cancellation Amounts, all payments by it under the Purchase Undertaking will be made in the Specified Currency without deduction or withholding for or on account of Tax unless required by law and without set-off or counterclaim of any kind and, in the event that there is any such deduction or withholding required by law, TM shall pay all additional amounts as will result in the receipt by the Trustee, the Delegate and each other Compensated Person (as defined in the Purchase Undertaking) of such net amounts as would have been received by it if no such withholding or deduction had been made.

Subject to the payment of the Sukuk Exercise Price, Residual Assets Exercise Price or Surplus Purchase Price, as applicable, in accordance with the Purchase Undertaking and, as applicable, the outstanding Deferred Payment Price or Murabaha Indemnity Amount in accordance with the terms of the Master Murabaha Agreement, the Trustee and TM will enter into a sale agreement (the "**Purchase Undertaking Sale Agreement**") in substantially the form scheduled to the Purchase Undertaking to effect the sale and transfer of all of the Trustee's interest, rights, benefits and entitlements in and to the relevant Wakala Assets, Residual Assets and/or, as applicable, the Surplus Vouchers to TM.

The Sukuk Exercise Price, together with any Deferred Payment Price or Murabaha Indemnity Amount (as applicable) payable by TM to the Trustee will be used to fund the Dissolution Amount payable by the Trustee under the Sukuk.

If, following receipt of an Exercise Notice pursuant to the Purchase Undertaking, TM fails to pay all or part of any Sukuk Exercise Price on its Sukuk Due Date or, as applicable, any outstanding Deferred Payment Price or Murabaha Indemnity Amount when due in accordance with the Master Murabaha Agreement (after taking into consideration any set off of any outstanding Wakala Services Charge Amount and/or Cancellation Amounts, the aggregate amounts not being paid being the "**Outstanding Price**"), then TM shall irrevocably, unconditionally and automatically (without the necessity for any notice or any other action) continue to act as Wakeel in respect of the unsold Vouchers with effect from and including the Sukuk Due Date to, but excluding, the date on which the sale and purchase in respect of the Trustee's interests, rights, benefits and entitlements in and to the relevant Wakala Assets occurs (including the payment in full of the Outstanding Price and all other accrued amounts by TM) and the Distribution Term as specified in the relevant Supplemental Distribution Notice shall be deemed to be extended for successive periods having the same length as the original Distribution Periods (and each such period shall constitute an "**Additional Distribution Period**") during the period from, and including, the Sukuk Due Date to, but excluding, the earlier of:

(a) the date on which the sale and purchase in respect of the Trustee's interests, rights, benefits and entitlements in and to the relevant Wakala Assets occurs (including the payment in full of the Outstanding Price and all other accrued amounts by TM); and

(b) the date upon which there are no more Vouchers remaining for distribution and sale.

If, following the receipt of an Exercise Notice pursuant to the Purchase Undertaking, TM fails to pay all or part of any Residual Assets Exercise Price on the Residual Assets Due Date or, as applicable, any outstanding Deferred Payment Price or Murabaha Indemnity Amount in accordance with the terms of the Master Murabaha Agreement (after taking into consideration any set off of any outstanding Wakala Services Charge Amount and/or Cancellation Amounts, the aggregate amounts not paid being the "**Residual Assets Outstanding Price"**), then TM shall irrevocably, unconditionally and automatically (without the necessity for any notice or any other action) continue to act as Wakeel in respect of the unsold Vouchers with effect from and including the Residual Assets Due Date and the

Distribution Term as specified in the relevant Supplemental Distribution Notice shall be deemed to be extended for successive periods having the same length as the original Distribution Periods (and each such period shall constitute an "**Additional Distribution Period"**) during the period from (and including) the Residual Assets Due Date to, but excluding, the earlier of:

(a) the date upon which the Residual Assets Outstanding Price and all Distribution Profit which has accrued is paid in full by TM; and

(b) the date upon which there are no more Vouchers remaining for distribution and sale.

TM has agreed that certain events or circumstances shall constitute TM Events under the Purchase Undertaking. For a full list of the TM Events, please see Condition 15 (*Dissolution Events*).

The Sukukholders also have the benefit of a negative pledge given by TM in the Purchase Undertaking, the full details of which are set out in Condition 5(a) (*Negative Pledge; Consolidation, Merger and Sale of Assets — Negative Pledge*).

The Purchase Undertaking is governed by, and shall be construed in accordance with, English law.

"**Cancellation Amount**" or "**Cancellation Amounts**" has the meaning given to it in the Redemption Undertaking.

"**Cancellation Dissolution Date**" means, in relation to each Series, the date on which all of the Sukuk for that Series are cancelled and redeemed in accordance with the provisions of Condition 14 (*Purchase and Cancellation of Certificates*).

"**Collection Account**" has the meaning given to it in the Master Wakala Agreement.

"**Deferred Payment Price**" has the meaning given to it in the Master Murabaha Agreement.

"**Dissolution Event**" has the meaning given to it in Condition 15 (*Dissolution Events*).

"**Dissolution Request**" has the meaning given to it in Condition 15 (*Dissolution Events*).

"**Distribution Notice**" has the meaning given to it in the Master Wakala Agreement.

"**Distribution Period**" has the meaning given to it in the Master Wakala Agreement.

"**Distribution Profit**" has the meaning given to it in the Master Wakala Agreement.

"**Exercise Notice**" means a notice substantially in the form set out in Schedule 1 (Form of Exercise Notice) of the Purchase Undertaking.

"**Minimum Sale Price**" has the meaning given to it in the Master Wakala Agreement.

"**Residual Assets**" means, in relation to any Series and at any time, the unsold Vouchers at such time.

"**Residual Assets Due Date**" has the meaning given to it in the Purchase Undertaking.

"**Residual Assets Exercise Price**" means, at any time, an amount equal to the aggregate of:

(a) the outstanding face amount of the Sukuk for that Series; and

(b) all accrued but unpaid Distribution Profit (or part thereof) relating to the Vouchers (if any), to the extent not received by the Trustee under the Master Wakala Agreement,

less

(c) an amount equal to only one of the following (as applicable):

(i) the outstanding Deferred Payment Price (after any reduction pursuant to the Master Murabaha Agreement) due under the Master Murabaha Agreement, where a Murabaha Contract has been concluded for that Series pursuant to the Master Murabaha Agreement; or

(ii) the outstanding Murabaha Indemnity Amount (after any reduction pursuant to the Master Murabaha Agreement) due under the Master Murabaha Agreement, where a Murabaha Contract has not been concluded pursuant to the Master Murabaha Agreement for that Series but the Wakeel has complied with its obligations contained in the Master Wakala Agreement.

"**Scheduled Dissolution Date**" has the meaning given to it in the Conditions.

"**Specified Currency**" has the meaning given to it in the Conditions.

"**Sukuk Due Date**" has the meaning given to it in the Purchase Undertaking.

"**Sukuk Exercise Price**" means, in relation to each Series and at any time, an amount equal to the aggregate of:

(a) the outstanding face amount of the Sukuk for that Series;

(b) all accrued but unpaid Distribution Profit (or part thereof) relating to the Vouchers (if any), to the extent not received by the Trustee under the Master Wakala Agreement;

(c) without duplication or double counting, an amount equal to any accrued but unpaid Wakala Services Charge Amount;

(d) an amount equal to any outstanding Cancellation Amounts payable in relation to the exercise of the Redemption Undertaking (to the extent not already set off pursuant to the Transaction Documents); and

(e) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 6(d) (*Trust — Application of Proceeds from Trust Assets*)) in accordance with Condition 6(d) (*Trust — Application of Proceeds from Trust Assets*),

less

(f) an amount equal to only one of the following (as applicable):

(i) the outstanding Deferred Payment Price (after any reduction pursuant to the Master Murabaha Agreement) due under the Master Murabaha Agreement, where a Murabaha Contract has been concluded for that Series pursuant to the Master Murabaha Agreement; or

(ii) the outstanding Murabaha Indemnity Amount (after any reduction pursuant to the Master Murabaha Agreement) due under the Master Murabaha Agreement, where a Murabaha Contract has not been concluded for that Series pursuant to the Master Murabaha Agreement but the Wakeel has complied with its obligations contained in the Master Wakala Agreement.

"**Surplus Vouchers**" has the meaning given to it in the Master Wakala Agreement.

"**Surplus Date**" means, in relation to each Series and the relevant Surplus Vouchers, the Business Day prior to the Payment Date for the Distribution Period during which those Surplus Vouchers should have been distributed and sold pursuant to the Master Wakala Agreement and the relevant Distribution Notice.

"**Surplus Purchase Price**" means, in relation to each Series and the relevant Surplus Date, an amount equal to:

(a) the number of Surplus Vouchers; multiplied by

(b) the Minimum Sale Price at which those Surplus Vouchers should have been sold.

"**Wakala Assets**" means, in relation to each Series, the Vouchers owned by the Trustee but unsold.

SALE UNDERTAKING

Pursuant to a sale undertaking (the "**Sale Undertaking**") dated on or about the Closing Date granted by the Trustee in favour of TM (in its capacity as Obligor), the Trustee irrevocably grants to TM the right, in relation to each Series, to require the Trustee to sell and transfer the Trustee's interests, rights, benefits and entitlements in and to the relevant Wakala Assets at the Sukuk Exercise Price. The right may only be exercised by TM following the occurrence of a Tax Event or the exercise of an Optional Dissolution Right, if so specified in the applicable Pricing Supplement for the relevant Series, and subject to no TM Event or Potential TM Event having occurred and being continuing and the Trustee (or the Delegate and/or Principal Paying Agent on its behalf) not having previously delivered a Purchase Undertaking Exercise Notice.

In order to exercise these rights, TM is required to deliver an Exercise Notice to the Trustee (with a copy to the Principal Paying Agent and the Delegate) under, and in accordance with the terms of, the Sale Undertaking.

On a Dissolution Date, an amount equal to the Wakala Services Charge Amount to be paid by TM as part of any Sukuk Exercise Price under the Sale Undertaking and any Wakala Services Charge Amount to be paid by the Trustee under the Master Wakala Agreement shall be set off against one another.

Subject to the payment of the relevant Sukuk Exercise Price on the relevant Dissolution Due Date in accordance with the Sale Undertaking, the Trustee and TM will enter into a sale agreement (the "**Sale Undertaking Sale Agreement**") in substantially the form scheduled to the Sale Undertaking to effect the sale and transfer of all of the Trustee's interests, rights, benefits and entitlements in and to the relevant Wakala Assets to TM. TM has agreed that an Exercise Notice delivered in accordance with the Sale Undertaking will cease to have any effect following the occurrence of a TM Event or from, and including, the date on which TM fails to settle the Sukuk Exercise Price in full in accordance with the terms of the Sale Undertaking.

The Sale Undertaking is governed by, and shall be construed in accordance with, English law.

"**Exercise Notice**" means a notice substantially in the form set out in schedule 1 (*Form of Exercise Notice*) of the Sale Undertaking.

"**Optional Dissolution Right**" has the meaning given to it in Condition 11(c) (*Capital Distributions of the Trust — Dissolution at the Option of TM*).

"**Principal Paying Agent**" means The Hongkong and Shanghai Banking Corporation Limited.

"**Tax Event**" has the meaning given to it in Condition 11(b) (*Capital Distributions of the Trust —Early Dissolution for Tax Reasons*).

"**TM Event**" has the meaning given to it in the Purchase Undertaking.

REDEMPTION UNDERTAKING

Pursuant to a redemption undertaking (the "**Redemption Undertaking**") dated on or about the Closing Date granted by the Trustee in favour of TM, the Trustee irrevocably grants to TM the right, in relation to each Series, to require the Trustee to purchase from TM the relevant Change of Control Sukuk or Cancellation Sukuk (as the case may be) held by TM in consideration for the cancellation of the relevant Sukuk and payment of the applicable Cancellation Amount to TM.

In order to exercise this right, TM is required to deliver a Cancellation Notice to the Trustee under, and in accordance with the terms of, the Redemption Undertaking, specifying the Change of Control Sukuk or Cancellation Sukuk (as applicable) to be transferred to the Trustee, the Change of Control Redemption Date or Cancellation Date (as applicable), which must also be a Periodic Distribution Date, and the relevant Cancellation Amount.

Pursuant to the Redemption Undertaking, TM and the Trustee agree and acknowledge as follows:

(a) payment of the relevant Cancellation Amounts by the Trustee shall be deferred until the Dissolution Date;

(b) the relevant Cancellation Amount payable in connection with the purchase of the Change of Control Sukuk or Cancellation Sukuk (as applicable) represents fair and valuable consideration for the purchase from TM of its interest, rights, benefits and entitlements in, to and under such Change of Control Sukuk or Cancellation Sukuk (as applicable); and

(c) the Trustee may set-off any amount that is due and payable to it by TM under the Master Wakala Agreement, the Master Murabaha Agreement and/or the Purchase Undertaking against any payment obligation of the Trustee to TM pursuant to the Redemption Undertaking, regardless of the place of payment or currency of either obligation, provided always that any amounts to be set-off under the Redemption Undertaking shall first be applied against amounts outstanding under the Master Murabaha Agreement.

The Redemption Undertaking and Cancellation Notice are governed by, and shall be construed in accordance with, English law.

"**Cancellation Amount**" means, in relation to a particular Series, an amount to be paid by the Trustee to TM no later than the relevant Dissolution Date for the purchase of any Change of Control Sukuk or Cancellation Sukuk (as the case may be) from time to time pursuant to an exercise of the Redemption Undertaking, and as specified in the Cancellation Notice, which is equal to the aggregate face amount of the relevant Sukuk plus any due but unpaid Periodic Distribution Amounts under such Sukuk.

"**Cancellation Date**" means the date specified as such in a Cancellation Notice.

"**Cancellation Notice**" means a notice substantially in the form set out in Schedule 1 (*Form of Cancellation Notice*) of the Redemption Undertaking.

CHANGE OF CONTROL UNDERTAKING

Pursuant to a change of control undertaking (the "**Change of Control Undertaking**") dated on or about the Closing Date granted by TM in favour of the Trustee and the Delegate, TM irrevocably undertakes to, in respect of each Series and on a Change of Control and provided a Change of Control Confirmation Notice has been served on the Trustee by the Registrar, a Transfer Agent or a Paying Agent, purchase certain Sukuk specified in the Change of Control Purchase Notice (the "**Change of Control Sukuk**") from the relevant Sukukholders in consideration for the payment of the Change of Control Amount.

The rights granted by TM pursuant to the Change of Control Undertaking shall be exercised by the Trustee (or a Paying Agent on its behalf) serving a Change of Control Purchase Notice upon TM specifying the Change of Control Amount and the Change of Control Sukuk.

Following the exercise of this right, TM shall, on the seventh day after the last day of the Change of Control Exercise Period, purchase the Change of Control Sukuk from the relevant Sukukholders in consideration for the payment by wire transfer in the Specified Currency and in same day, freely transferable, cleared funds, of the Change of Control Amount.

The exercise of the right granted by TM pursuant to the Change of Control Undertaking is subject to TM not having previously: (i) received an Exercise Notice under, and as defined in, the Purchase Undertaking; or (ii) delivered an Exercise Notice under, and as defined in, the Sale Undertaking, in each case, in relation to that Series.

TM has given certain representations and warranties in the Change of Control Undertaking and has undertaken to notify the Trustee and the Delegate of the occurrence of a Change of Control (and provide details in respect thereof) promptly upon becoming aware of its occurrence.

The Change of Control Undertaking and Change of Control Purchase Notice are governed by, and shall be construed in accordance with, English law.

"**Change of Control**" has the meaning given to it in the Conditions.

"**Change of Control Amount**" means, in relation to a particular Series, the aggregate face amount of the Change of Control Sukuk to be redeemed plus any due but unpaid Periodic Distribution Amounts under such Change of Control Sukuk.

"**Change of Control Exercise Period**" has the meaning given to it in the Conditions.

"**Change of Control Purchase Notice**" means a notice in the form of, or substantially in the form of, Schedule 1 (*Form of Change of Control Purchase Notice*) of the Change of Control Undertaking.

SUBSTITUTION UNDERTAKING

Pursuant to a substitution undertaking (the "**Substitution Undertaking**") dated on or about the Closing Date granted by the Trustee in favour of TM, the Trustee irrevocably undertakes to grant to TM the right, in relation to each Series, to require the Trustee to sell, transfer and convey its interests, rights, benefits and entitlements in the Vouchers or any part thereof (the "**Substituted Vouchers**"), to TM, provided that there has been no Revocation Event in relation to the relevant Vouchers. In consideration for the sale and transfer of the Substituted Vouchers (as applicable) by the Trustee to TM, TM will transfer new Vouchers representing Shariah compliant assets (the "**New Vouchers**") to the Trustee.

TM will be obliged to certify that the New Vouchers are assets capable of being sold and of a value equal to or greater than the value of the Substituted Vouchers.

In order to exercise these rights, TM is required to deliver a Substitution Notice to the Trustee under, and in accordance with the terms of, the Substitution Undertaking.

The substitution of New Vouchers for the Substituted Vouchers will become effective on the Substitution Date (as specified in the Substitution Notice to be delivered by TM in accordance with the Substitution Undertaking) by the Trustee and TM entering into a sale agreement (the "**Substitution Undertaking Sale Agreement**") in substantially the form scheduled to the Substitution Undertaking.

The Substitution Undertaking and Substitution Undertaking Sale Agreements are governed by, and shall be construed in accordance with, English law.

"**Substituted Vouchers**" means the Vouchers specified as such in a Substitution Notice to the extent that on the Substitution Date they constitute Vouchers belonging to the Trustee.

"**Substitution Notice**" means a notice substantially in the form set out in schedule 1 (*Form of Substitution Notice*) of the Substitution Undertaking.

MALAYSIAN TAX

The payment of periodic distributions by the Issuer on the Sukuk to a non-Malaysian resident will not be subject to interest withholding tax in Malaysia pursuant to Section 33B of Schedule 6 of the Income Tax Act, 1967. The repayment of any principal amount is also not subject to withholding tax. Under Malaysian tax legislation, a company is regarded as non-resident if the management and control of its affairs are not exercised in Malaysia at any time by its directors or other controlling party. The rules relating to individuals are more complex and are generally based on the length of time spent in Malaysia.

Pursuant to Section 33B of Schedule 6 of the Income Tax Act, 1967, the payment of periodic distributions by the Issuer on the Sukuk to any person, whether Malaysian resident or non-Malaysian resident is exempt from income tax.

Malaysia has no estate, inheritance or capital gains tax in respect of the Sukuk. The issuance, disposition, redemption or transfer of the Sukuk outside Malaysia would not normally be a taxable event in Malaysia.

There is no repatriation levy under Malaysia's exchange control regulations.

EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the "**Amending Directive**") amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017, and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Sections 1471 through 1474 of FATCA impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to any non-U.S. financial institution (a foreign financial institution, or "**FFI**" (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA. The Issuer is classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Sukuk characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which is the date that is six months after the date on which final U.S. Treasury Regulations defining the term foreign passthru payment are filed with the Federal Register and (ii) any Sukuk characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Sukuk are issued on or before the grandfathering date and additional Sukuk of the same series are issued after that date, the additional Sukuk may not be treated as grandfathered, which may have negative consequences for the existing Sukuk, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

The Issuer and financial institutions through which payments on the Sukuk are made may be required to withhold FATCA Withholding if any FFI through or to which payment on such Sukuk is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA.

Whilst the Sukuk are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Sukuk by the Issuer, any payment agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Sukuk. The documentation expressly contemplates the possibility that the Sukuk may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, Sukuk in definitive form will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Sukuk.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the "**Programme Agreement**") dated 20 April 2015, agreed with the Issuer and TM a basis upon which they or any of them may from time to time agree to purchase Sukuk. Any such agreement will extend to those matters stated under *Terms and Conditions of the Sukuk*. In the Programme Agreement, each of the Issuer and TM has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Sukuk under the Programme.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Dealer or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Trustee in such jurisdiction.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Trustee or TM and/or its subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Trustee or TM and/or its subsidiaries, jointly controlled entities or associated companies, including Sukuk issued under the Programme, may be entered into at the same time or proximate to offers and sales of Sukuk or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Sukuk. Sukuk issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

United States

The Sukuk have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each future Dealer will represent and agree, that it has offered, sold and delivered any Sukuk, and will offer, sell and deliver any Sukuk only in accordance with Rule 903 of Regulation S under the Securities Act.

Each Dealer has further represented and agreed, and each future Dealer will represent and agree, that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Sukuk.

Terms used in this paragraph have the meanings given to them by Regulation S.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each future Dealer will represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Sukuk which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Sukuk to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Sukuk referred to in (a) to (c) above shall require the Issuer, TM or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Sukuk to the public** in relation to any Sukuk in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Sukuk to be offered so as to enable an investor to decide to purchase or subscribe for the Sukuk, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each future Dealer will represent and agree that:

(a) in relation to any Sukuk which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Sukuk other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Sukuk would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Sukuk in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or TM; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Sukuk in, from or otherwise involving the United Kingdom.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Sukuk. The Sukuk may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Sukuk constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland and neither this Offering Circular nor any other offering or marketing material relating to the Sukuk may be publicly distributed or otherwise made publicly available in Switzerland.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each future Dealer will represent and agree that the Sukuk to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each future Dealer will represent and agree that it has not offered and will not offer the Sukuk to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the Conduct of Business Module of the DFSA Rulebook.

Malaysia

Each Dealer has represented and agreed, and each further Dealer will represent and agree, that;

(a) this Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia; and

(b) accordingly, the Sukuk have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Sukuk has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 (or Section 229(1)(b)) and Schedule 7 (or Section 230(1)(b)) read together with Schedule 9 (or Section 257(3)) at issuance, and thereafter to persons falling within any one of the categories of persons specified under Schedule 6 (or Section 229(1)(b)) read together with Schedule 9 (or Section 257(3)) of the Capital Markets and Services Act 2007 of Malaysia, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Sukuk. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Sukuk as aforesaid without the necessary approvals being in place.

Saudi Arabia

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Sukuk pursuant to an offering should note that the offer of Sukuk is a private placement under Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the **KSA Regulations**). The Sukuk may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “sophisticated investors” under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer will represent and agree, that any offer of Sukuk to a Saudi Investor will comply with the KSA Regulations.

The offer of Sukuk shall not therefore constitute a “public offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Sukuk pursuant to a private placement may not offer or sell those Sukuk to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and:

(a) the Sukuk are offered or sold to a “sophisticated investor (as defined in Article 10 of the KSA Regulations);

(b) the price to be paid for the Sukuk in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or

(c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Singapore

Each Dealer has acknowledged, and each future Dealer will be required to acknowledge, that the Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore and the Sukuk will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”). Accordingly, each Dealer has represented and agreed, and each future Dealer will represent and agree, that it has not offered or sold any Sukuk or caused such Sukuk to be made the subject of an invitation for subscription or purchase and will not offer or sell such Sukuk or cause such Sukuk to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Sukuk, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the SFA, or (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Sukuk are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Sukuk pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor, or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) pursuant to Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Dealer has represented and agreed, and each future Dealer will represent and agree that:

(a) it has not offered or sold and will not offer or sell, in Hong Kong, by means of any document, any Sukuk (except for Sukuk which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Sukuk, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Sukuk which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each future Dealer will represent and agree, that it has not offered or sold, and will not offer or sell, any Sukuk except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Qatar (Excluding the Qatar Financial Centre)

Each Dealer has represented and agreed, and each future Dealer will represent and agree that it has not offered or sold, and will not offer or sell, directly or indirectly, any Sukuk in the State of Qatar, except (i) in compliance with all applicable laws and regulations of the State of Qatar; and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

General

Each Dealer has agreed, and each future Dealer will agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Sukuk or possesses or distributes the Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Sukuk under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, TM, the Trustee and any other Dealer shall have any responsibility therefor.

None of the Issuer, TM, the Trustee and any of the Dealers represents that Sukuk may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Series, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 4 February 2015 and by the Board of Directors of TM dated 28 May 2014. The issue of Sukuk will be authorised from time to time by each of the Boards of Directors of the Issuer and TM respectively.

Listing of Sukuk

Approval in-principle has been granted for the listing and quotation of Sukuk that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Sukuk have been admitted to the Official List of the SGX-ST.

Admission to the Official List of the SGX-ST and any quotation of any Sukuk on the SGX-ST are not to be taken as an indication of the merits of the Issuer, TM, the Programme or the Sukuk. For so long as any Sukuk are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Sukuk may be presented or surrendered for payment or redemption, in the event that any Global Certificate representing such Sukuk is exchanged for Definitive Certificates. In addition, in the event that any of the Global Certificates is exchanged for Definitive Certificates, for so long as such Sukuk are listed on the SGX-ST, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from the registered office of the Delegate and from the specified office of the Principal Paying Agent for the time being in Hong Kong:

(a) the Memorandum and Articles of Association of the Issuer and of TM;

(b) the consolidated audited financial statements of TM in respect of the financial years ended 31 December 2012, 2013 and 2014 together with the audit reports prepared in connection therewith. TM currently prepares audited consolidated accounts on an annual basis;

(c) the most recently published consolidated annual financial statements of TM and the most recently published unaudited consolidated interim financial statements of TM in each case together with any audit or review reports prepared in connection therewith. TM currently prepares unaudited reviewed consolidated interim accounts on a quarterly basis;

(d) the Agency Agreement, the Master Declaration of Trust, the Master Wakala Agreement, the Master Murabaha Agreement, the Transaction Agency Agreement, the Master Asset Purchase Agreement, the Purchase Undertaking, the Sale Undertaking, the Redemption Undertaking, the Change of Control Undertaking, the Substitution Undertaking, and the forms of the Global Certificate and the Sukuk in definitive form;

(e) each Supplemental Declaration of Trust and Supplemental Asset Purchase Agreement in relation to Sukuk which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system;

(f) a copy of this Offering Circular; and

(g) any future supplements to this Offering Circular including any Pricing Supplement (save that a Pricing Supplement relating to unlisted Sukuk will only be available for inspection by a holder of such Sukuk and such holder must produce evidence satisfactory to the Issuer and the Principal Paying Agent as to its holding of Sukuk and identity) and any other documents incorporated herein or therein by reference.

Clearing Systems

The Sukuk have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Series of Sukuk allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Sukuk are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

Significant or Material Change

There has been no significant change in the financial or trading position of TM and its subsidiaries since 31 December 2014 and there has been no material adverse change in the financial position or prospects of TM and its subsidiaries since 31 December 2014.

There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer, in each case, since the date of its incorporation.

Litigation

Except as disclosed in this Offering Circular, neither the Issuer nor TM nor any of TM's subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or TM is aware) in the 12 months preceding the date of this Offering Circular which may have or have had in the recent past a significant effect on the financial position or profitability of the Issuer, TM and/or the Group.

Auditors

The auditors of TM are currently PricewaterhouseCoopers. PricewaterhouseCoopers were also TM's auditors in 2012, 2013 and 2014 and audited TM's consolidated financial statements for the years ended 31 December 2012, 2013 and 2014, without qualification, in accordance with the approved standards on auditing in Malaysia, as stated in its audit report included herein.

Dealers transacting with TM

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, TM and its subsidiaries and affiliates in the ordinary course of business.

INDEX TO THE FINANCIAL STATEMENTS

INCOME STATEMENTS

for the financial year ended 31 December 2014

All amounts are in million unless otherwise stated	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
OPERATING REVENUE	6	**11,235.1**	10,628.7	**10,011.2**	9,485.5
OPERATING COSTS					
– depreciation, impairment and amortisation	7(a)	**(2,341.3)**	(2,159.7)	**(2,077.9)**	(1,923.2)
– other operating costs	7(b)	**(7,753.8)**	(7,218.6)	**(6,885.0)**	(6,546.5)
OTHER OPERATING INCOME (net)	8	**154.3**	121.5	**269.8**	280.8
OTHER GAINS/(LOSSES) (net)	9	**4.8**	1.7	**(4.2)**	1.7
OPERATING PROFIT BEFORE FINANCE COST		**1,299.1**	1,373.6	**1,313.9**	1,298.3
FINANCE INCOME		**136.6**	144.9	**110.1**	135.6
FINANCE COST		**(291.6)**	(371.2)	**(297.0)**	(378.6)
FOREIGN EXCHANGE LOSS ON BORROWINGS		**(47.9)**	(105.2)	**(47.9)**	(105.2)
NET FINANCE COST	10	**(202.9)**	(331.5)	**(234.8)**	(348.2)
ASSOCIATES					
– share of results (net of tax)	27	**9.3**	3.9	**–**	–
PROFIT BEFORE TAXATION AND ZAKAT		**1,105.5**	1,046.0	**1,079.1**	950.1
TAXATION AND ZAKAT	11	**(263.0)**	1.8	**(215.4)**	22.7
PROFIT FOR THE FINANCIAL YEAR		**842.5**	1,047.8	**863.7**	972.8
ATTRIBUTABLE TO:					
– equity holders of the Company		**831.8**	1,012.2	**863.7**	972.8
– non-controlling interests		**10.7**	35.6	**–**	–
PROFIT FOR THE FINANCIAL YEAR		**842.5**	1,047.8	**863.7**	972.8
EARNINGS PER SHARE (sen)					
– basic/diluted	12	**22.9**	28.3		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

Independent Auditors' Report – Pages 386 to 387.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2014

All amounts are in million unless otherwise stated	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
PROFIT FOR THE FINANCIAL YEAR		**842.5**	1,047.8	**863.7**	972.8
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to income statement:					
– increase/(decrease) in fair value of available-for-sale investments	28	**2.4**	(6.5)	**2.4**	(6.5)
– (decrease)/increase in fair value of available-for-sale receivables	29	**(0.8)**	0.4	**(0.8)**	0.4
– reclassification adjustments relating to available-for-sale investments disposed	9	**(0.1)**	(0.2)	**(0.1)**	(0.2)
– cash flow hedge					
– increase in fair value of cash flow hedge	19	**45.6**	20.5	**45.6**	20.5
– reclassification to foreign exchange loss	10	**(28.6)**	(0.9)	**(28.6)**	(0.9)
– currency translation differences					
– subsidiaries		**4.4**	3.1	**–**	–
– associate		**(0.1)**	0.3	**–**	–
Other comprehensive income for the financial year		**22.8**	16.7	**18.5**	13.3
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**865.3**	1,064.5	**882.2**	986.1
ATTRIBUTABLE TO:					
– equity holders of the Company		**854.6**	1,028.9	**882.2**	986.1
– non-controlling interests		**10.7**	35.6	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**865.3**	1,064.5	**882.2**	986.1

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

Independent Auditors' Report – Pages 386 to 387.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

All amounts are in million unless otherwise stated	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
SHARE CAPITAL	14	**2,603.6**	2,504.2	**2,603.6**	2,504.2
SHARE PREMIUM		**722.7**	43.2	**722.7**	43.2
OTHER RESERVES	15	**(70.9)**	173.9	**192.9**	174.4
RETAINED PROFITS	16	**4,315.7**	4,415.4	**3,158.3**	3,226.1
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**7,571.1**	7,136.7	**6,677.5**	5,947.9
NON-CONTROLLING INTERESTS		**388.8**	162.6	**–**	–
TOTAL EQUITY		**7,959.9**	7,299.3	**6,677.5**	5,947.9
Borrowings	17	**6,251.4**	4,865.0	**5,510.8**	4,296.3
Payable to a subsidiary	18(a)	**–**	–	**575.7**	568.7
Derivative financial instruments	19	**337.8**	51.4	**67.7**	51.4
Deferred tax liabilities	20	**1,258.0**	1,151.0	**1,135.0**	1,030.9
Deferred income	21	**1,823.1**	1,999.5	**1,823.1**	1,999.5
Trade and other payables	37	**135.8**	9.8	**34.3**	9.8
DEFERRED AND NON-CURRENT LIABILITIES		**9,806.1**	8,076.7	**9,146.6**	7,956.6
		17,766.0	15,376.0	**15,824.1**	13,904.5
Property, plant and equipment	22	**14,785.1**	14,572.0	**12,564.1**	12,830.0
Investment property	23	**–**	–	**114.7**	116.9
Intangible assets	24	**581.7**	319.8	**–**	–
Subsidiaries	25	**–**	–	**1,736.7**	1,265.7
Loans and advances to subsidiaries	26	**–**	–	**250.5**	166.9
Associates	27	**6.5**	10.7	**–**	–
Available-for-sale investments	28	**99.0**	99.7	**98.9**	99.6
Available-for-sale receivables	29	**6.9**	7.6	**6.9**	7.6
Other non-current receivables	30	**500.7**	314.9	**306.7**	242.2
Derivative financial instruments	19	**147.3**	80.3	**138.3**	80.3
Deferred tax assets	20	**14.8**	19.3	**–**	–
NON-CURRENT ASSETS		**16,142.0**	15,424.3	**15,216.8**	14,809.2

All amounts are in million unless otherwise stated	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
Inventories	31	**115.9**	154.0	**35.1**	45.1
Non-current assets held for sale	32	**13.0**	22.3	**13.0**	22.3
Customer acquisition costs	33	**62.7**	73.8	**62.7**	73.8
Trade and other receivables	34	**2,825.3**	2,288.6	**2,122.3**	2,073.4
Derivative financial instruments	19	**–**	27.1	**–**	27.1
Available-for-sale investments	28	**469.3**	624.3	**469.3**	624.3
Financial assets at fair value through profit or loss	35	**9.2**	17.2	**9.2**	17.2
Cash and bank balances	36	**2,985.8**	2,514.9	**2,347.8**	2,092.9
CURRENT ASSETS		**6,481.2**	5,722.2	**5,059.4**	4,976.1
Trade and other payables	37	**3,605.2**	3,172.8	**3,315.8**	3,327.2
Customer deposits	38	**482.4**	502.1	**480.6**	500.3
Advance rental billings		**416.1**	380.8	**400.9**	359.0
Derivative financial instruments	19	**–**	11.0	**–**	11.0
Borrowings	17	**197.0**	1,590.2	**102.7**	52.5
Payable to a subsidiary	18(b)	**–**	–	**–**	1,524.7
Taxation and zakat		**156.5**	113.6	**152.1**	106.1
CURRENT LIABILITIES		**4,857.2**	5,770.5	**4,452.1**	5,880.8
NET CURRENT ASSETS/(LIABILITIES)		**1,624.0**	(48.3)	**607.3**	(904.7)
		17,766.0	15,376.0	**15,824.1**	13,904.5

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

Independent Auditors' Report – Pages 386 to 387.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2014

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
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 year		–	–	–	–	–	–	–	831.8	10.7	842.5
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
– increase in fair value of available-for-sale investments	28	–	–	2.4	–	–	–	–	–	–	2.4
– decrease in fair value of available-for-sale receivables	29	–	–	(0.8)	–	–	–	–	–	–	(0.8)
– reclassification adjustments relating to available-for-sale investments disposed	9	–	–	(0.1)	–	–	–	–	–	–	(0.1)
– cash flow hedge											
– increase in fair value of cash flow hedge	19	–	–	–	45.6	–	–	–	–	–	45.6
– reclassification to foreign exchange loss	10	–	–	–	(28.6)	–	–	–	–	–	(28.6)
– currency translation differences											
– subsidiaries		–	–	–	–	–	–	4.4	–	–	4.4
– associate		–	–	–	–	–	–	(0.1)	–	–	(0.1)
Total comprehensive income for the financial year		–	–	1.5	17.0	–	–	4.3	831.8	10.7	865.3
Transactions with owners:											
Shares issued pursuant to Dividend Reinvestment Scheme (DRS)	14(c)	99.4	679.5	–	–	–	–	–	–	–	778.9
Final dividend paid for the financial year ended 31 December 2013	13	–	–	–	–	–	–	–	(583.1)	–	(583.1)
Interim dividend paid for the financial year ended 31 December 2014	13	–	–	–	–	–	–	–	(348.4)	–	(348.4)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(25.4)	(25.4)
Put option liability over shares held by non-controlling interest	15	–	–	–	–	–	(267.6)	–	–	–	(267.6)
Acquisition of a subsidiary	5(a)	–	–	–	–	–	–	–	–	240.9	240.9
Total transactions with owners		99.4	679.5	–	–	–	(267.6)	–	(931.5)	215.5	(204.7)
At 31 December 2014		2,603.6	722.7	57.8	63.5	71.6	(267.6)	3.8	4,315.7	388.8	7,959.9

		Attributable to equity holders of the Company									
		Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares									
All amounts are in million unless otherwise stated	**Note**	**Share Capital RM**	**Share Premium RM**	**Fair Value Reserves RM**	**Hedging Reserve RM**	**Capital Redemption Reserve RM**	**Other Reserve RM**	**Currency Translation Differences RM**	**Retained Profits RM**	**Non-controlling Interests RM**	**Total Equity RM**
At 1 January 2013		2,504.2	43.2	62.6	26.9	71.6	–	(3.9)	4,190.2	165.2	7,060.0
Profit for the financial year		–	–	–	–	–	–	–	1,012.2	35.6	1,047.8
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
– decrease in fair value of available-for-sale investments	28	–	–	(6.5)	–	–	–	–	–	–	(6.5)
– increase in fair value of available-for-sale receivables	29	–	–	0.4	–	–	–	–	–	–	0.4
– reclassification adjustments relating to available-for-sale investments disposed	9	–	–	(0.2)	–	–	–	–	–	–	(0.2)
– cash flow hedge											
– increase in fair value of cash flow hedge	19	–	–	–	20.5	–	–	–	–	–	20.5
– reclassification to foreign exchange loss	10	–	–	–	(0.9)	–	–	–	–	–	(0.9)
– currency translation differences											
– subsidiaries		–	–	–	–	–	–	3.1	–	–	3.1
– associate		–	–	–	–	–	–	0.3	–	–	0.3
Total comprehensive (loss)/income for the financial year		–	–	(6.3)	19.6	–	–	3.4	1,012.2	35.6	1,064.5
Transactions with owners:											
Final dividend paid for the financial year ended 31 December 2012	13	–	–	–	–	–	–	–	(436.4)	–	(436.4)
Interim dividend paid for the financial year ended 31 December 2013	13	–	–	–	–	–	–	–	(350.6)	–	(350.6)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(38.2)	(38.2)
Total transactions with owners		–	–	–	–	–	–	–	(787.0)	(38.2)	(825.2)
At 31 December 2013		2,504.2	43.2	56.3	46.5	71.6	–	(0.5)	4,415.4	162.6	7,299.3

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 14(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

Independent Auditors' Report – Pages 386 to 387.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2014

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM0.70 each Special Shares*/ Ordinary Shares	Non-distributable				Distributable	
		Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2014		2,504.2	43.2	56.3	46.5	71.6	3,226.1	5,947.9
Profit for the financial year		–	–	–	–	–	863.7	863.7
Other comprehensive income								
Items that may be reclassified subsequently to income statement:								
– increase in fair value of available-for-sale investments	28	–	–	2.4	–	–	–	2.4
– decrease in fair value of available-for-sale receivables	29	–	–	(0.8)	–	–	–	(0.8)
– reclassification adjustments relating to available-for-sale investments disposed	9	–	–	(0.1)	–	–	–	(0.1)
– cash flow hedge								
– increase in fair value of cash flow hedge	19	–	–	–	45.6	–	–	45.6
– reclassification to foreign exchange loss	10	–	–	–	(28.6)	–	–	(28.6)
Total comprehensive income for the financial year		–	–	1.5	17.0	–	863.7	882.2
Transactions with owners:								
Shares issued pursuant to DRS	14(c)	99.4	679.5	–	–	–	–	778.9
Final dividend paid for the financial year ended 31 December 2013	13	–	–	–	–	–	(583.1)	(583.1)
Interim dividend paid for the financial year ended 31 December 2014	13	–	–	–	–	–	(348.4)	(348.4)
Total transactions with owners		99.4	679.5	–	–	–	(931.5)	(152.6)
At 31 December 2014		**2,603.6**	**722.7**	**57.8**	**63.5**	**71.6**	**3,158.3**	**6,677.5**

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM0.70 each Special Shares*/ Ordinary Shares Share Capital RM	Non-distributable Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2013		2,504.2	43.2	62.6	26.9	71.6	3,040.3	5,748.8
Profit for the financial year		–	–	–	–	–	972.8	972.8
Other comprehensive income								
Items that may be reclassified subsequently to income statement:								
– decrease in fair value of available-for-sale investments	28	–	–	(6.5)	–	–	–	(6.5)
– increase in fair value of available-for-sale receivables	29	–	–	0.4	–	–	–	0.4
– reclassification adjustments relating to available-for-sale investments disposed	9	–	–	(0.2)	–	–	–	(0.2)
– cash flow hedge								
– increase in fair value of cash flow hedge	19	–	–	–	20.5	–	–	20.5
– reclassification to foreign exchange loss	10	–	–	–	(0.9)	–	–	(0.9)
Total comprehensive (loss)/income for the financial year		–	–	(6.3)	19.6	–	972.8	986.1
Transactions with owners:								
Final dividend paid for the financial year ended 31 December 2012	13	–	–	–	–	–	(436.4)	(436.4)
Interim dividend paid for the financial year ended 31 December 2013	13	–	–	–	–	–	(350.6)	(350.6)
Total transactions with owners		–	–	–	–	–	(787.0)	(787.0)
At 31 December 2013		2,504.2	43.2	56.3	46.5	71.6	3,226.1	5,947.9

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 14(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Company Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

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STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2014

All amounts are in million unless otherwise stated	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
CASH FLOWS FROM OPERATING ACTIVITIES	39	**3,014.1**	2,795.7	**2,954.6**	2,222.4
CASH FLOWS USED IN INVESTING ACTIVITIES	40	**(2,162.0)**	(2,362.4)	**(2,229.4)**	(1,737.5)
CASH FLOWS USED IN FINANCING ACTIVITIES	41	**(391.3)**	(1,655.0)	**(470.6)**	(1,626.8)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**460.8**	(1,221.7)	**254.6**	(1,141.9)
EFFECT OF EXCHANGE RATE CHANGES		**(0.3)**	(2.1)	**0.3**	(6.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**2,514.5**	3,738.3	**2,092.9**	3,241.6
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	**2,975.0**	2,514.5	**2,347.8**	2,092.9

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

All amounts are in million unless otherwise stated

1. Principal Activities

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 52 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

Telekom Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur. The principal office and place of business of the Company is Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur.

2. Significant Accounting Policies

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements, and have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of Preparation of the Financial Statements

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in the Significant Accounting Policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 to the financial statements.

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

The amendments to published standards and new IC Interpretation issued by MASB that are effective and applicable for the Group's and the Company'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

- Amendments to MFRS 132 "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities do not change the current offsetting model in MFRS 132. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms in that it clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

2. Significant Accounting Policies (continued)

(a) Basis of Preparation of the Financial Statements (continued)

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

- Amendments to MFRS 10 "Consolidated Financial Statements", MFRS 12 "Disclosure of Interests in Other Entities" and MFRS 127 "Separate Financial Statements" introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of their investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. Changes have also been made to MFRS 12 and MFRS 127 to introduce disclosures for investment entities.

- Amendments to MFRS 136 "Impairment of Assets" is on the recoverable amount disclosures for non-financial assets. This amendment removes certain disclosures of the recoverable amount of Cash Generating Units (CGUs) which had been included in MFRS 136 by the issue of MFRS 13 "Fair Value Measurement".

- Amendments to MFRS 139 "Financial Instruments: Recognition and Measurement" is on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under MFRS 139, novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendments provide relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to affect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

- IC Interpretation 21 is an interpretation of MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" in relation to the accounting of a liability to pay a levy. MFRS 137 sets out the criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay levy is the activity described in the relevant legislation that triggers the payment of the levy.

The adoption of the above applicable amendments and new IC Interpretation to published standards has not given rise to any material impact on the financial statements of the Group and the Company.

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have 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 Cycle"
Amendments to MFRS 1, 3, 13 and 140	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011 – 2013 Cycle"

2. Significant Accounting Policies (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

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

Effective for annual periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to MFRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10, 12 and 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 5, 7, 119 and 134	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 – 2014 Cycle"
Amendments to MFRS 101	Disclosure Initiative

Effective for annual periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)

- Amendments to MFRS 119 "Employee Benefits" clarify the accounting for contribution from employees or third parties to defined benefit plans. If the amount of contributions is independent of the number of years of service, the entity is permitted to recognise such contributions as reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. If the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

- Amendments to MFRS 2 "Share-based Payment" clarify the definition of vesting conditions by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

- Amendments to MFRS 3 "Business Combinations" clarify that when contingent consideration in a business combination meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132. Contingent consideration that is classified as asset or liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss. Another amendment clarifies that MFRS 3 excludes from its scope, the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 "Joint Arrangements") in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangement for their interests in the joint arrangement.

- Amendments to MFRS 8 "Operating Segments" require the disclosure of judgments made in applying the aggregation criteria to operating segments which includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. Reconciliation of the total reportable segments' assets to the entity's assets is also required if that amount is regularly provided to the chief operating decision maker.

2. Significant Accounting Policies (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

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

- Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets" clarify the accounting for accumulated depreciation or amortisation when an asset is revalued. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation or amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

- Amendments to MFRS 124 "Related Party Disclosures" extend the definition of 'related party' to include an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

- Amendment to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" relates to the standard's Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

- Amendments to MFRS 13 "Fair Value Measurement" clarify that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 or MFRS 9 "Financial Instruments", regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132.

- Amendments to MFRS 140 "Investment Property" clarify that the determination of whether an acquisition of an investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

- MFRS 14 "Regulatory Deferral Accounts" is equivalent to International Financial Reporting Standards (IFRS) 14 of the same name, which permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous generally accepted accounting principles (GAAP) requirements when they adopt IFRS. IFRS 14 is aimed at removing a major barrier to adoption of IFRS by entities in jurisdictions whose existing GAAP allow the recognition of regulatory deferral account balances arising from provision of goods and services to customers at a price that is subject to rate regulation. However, since regulatory deferral account balances were not recognised in the MFRS financial statements, the principles specified in MFRS 14 would have no impact to Malaysian entities.

- Amendments to MFRS 11 "Joint Arrangements" on Accounting for Acquisitions of Interests in Joint Operations clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3 Business Combinations, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/ liabilities and recognition of acquisition-related costs as expenses. The amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not remeasured if the joint operator retains joint control.

- Amendments to MFRS 101 "Presentation of Financial Statements" on Disclosure Initiative aim to improve the effectiveness of disclosures and are designed to encourage companies to apply professional judgment in determining the information to be disclosed in the financial statements.

- Amendments to MFRS 116 and MFRS 138 on Clarification of Acceptable Methods of Depreciation and Amortisation provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. MFRS 116 prohibits revenue-based depreciation because revenue does not, as a matter of principle, reflect the way in which an item of property, plant and equipment is used or consumed. The amendments to MFRS 138 introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate except in limited circumstances.

2. Significant Accounting Policies (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

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

- Amendments to MFRS 127 "Separate Financial Statements" on Equity Method in Separate Financial Statements allow a parent and investors to use the equity method in its separate financial statement to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

- Amendments to MFRS 10, MFRS 12 and MFRS 128 on Investment Entities: Applying the Consolidation Exception addresses issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards, clarifying the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that relate to the parent's investment activities, application of the equity method by a non-investment entity investor to an investment entity investee and the disclosures required.

- Amendments to MFRS 10 and MFRS 128 on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture address an acknowledged inconsistency between the requirements in MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investment in Associates and Joint Ventures". Full gain or loss should be recognised on the loss of control of a business, whether the business is housed in a subsidiary or not. At the same time, the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 "Business Combinations" to an associate or joint venture should only be recognised to the extent of unrelated investors' interests in the associate or joint venture.

- Amendments to MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" introduce specific guidance in MFRS 5 for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution is discontinued.

- Amendments to MFRS 7 "Financial Instruments: Disclosures" provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7 and clarify the applicability of Disclosure–Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

- Amendment to MFRS 119 clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. The amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level.

- Amendment to MFRS 134 "Interim Financial Reporting" clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' as used in MFRS 134. The amendment requires such disclosures to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

- MFRS 15 "Revenue from Contracts with Customers" is a new Standard aimed to improve financial reporting of revenue and comparability whilst providing better clarity on revenue recognition on areas where existing requirements unintentionally created diversity in practice. MFRS 15 deals with revenue recognition and establishes principles for reporting useful information 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. Revenue is 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.

2. Significant Accounting Policies (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

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

- MFRS 9 "Financial Instruments (as issued by International Accounting Standard Board (IASB) in July 2014)" replaces the guidance in MFRS 139 that relates to the classification and measurement of financial instruments. MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in OCI, with only dividend income from the investment to be recognised in profit or loss. MFRS 9 introduces a new expected credit loss model that replaces the incurred loss impairment model used in MFRS 139.

  For financial liabilities, there were no changes to classification and measurement except for liabilities designated at inception to be measured at FVTPL. For these, the portion of fair value changes caused by changes in an entity's own credit risk shall be recognised in OCI rather than in profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

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 and the Company except for MFRS 9 and MFRS 15. The Group has yet to assess the full impact of MFRS 9. The Group has commenced the project to implement MFRS 15 group-wide including the assessment of the impact of adopting the new revenue standard. At the time of preparing this financial statements, the impact from the adoption of this standard has yet to be fully quantified.

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

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the entity),
- Exposure, or rights, to variable returns from its involvement with the entity, and
- The ability to use its power over the entity to affect its returns.

When the Group has less than a majority of the voting or similar rights of an entity, the Group considers all relevant facts and circumstances in assessing whether it has power over that entity, including:

- The contractual arrangement with the other vote holders of the entity
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2. Significant Accounting Policies (continued)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are consolidated using the acquisition method of accounting except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006, which were accounted for using the merger method.

The Group has taken advantage of the exemption provided by MFRS 1 to not restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Accordingly, business combinations entered into prior to transition date have not been restated.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in the Consolidated Income Statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the Consolidated Income Statement (refer to Significant Accounting Policies note 2(f)(i) on Goodwill).

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

Effective from 1 January 2011, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intra-group transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2. Significant Accounting Policies (continued)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary and is recognised in the Consolidated Income Statement.

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Income Statements, and its share of post-acquisition movements in reserves is recognised within other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

The results of associates are taken from the most recent unaudited financial statements of the associates concerned, made up to dates not more than 3 months prior to the end of the financial year of the Group.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses are recognised in the Consolidated Income Statement.

When the Group increases its stake in an existing investment and the investment becomes an associate for the first time, goodwill is calculated at each stage of the acquisition. The Group does not revalue its previously owned share of net assets to fair value. Any existing available-for-sale reserve is reversed in other comprehensive income, restating the investment to cost. A share of profits (after dividends) together with a share of any equity movements relating to the previously held interest are accounted for in other comprehensive income.

2. Significant Accounting Policies (continued)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

The gain or loss on disposal of an associate is the difference between the net disposal proceeds and the Group's share of the associate's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that associate which were previously recognised in other comprehensive income, and is recognised in the Consolidated Income Statement.

(iv) Changes in Ownership Interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the Consolidated Income Statement. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost less accumulated impairment losses in the separate financial statements of the Company. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets). Impairment losses are charged to the Income Statement.

On disposal of investments in subsidiaries and associates, the difference between the net disposal proceeds and the carrying amounts of the investments are recognised in the Income Statement.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Certain freehold land are carried at fair value, being their deemed cost in accordance with the exemption provided by MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" as at 1 January 2011, the date of transition to MFRS.

(i) Cost

Cost of telecommunications network comprises expenditure up to and including the last distribution point before the customers' premises and includes contractors' charges, materials, direct labour and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Significant Accounting Policies note 2(q)(ii) on borrowing costs).

Subsequent cost is included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

2. Significant Accounting Policies (continued)

(d) Property, Plant and Equipment (continued)

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease is amortised in equal instalments over the period of the respective lease. Long term leasehold land has an unexpired lease period of 50 years and above. Other property, plant and equipment are depreciated on a straight line basis to write-off the cost of the assets to their residual values over their estimated useful lives in years as summarised below:

Telecommunications network	3 – 25
Movable plant and equipment	5 – 8
Computer support systems	3 – 5
Buildings	5 – 40

Capital work-in-progress are stated at cost and are not depreciated. Upon completion, capital work-in-progress are transferred to categories of property, plant and equipment depending on the nature of the assets. Capital work-in-progress includes servicing equipment, materials and spares. Depreciation on property, plant and equipment under construction commences when the property, plant and equipment are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each reporting date.

(iii) Impairment

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write down is made if the carrying value exceeds the recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

(iv) Gains or Losses on Disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the related asset and are included in other operating income in the Income Statement.

(v) Asset Exchange Transaction

Property, plant and equipment may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair values unless

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Group cannot immediately derecognise the assets given up. If the acquired item is not reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(vi) Repairs and Maintenance

Repairs and maintenance are charged to the Income Statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. This cost is depreciated over the remaining useful life of the related asset.

2. Significant Accounting Policies (continued)

(e) Investment Properties

Investment properties, principally comprising land and office buildings, are held for long term rental yields or for capital appreciation or for both, and are not occupied by the Group or the Company.

Investment properties are carried at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write-off the cost of the investment properties to their residual values over their estimated useful lives in years as summarised below:

Leasehold land	over the period of the respective leases
Buildings	5 – 40

Freehold land is not depreciated as it has an infinite life.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected, then it shall be derecognised (eliminated from the Statement of Financial Position). Gain or loss on disposal is determined by comparing the net disposal proceeds with the carrying amount and are included in the Income Statement.

(f) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition. Goodwill on acquisition occurring on or after 1 January 2002 in respect of a subsidiary is included in the Consolidated Statement of Financial Position as an intangible asset. Goodwill on acquisitions that occurred prior to 1 January 2002 was written off against reserves in the year of acquisition.

As part of the transition to MFRS, the Group elected not to restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous Financial Reporting Standards framework as at the date of transition.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the Consolidated Income Statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

(ii) Software

Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Amortisation is calculated using straight line method at 20% per annum subject to impairment.

2. Significant Accounting Policies (continued)

(f) Intangible Assets (continued)

(iii) Programme Rights

Programme rights comprise rights licensed from third parties with the primary intention to broadcast in the normal course of operating cycle. The rights are stated at cost less accumulated amortisation and accumulated impairment losses (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

The Group amortises programme rights on a straight line basis over the license period or estimated useful life if shorter, from the date of first transmission, to match the costs of consumption with the estimated benefits to be received. Amortisation is included in the Income Statement.

(iv) Telecommunication Spectrum

Telecommunication spectrum acquired in a business combination is recognised at fair value at the acquisition date, with an indefinite useful life as there is a presumption of renewal at negligible cost. It is subjected for impairment review on an annual basis or whenever adverse events or changes in circumstances indicate that impairment may have occurred.

(v) Customer Base

Customer base acquired in a business combination is recognised at fair value at the acquisition date. It is expected to have a finite useful life and carried at cost less accumulated amortisation calculated using the straight-line method over the estimated useful life of three years. The expected useful life principally reflects the Group's view of the average economic life of the customer base, assessed by reference to customer churn rates.

(g) Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful life, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

The impairment loss is charged to the Income Statement. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the Income Statement.

(h) Financial Assets

Financial assets are classified in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Quoted equity securities (within current assets), determined on an aggregate portfolio basis, are classified as financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to the Income Statement.

2. Significant Accounting Policies (continued)

(h) Financial Assets (continued)

(i) Financial Assets at Fair Value through Profit or Loss (continued)

Changes in the fair values of financial assets at fair value through profit or loss are recognised in the Income Statement in the period in which the changes arise.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise non-current receivables, trade and other receivables and cash and bank balances in the Statement of Financial Position.

Loans and receivables are measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

(iii) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

Fixed income securities (within current assets) and certain non-current equity investments are classified as available-for-sale investments, whilst convertible education loans (within non-current assets) are classified as available-for-sale receivables. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

Changes in the fair values of available-for-sale investments are recognised in other comprehensive income. Whereas, changes in the fair value of available-for-sale receivables classified as non-current assets can be analysed by way of changes arising from conversion of the receivables to scholarship and other fair value changes. Changes arising from the conversion are recognised in the Income Statement, whereas, other fair value changes are recognised in other comprehensive income. Interests on available-for-sale receivables calculated using the effective interest method are recognised in the Income Statement.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the Income Statement.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(v) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented on the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. Significant Accounting Policies (continued)

(i) Impairment of Financial Assets

(i) Assets Carried at Amortised Cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:
- significant financial difficulty of the customer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the customers will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of customers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Income Statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Income Statement.

(ii) Assets Classified as Available-for-sale

In the case of equity and fixed income securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, the following criteria are also considered as indicators of impairment:

- significant financial difficulty of the issuer or obligor;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired.

If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the Income Statement, is reversed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement. Impairment losses recognised in the Income Statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through the Income Statement.

2. Significant Accounting Policies (continued)

(j) Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the Income Statement at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the Income Statement within 'other gains or losses – net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the Income Statement within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the Income Statement over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within 'other gains or losses – net'.

Amounts accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects the Income Statement. The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'.

When a hedging instrument matures, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the Income Statement.

(k) Embedded Derivatives

Derivatives embedded in other financial instruments or contracts are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself held-for-trading or designated as fair value to profit or loss. The embedded derivatives separated from the host are carried at fair value to profit or loss with changes in the fair value recognised in the Income Statement.

2. Significant Accounting Policies (continued)

(l) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined on a weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and applicable variable selling expenses. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

(m) Non-current Assets Held for Sale

Non-current assets are classified as held for sale when their carrying amounts are to be recovered principally through sale transaction and the sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Any subsequent write-down of the assets to fair value less cost to sell are recognised as impairment losses and are charged to the Income Statement.

(n) Customer Acquisition Costs

Customer acquisition costs are incurred in activating new customers pursuant to a contract. Customer acquisition costs are capitalised and amortised over the contract period. In the event that a customer terminates the service within the contract period, any unamortised customer acquisition costs are written off to the Income Statement immediately.

(o) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of 3 months or less. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

(p) Share Capital

(i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is debited directly to equity.

(ii) Share Issue Costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(iii) Dividend to Shareholders of the Company

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

Dividend in specie of shares distributed to the Company's shareholders is recorded at the carrying value of net asset distributed. The distribution is recorded as a movement in equity.

2. Significant Accounting Policies (continued)

(q) Financial Liabilities

Trade and other payables, customer deposits and borrowings are classified as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

(ii) Bonds, Notes, Debentures and Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Interests, dividends, gains and losses relating to a financial instrument, or a component part, classified as a liability are reported within finance cost in the Income Statement. Foreign exchange gains or losses arising from translation of foreign currency borrowings are reported within 'finance cost' in the Income Statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other borrowing costs are charged to the Income Statement.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(iii) Put Option Liability Over Shares Held By Non-Controlling Interest

A contract that contains an obligation for the Group to deliver cash or other financial asset in exchange for its own (or its subsidiary's) equity shares is a financial liability. This liability is recorded irrespective of whether the contract meets the definition of an equity instrument. The financial liability is recognised at the present value of the redemption amount of the option, when it is exercised.

The initial redemption liability is recognised as Other Reserve in equity as a reduction of the Group's equity if the risk and rewards of ownership remain with the non-controlling interest or a reduction of non-controlling interest's equity if the risks and rewards of ownership transfer to the Group. Subsequently, the put option is remeasured at fair value as a result of changes in the expected liability with any resulting gain or loss recognised in the Income Statement. In the event that the option expires unexercised, the put option liability is de-recognised with a corresponding adjustment to equity.

(r) Leases

(i) Finance Leases

Leases of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the leases at the lower of the present value of the minimum lease payments and the fair value of the leased assets. The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the reduction of the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Income Statement.

2. Significant Accounting Policies (continued)

(r) Leases (continued)

(i) Finance Leases (continued)

Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease terms.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(s) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the Income Statement over the financial period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to the Income Statement on a straight line basis over the estimated useful lives of the related assets.

(t) Income Taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries or associates on distributions of retained profits to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the future, against which the deductible temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised.

Deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group's share of income taxes of associates are included in the Group's share of results of associates.

2. Significant Accounting Policies (continued)

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

(v) Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118.

(w) Revenue Recognition

Operating revenue comprises the fair value of the consideration received or receivables for the sale of products and rendering of services net of returns, duties, sales discounts and sales taxes paid, after eliminating sales within the Group. Operating revenue is recognised or accrued at the time of the provision of products or services, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Advance rental billing comprises mainly billing in advance for data services, which is amortised on a straight line basis according to contractual terms.

Dividend income from investment in subsidiaries, associates and equity investments is recognised within 'other operating income (net)' when a right to receive payment is established.

2. Significant Accounting Policies (continued)

(w) Revenue Recognition (continued)

Finance income includes income from deposits with licensed banks, other financial institutions, other deposits, available-for-sale receivables and staff loans, and is recognised using the effective interest method.

(x) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the Income Statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value. These include limited medical benefits provided up to a certain age for eligible ex-employees under certain optional retirement scheme.

(y) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the Income Statement within 'net finance cost'. All other foreign exchange gains and losses are presented in the Income Statement within 'operating costs'.

(iii) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the reporting date;
- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the rates prevailing on the date of the transactions); and
- all resulting exchange differences are recognised as a separate component in other comprehensive income.

2. Significant Accounting Policies (continued)

(y) Foreign Currencies (continued)

(iii) Group Companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is disposed off or sold, such exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on disposal.

(z) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions.

Further disclosures on Segment Reporting are set out in note 45 to the financial statements.

3. Critical Accounting Estimates

Estimates are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are mentioned below.

(a) Estimated Useful Lives of Property, Plant and Equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage, changes in technology, latest findings in research and development, updated practices to enhance performance of certain network assets and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A change in the estimated useful lives of property, plant and equipment would change the recorded depreciation and the carrying amount of property, plant and equipment.

(b) Impairment of Property, Plant and Equipment, Intangible Assets (other than goodwill) and Investment in Subsidiaries

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

(c) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 24 to the financial statements.

3. Critical Accounting Estimates (continued)

Critical Accounting Estimates and Assumptions (continued)

(d) Impairment of Trade Receivables

The Group assesses at each reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated periodically based on a review of the current status of existing receivables and historical collection trends to reflect the actual and anticipated experience.

(e) Estimated Fair Value and Useful Lives of Intangibles Assets Acquired through Business Combination

The fair value of the telecommunication spectrum acquired through business combination was derived from the estimated future net cash flows generated by the asset after adjusting for the corresponding contributory asset charges. The fair value of the acquired customer base was derived through its estimated replacement cost. Although the Group believes that the estimates of fair value are appropriate, the use of different techniques or assumptions could result in different measurements of fair value.

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. The basis for determining the useful lives for the intangible assets acquired through business combination are as follows:

- Telecommunication spectrum estimated useful life is estimated to have an indefinite useful life with the presumption that any renewal are at negligible cost and the Group is expected to continue utilising the spectrum in providing its telecommunication services indefinitely.
- The estimated useful life of the acquired customer base principally reflects the Group's view of the average economic life of the customer base and is assessed by reference to customer churn rates.

(f) Taxation

(i) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

(ii) Deferred Tax Assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves judgment regarding future taxable profits of a particular entity in which the deferred tax asset has been recognised.

Estimating the future taxable profits involved significant assumptions, especially in respect of demand on existing and new services, competition and regulatory changes that may impact the pricing of services. These assumptions were derived based on past performance and adjusted for non-recurring circumstances.

(g) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on Directors' view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Details of the legal proceedings in which the Group is involved as at 31 December 2014 is disclosed in note 50 to the financial statements.

3. Critical Accounting Estimates (continued)

Critical Accounting Estimates and Assumptions (continued)

(h) Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group exercises its judgment in selecting a variety of valuation methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The fair value of derivatives is the present value of their future cash flows. The Group estimated the fair values at the reporting date, of certain available-for-sale financial assets that are not traded in an active market by using the net tangible assets and the discounted cash flow methods. In estimating the fair value of put and call options on shares of a subsidiary, the Group has used valuation models in projecting expected share prices utilising comparable discount and growth rates reflective of market conditions specific to relevant industry existing at the end of the reporting period. Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The summary of financial instruments by category is disclosed in note 46 to the financial statements. The valuation of such financial instruments is further discussed in note 47 to the financial statements.

4. Financial Risk Management Objectives and Policies

(a) Financial Risk Factor

The main risks arising from the Group's financial assets and liabilities are market risk (comprises foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Group has established risk management policies, guidelines and procedures in order to manage its exposure to these financial risks. Hedging strategies are determined in light of commercial commitments to mitigate the relevant risks exposures. Derivative financial instruments are used to hedge the underlying commercial exposures and are not held for speculative purposes.

(i) Market Risk

- Foreign Exchange Risk

The Group's foreign exchange risk refers to adverse exchange rate movements on foreign currency positions originating from trade receivables and payables, deposits and borrowings denominated in foreign currencies, and from retained profits in overseas subsidiaries, where the functional currencies are not in Ringgit Malaysia.

The Group's objective is to mitigate foreign exchange exposure to an acceptable level against pre-determined limits and impact to the Income Statement. The Group monitors its foreign currency denominated assets and liabilities and uses various hedging instruments such as forward contracts, Cross Currency Interest Rate Swaps (CCIRS) contracts and option structures as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flows requirement. The Group's policy requires all transactions for hedging foreign currency exchange risk exposure be executed within the parameters approved by the Board of Directors.

The foreign exchange risk of the Group arises predominantly from borrowings denominated in foreign currencies, mainly the US Dollar and Japanese Yen. During the financial year, in addition to the existing US Dollar and Japanese Yen forward and CCIRS contracts, the Group entered into additional forward contracts to hedge maturing US Dollar borrowing in order to reduce foreign currency exposures. After hedging of the US Dollar and Japanese Yen borrowings, the foreign currency borrowings composition is reduced to 10.9% (2013: 19.5%) of the Group's total borrowings as at 31 December 2014. There was a repayment of one of the Group's foreign currency borrowings on 22 September 2014 amounting to USD465.1 million (RM1,513.3 million).

Based on the borrowings position as at 31 December 2014, if the Ringgit Malaysia had weakened/strengthened by 5.0% against the US Dollar and Japanese Yen with all other variables held constant, the post-tax profit for the financial year for the Group would have been lower/higher by approximately RM81.3 million (before hedging) and RM35.0 million (after hedging) as a result of foreign exchange losses or gains on translation of US Dollar and Japanese Yen denominated borrowings.

4. Financial Risk Management Objectives and Policies (continued)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Price Risk

The Group is exposed to equity and fixed income securities price risk arising from investments as reflected on the Statement of Financial Position, classified either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. The quoted equity securities portfolio has decreased to RM9.2 million as at 31 December 2014 from RM17.2 million at the end of 2013 due to disposal of equities in first half of 2014 on the existing portfolio.

Based on the quoted equity securities portfolio as at 31 December 2014, if Bursa Malaysia equity index move by 5.0%, with all other variables remain constant, post-tax profit for the financial year would have been impacted by approximately RM0.4 million. Post-tax profit for the financial year would increase or decrease as a result of gains/losses on equity securities classified as fair value through profit or loss. Moving forward, the impact will further reduce to commensurate with efforts made towards the total closure of equity portfolio.

Other components of equity would increase/decrease as a result of gains/losses on equity and fixed income securities classified as available-for-sale.

- Interest Rate Risk

The Group has cash and short term deposits and fixed income securities that are exposed to interest rate movement. The Group manages its interest rate risk on cash and short term deposits through allocation in suitable tenure. While on fixed income securities, the Group applies suitable duration and basis point valuation analysis impact to manage its interest rate risk.

The Group's investments in money market and fixed income securities as at 31 December 2014 were RM2,042.8 million (2013: RM1,759.5 million) and RM469.3 million (2013: RM624.3 million) respectively. The reduction in fixed income securities was due to the execution of asset allocation strategy in meeting the Group's liquidity position during the financial year. For an increase of 25 basis points in the Overnight Policy Rate (OPR) by Bank Negara Malaysia and assuming the overall yield curve also increases by the same percentage, the finance income from the money market portfolio would correspondingly move by approximately RM5.1 million while the net asset value of the fixed income portfolio would inversely move by approximately RM5.1 million.

The Group's debts include revolving credits, borrowings, bonds, notes and debentures. The Group's objective is to manage the interest rate risk to an acceptable level of exposure on the finance cost. The Group reviews its composition of fixed and floating rate debt based on assessment of its existing exposure and desirable interest rate profile acceptable to the Group. Hedging instruments such as interest rate swaps are used to manage these risks.

The Group's policy requires all transactions for hedging interest rate risk exposure be executed within the parameters approved by the Board of Directors.

The Group has entered into a few interest rate swap transactions with creditworthy financial institutions. Based on the hedging position as at 31 December 2014, if there were to be a hike in the OPR by 25 basis points, the finance cost would be higher by approximately RM0.6 million.

As at 31 December 2014, the Group's fixed-to-floating interest rate profile, after hedging, was 92:8 (2013: 92:8).

The interest rate exposure is mitigated, to some extent, by the offsetting effect between assets and liabilities.

4. Financial Risk Management Objectives and Policies (continued)

(a) Financial Risk Factor (continued)

(ii) Credit Risk

Financial assets that are primarily exposed to credit risks are receivables, cash and bank balances, marketable securities and financial instruments used in hedging activities.

Due to the nature of the Group's business, customers are mainly segregated according to business segments. The Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed through the application of stringent credit control assessment and approval, credit limit and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers to be held as collaterals.

The Group places its cash and cash equivalents with various creditworthy financial institutions. The Group's policy limits the concentration of credit exposure to any single financial institution based on its net tangible asset position and/or credit rating, which is subject to annual review.

The Group has appointed several fixed income and commercial papers fund managers to manage its investment portfolios. In managing the portfolios' credit risks, the investment parameter was established to restrict all fund managers to only invest in securities that carry at least A3/P1 credit ratings or equivalent. This is in accordance with the Group's Treasury Investment Policies and Guidelines. In the current financial year, the Group's investment portfolios were predominantly securities carrying AA/P1 credit ratings or above, as shown in note 28 to the financial statements.

All hedging instruments are executed with creditworthy financial institutions with a view to limiting the credit risk exposure of the Group. The Group, however, is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but does not expect any counterparties to fail to meet their obligations.

In complying with the risk management policies, all counterparties are required to maintain certain credit rating as defined by the international and local rating agencies.

(iii) Liquidity Risk

Group Treasury maintains cash and cash equivalents at a level that is deemed appropriate by the management to finance the Group's operations. It also actively monitors and controls liquidity risk exposures and funding needs across legal entities within the Group, business lines and currencies, taking into account legal, regulatory and operational limitations via a centralised Treasury operation.

Due to the dynamic nature of the underlying business, the Group also aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

Cash flow forecasts are performed in the operating entities of the Group on a rolling basis and are aggregated by Group Treasury to ensure sufficient cash is available to meet operational needs while maintaining adequate headroom on its undrawn committed credit facilities at all times. As at 31 December 2014, the Group held deposits with financial institutions of RM2,042.8 million (2013: RM1,759.5 million) and cash and bank balances of RM943.0 million (2013: RM755.4 million) that are expected to be readily available to meet any payment obligation when it falls due.

Refinancing risk is managed by limiting the amount of borrowings that mature within any specific period and by having appropriate strategies in place to manage refinancing needs as they arise. The Group has available funding with the establishment of the new Islamic Commercial Papers programme and Islamic Medium Term Notes programme with remaining combined limit of up to RM1.6 billion in nominal value to meet capital expenditure and business operating requirements. The analysis of the maturity profile of the Group's and the Company's financial liabilities are shown in note 48 to the financial statements.

There has been no significant change in the Group's financial risk management objectives and policies as well as its financial risk exposure in the current financial year as compared to the preceding financial year.

4. Financial Risk Management Objectives and Policies (continued)

(b) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide long term return to shareholders and benefits for other stakeholders. The Group's capital management framework comprises of a dividend policy and strives to maintain an optimal capital structure that will improve its capital efficiency.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to the shareholders or may return capital to shareholders vis-à-vis its debt-to-equity ratio (gearing level). In 2014, the Group introduced a Dividend Reinvestment Scheme (DRS) whereby its shareholders have the option to receive cash dividends or to reinvest the dividends in new ordinary shares of the Company. Depending on the level of subscription of DRS, the Group is expected to enlarge its share capital base as well as strengthen its capital position.

The gearing ratios as at 31 December were as follows:

	The Group	
	2014	**2013**
Borrowings (RM million) (note 17)	**6,448.4**	6,455.2
Total Shareholders' Equity (RM million)	**7,571.1**	7,136.7
Debt-to-equity Ratio	**0.9**	0.9

The Group also monitors its gearing level in comparison to its peers within the industry while maintaining the desired level of credit rating. During 2014, the Group's credit rating remained unchanged at AAA by RAM, A– by S&P and A3 by Moody's.

Furthermore, the Group complies with Bursa Malaysia Securities Berhad Main Market Listing Requirement to maintain a consolidated shareholders' equity of more than 25 percent of the issued and paid up capital and maintain such shareholders' equity at not less than RM40.0 million.

5. Business Combinations

(a) Packet One Networks (Malaysia) Sdn Bhd (P1)

On 27 March 2014, the Group announced that its wholly-owned subsidiary, Mobikom Sdn Bhd (Mobikom) had entered into a conditional investment agreement with the following parties in relation to, amongst others, the 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 (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 (also Packet One Guarantor where applicable);
(d) Telekom Malaysia Berhad (the Company) (Mobikom Guarantor where applicable); and
(e) Packet One Networks (Malaysia) Sdn Bhd (P1)

The completion of the Share Subscription (Completion) was announced on 30 September 2014 following the waiver of certain Conditions, as agreed by all parties to the Investment Agreement on 25 September 2014 and the completion of all other terms and conditions of the Investment Agreement and the applicable approval, including from the relevant regulatory bodies and Green Packet shareholders.

The Completion resulted to the Company via Mobikom emerging as the new holding company of P1 (including its subsidiaries) with a 55.3% shareholding after closing adjustments made pursuant to P1's internal restructuring and determination of the equity value of P1 as at 31 May 2014 in accordance to the terms of the Investment Agreement. The remaining 44.7% shareholding are held by Green Packet with 31.1% and SKT at 13.6%.

5. Business Combinations (continued)

(a) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)

The partnership drives strong synergies from the three (3) complementary partners to work together to capitalise on a mobile opportunity and deliver the next generation of converged communication services. It essentially enables P1 to crossover to Long Term Evolution (LTE) and offer full mobility while providing the Company with an LTE-ready platform to accelerate and more efficiently make wireless broadband products available to its customers. This includes access to suitable spectrum bands, the ability to draw on advanced technological knowhow of SKT, an existing customer base to build on, and the strong base of LTE upgradeable WiMAX sites to quickly achieve extensive LTE coverage.

Pursuant to the Investment Agreement, Green Packet has entered into a programme agreement amongst others with Mobikom in relation to an 8-year redeemable exchangeable medium term notes (Exchangeable MTN) (previously referred to as Exchangeable Bond or EB) programme by Green Packet to raise up to RM210.0 million (Exchangeable MTN Programme) (Exchangeable MTN Programme Agreement). The Exchangeable MTNs may be exchangeable into, amongst others, P1 Shares held by Packet One immediately after Completion in accordance with the terms of the Exchangeable MTN Programme Agreement. The Exchangeable MTNs will be secured against the P1 Shares held by Packet One immediately following Completion and the 8-year convertible unsecured medium term notes (Convertible MTN) (previously referred to as Convertible Bond or CB) issued by P1 under the convertible MTN Programme (Convertible MTN Programme) to be subscribed amongst others by Packet One and/or its related corporation at any time using part of the proceeds from the issuance of Exchangeable MTNs pursuant to the Exchangeable MTN Programme (including any P1 Shares issued on conversion of such Convertible MTNs).

The Company via Mobikom has subscribed for the first tranche of the issuance of the Exchangeable MTN under the Exchangeable MTN Programme on 30 September 2014 with a subscription value of RM119.3 million (Series 1 Exchangeable MTN).

Pursuant to the Investment Agreement and the Completion, the following key agreements will also be entered into by P1 with the relevant parties:

(i) A subscription programme agreement amongst others with Mobikom (and/or its related corporation), Packet One (and/or its related corporation), SKT (and/or its related corporation) in relation to the Convertible MTN Programme by P1 to raise up to RM1.65 billion in tranches; and

(ii) collaboration agreements between each of the Company, Green Packet and SKT (on the one hand) and P1 (on the other hand) in relation to the operational and business collaboration between the relevant 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 Investment Agreement also amongst others includes certain granting of call and put options between Mobikom with Packet One and SKT respectively over shares of P1, as follows:

(i) Put option on non-controlling interest (Packet One Put Option)

Mobikom has granted Packet One an option to sell, which would require Mobikom to buy, all shares in the capital of P1 registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of P1 at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if P1 shares are not publicly traded, the fully distributed market or equity value at which the P1 shares would trade on a recognised stock exchange.

5. Business Combinations (continued)

(a) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)

The Investment Agreement also amongst others includes certain granting of call and put options between Mobikom with Packet One and SKT respectively over shares of P1, as follows: (continued)

(ii) Call Option on P1 Shares (SKT Call Option)

SKT has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of P1 registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation cease to own at least 10% of the issued share capital of P1 and will automatically lapse upon the earlier of:

(i) Two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;

(ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or

(iii) any initial public offering implemented by P1.

The exercise price is at a price equal to Mobikom's per share subscription price during Completion as at 30 September 2014.

Other than the above, there were other derivatives arising from the Group's investment in P1 but for which exercise prices are at fair market value of the shares in P1 at the time when the options are to be exercised and as such, the fair value of these options are nil.

The following table summarises the consideration paid for P1 and the fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration at 30 September 2014	RM
Cash (Total Contribution)	**350.0**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and bank balances	**112.0**
Property, plant and equipment (note 22)	**555.7**
Intangible assets (note 24)	**211.1**
Trade and other receivables	**114.5**
Loans and borrowings	**(33.4)**
Trade and other payables (current and non-current)	**(411.4)**
Deferred tax liability (note 20)	**(9.7)**
Total identifiable net assets	**538.8**
Non-controlling interest	**(240.9)**
Goodwill (note 24)	**52.1**
Total	**350.0**

Acquisition-related cost of RM23.2 million have been charged to other operating costs in the Consolidated Income Statement. The revenue included in the Consolidated Income Statement since the Completion on 30 September 2014 contributed by P1 and its subsidiaries was RM67.1 million whilst its contribution to the Group's profit after tax was RM53.3 million loss.

Had P1 Group been consolidated from 1 January 2014, the Consolidated Income Statement would show pro-forma revenue of RM11,415.4 million and profit after tax of RM698.3 million.

The fair value of trade and other receivables was RM114.5 million. The gross contractual amount for trade receivables due amounted to RM75.7 million, of which RM39.6 million expected to be uncollectible (note 34(a)).

5. Business Combinations (continued)

(a) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)

The non-controlling interest in P1 Group, an unlisted company, which amounted to RM240.9 million was estimated by using the non-controlling interest's 44.7% proportionate share of the fair value of P1 Group's net asset at the date of acquisition.

The goodwill of RM52.1 million arising from the acquisition was attributable to the expected economies of scale and synergy from combining the operations of the Group and P1 Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the acquired identifiable intangible assets of RM211.1 million was inclusive of the acquired telecommunication spectrum and customer base of P1. The Group has assessed the identifiable assets acquired and liabilities assumed from the acquisition as at the acquisition date. MFRS 3 "Business Combinations" allows adjustments to the purchase price allocation up to a 12 months period from the date of acquisition.

(b) GTC Global Sdn Bhd (GTC)

On 27 November 2013, the Company 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 (Acquisition). The SSA was conditional upon fulfilment of several Conditions Precedent, within three (3) months from the date of the SSA or such other date as may be agreed upon between the Company and GGS.

The Acquisition was completed on 10 January 2014 upon fulfilment of the Conditions Precedent and GTC became the Company's wholly-owned subsidiary with effect from the same date. GTC complements the Company's core competencies as well as broaden the 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 fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration at 10 January 2014	RM
Cash (Total Contribution)	**45.0**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and bank balances	**23.4**
Property, plant and equipment (note 22)	**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**

5. Business Combinations (continued)

(b) GTC Global Sdn Bhd (GTC) (continued)

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 RM56.0 million whilst its contribution to the Group's profit was a RM2.7 million loss, which would not be materially different from what would have been reported had GTC been consolidated from 1 January 2014.

The Group has assessed the identifiable assets acquired and liabilities assumed from the acquisition as at the acquisition date. The fair value of trade and other receivables was RM102.6 million. The gross contractual amount for trade receivables due was RM8.1 million, of which all is expected to be collectible.

The negative goodwill which was credited to other operating income in the Consolidated Income Statement was in view of anticipated adjustments from changes in estimates for certain significant customer contracts of GTC at the date of acquisition.

6. Operating Revenue

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Voice services	**3,469.2**	3,617.7	**3,460.8**	3,607.6
Data services	**2,606.0**	2,512.3	**2,300.6**	2,203.3
Internet and multimedia services	**2,995.1**	2,676.4	**2,942.9**	2,680.9
Other telecommunications related services	**1,864.7**	1,478.3	**1,306.9**	993.7
Non-telecommunications related services	**300.1**	344.0	**–**	–
TOTAL OPERATING REVENUE	**11,235.1**	10,628.7	**10,011.2**	9,485.5

7(a) Depreciation, Impairment and Amortisation

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Depreciation of property, plant and equipment (PPE)	**2,259.9**	2,134.4	**2,018.6**	1,913.4
Depreciation of investment property	**–**	–	**2.2**	2.2
Impairment of PPE	**2.3**	–	**–**	–
Impairment of non-current assets held for sale	**6.3**	–	**6.3**	–
Write-off/retirement of PPE	**52.8**	9.3	**50.8**	7.6
Amortisation of intangible assets	**20.0**	16.0	**–**	–
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**2,341.3**	2,159.7	**2,077.9**	1,923.2

7(b) Other Operating Costs

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Agency commissions and charges	**64.0**	72.3	**88.9**	108.3
Domestic interconnect and international outpayment	**821.7**	813.0	**890.3**	868.4
Impairment of trade and other receivables (net of debt recoveries)	**228.9**	89.9	**238.1**	96.6
Impairment reversal for investment in a subsidiary	**–**	–	**(76.0)**	–
Maintenance	**846.2**	763.4	**848.4**	795.9
Marketing, advertising and promotion	**297.6**	321.8	**339.8**	358.9
Net loss/(gain) on foreign exchange on settlements and placements				
– realised	**3.0**	2.7	**0.6**	0.8
– unrealised	**(9.7)**	(16.0)	**(20.8)**	(12.7)
Outsourcing costs	**61.7**	81.0	**301.3**	295.6
Rental – equipment	**58.2**	65.5	**103.0**	111.7
Rental – land and buildings	**198.4**	176.3	**156.8**	145.8
Rental – leased lines	**226.6**	238.6	**–**	–
Rental – others	**26.3**	27.9	**10.6**	12.0
Research and development	**8.6**	7.6	**61.9**	57.8
Staff costs	**2,511.9**	2,369.7	**1,873.1**	1,796.6
Staff costs capitalised into PPE	**(118.7)**	(109.4)	**(118.7)**	(109.4)
Supplies and materials	**782.0**	692.8	**518.0**	497.3
Transportation and travelling	**72.2**	69.0	**55.5**	53.0
Universal Service Provision contribution	**301.7**	312.2	**276.5**	295.4
Utilities	**368.6**	317.9	**318.4**	279.3
Others	**1,004.6**	922.4	**1,019.3**	895.2
TOTAL OTHER OPERATING COSTS	**7,753.8**	7,218.6	**6,885.0**	6,546.5
Staff costs include:				
– salaries, allowances, overtime and bonus	**1,900.4**	1,935.5	**1,387.0**	1,457.5
– contribution to Employees Provident Fund (EPF)	**279.2**	283.0	**205.3**	217.0
– termination benefit	**111.2**	0.7	**101.4**	0.7
– other staff benefits	**214.3**	141.9	**173.3**	113.2
– remuneration of Executive Directors of the Company				
– salaries, allowances and bonus	**2.5**	4.6	**2.5**	4.6
– contribution to EPF	**0.9**	0.9	**0.9**	0.9
– remuneration of Non-Executive Directors of the Company				
– fees	**2.5**	2.0	**1.9**	1.6
– allowances and bonus	**0.9**	0.8	**0.8**	0.8
– remuneration of former Non-Executive Directors of the Company				
– fees	**–**	0.2	**–**	0.2
– allowances and bonus	**–**	0.1	**–**	0.1

7(b) Other Operating Costs (continued)

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	**3.6**	3.0	**2.2**	2.1
– member firms of PricewaterhouseCoopers International Limited	**0.2**	0.2	**–**	–
– audit related fees	**0.7**	0.8	**0.4**	0.4
– tax and other non-audit services	**5.0**	1.2	**4.9**	1.1

Estimated money value of benefits of Directors amounted to RM622,829 (2013: RM877,966) for the Group and RM622,829 (2013: RM876,260) for the Company.

In ensuring independence of the external auditors, the Board Audit Committee has policies governing the engagement of the external auditors for non-audit services and the related approval process that has to be adhered before any such non-audit services commence. Non-audit services can be offered by the external auditors if there are efficiencies and value-added benefits to the Group.

8. Other Operating Income (net)

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Dividend income from subsidiaries	**–**	–	**85.9**	116.2
Dividend income from equity securities – quoted	**1.3**	1.3	**1.3**	1.3
– unquoted	**7.1**	11.4	**7.1**	11.4
Income from sales of scraps	**10.6**	10.1	**10.6**	10.1
Income from subsidiaries – interest	**–**	–	**11.6**	7.5
– others	**–**	–	**4.1**	4.3
Insurance claims	**0.5**	0.5	**0.5**	0.4
Loss on disposal of staff loans	**(0.4)**	(0.5)	**(0.4)**	(0.5)
Profit on disposal of PPE	**5.6**	1.9	**5.7**	2.3
Profit on disposal of non-current asset held for sale	**27.0**	8.3	**27.0**	8.3
Penalty on breach of contract	**5.5**	4.6	**5.5**	4.6
Rental income from land and buildings	**43.5**	40.8	**62.5**	65.2
Rental income from vehicles	**–**	–	**0.7**	0.9
Revenue from training and related activities	**1.8**	0.2	**2.2**	1.0
Others	**51.8**	42.9	**45.5**	47.8
TOTAL OTHER OPERATING INCOME (net)	**154.3**	121.5	**269.8**	280.8

9. Other Gains/(Losses) (net)

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Financial assets at fair value through profit or loss				
– fair value (loss)/profit	**(4.3)**	1.5	**(4.3)**	1.5
– call option on shares held by non-controlling interest	**9.0**	–	**–**	–
Available-for-sale investments				
– reclassification from fair value reserves	**0.1**	0.2	**0.1**	0.2
TOTAL OTHER GAINS/(LOSSES) (net)	**4.8**	1.7	**(4.2)**	1.7

10. Net Finance Cost

The Group	2014 Foreign RM	2014 Domestic RM	2014 Islamic Principles RM	2014 Total RM	2013 Foreign RM	2013 Domestic RM	2013 Islamic Principles RM	2013 Total RM
Finance income from								
– short term bank deposits	#	60.4	42.2	102.6	0.4	63.3	68.2	131.9
– other deposits	–	3.4	3.0	6.4	–	2.4	1.6	4.0
– Redeemable Exchangeable Medium Term Notes (note 30)	–	2.4	–	2.4	–	–	–	–
– staff loans	–	0.7	3.2	3.9	–	0.9	2.2	3.1
– accretion of finance income	–	19.1	–	19.1	–	3.0	–	3.0
– available-for-sale receivables	–	2.2	–	2.2	–	2.9	–	2.9
TOTAL FINANCE INCOME	#	88.2	48.4	136.6	0.4	72.5	72.0	144.9
Finance cost on								
– borrowings	(162.5)	(8.2)	–	(170.7)	(166.0)	(2.0)	–	(168.0)
– TM Islamic Stapled Income Securities (note 17(b))	–	–	(44.9)	(44.9)	–	–	(162.6)	(162.6)
– fair value gain on interest rate swaps – realised (note 17(c))	–	–	3.8	3.8	–	–	7.4	7.4
– Islamic Commercial Papers (note 17(d))	–	–	–	–	–	–	(0.8)	(0.8)
– Islamic Medium Term Notes (note 17(d))	–	–	(107.4)	(107.4)	–	–	(70.5)	(70.5)
– accretion of finance cost (note 17(e))	–	(8.4)	–	(8.4)	–	(8.0)	–	(8.0)
– finance lease (note 17(f))	–	(3.0)	–	(3.0)	–	(3.2)	–	(3.2)
– unwinding of discount on put option over shares of a subsidiary (note 47(a))	–	(2.5)	–	(2.5)	–	–	–	–
– amortisation of interest subsidy on staff loan	–	–	(0.8)	(0.8)	–	(0.3)	(0.7)	(1.0)
Borrowing costs capitalised	6.6	8.4	27.3	42.3	4.4	8.0	23.1	35.5
TOTAL FINANCE COST	(155.9)	(13.7)	(122.0)	(291.6)	(161.6)	(5.5)	(204.1)	(371.2)
Foreign exchange gain/(loss) on borrowings								
– realised	254.2	–	–	254.2	–	–	–	–
– unrealised	(314.6)	–	–	(314.6)	(147.5)	–	–	(147.5)
– reclassification from hedging reserve	28.6	–	–	28.6	0.9	–	–	0.9
Fair value (loss)/gain on forward foreign currency contracts								
– realised (note 19)	(16.1)	–	–	(16.1)	–	–	–	–
– unrealised (note 19)	–	–	–	–	41.4	–	–	41.4
TOTAL FOREIGN EXCHANGE LOSS ON BORROWINGS	(47.9)	–	–	(47.9)	(105.2)	–	–	(105.2)
NET FINANCE COST	(203.8)	74.5	(73.6)	(202.9)	(266.4)	67.0	(132.1)	(331.5)

10. Net Finance Cost (continued)

The Company	2014 Foreign RM	2014 Domestic RM	2014 Islamic Principles RM	2014 Total RM	2013 Foreign RM	2013 Domestic RM	2013 Islamic Principles RM	2013 Total RM
Finance income from								
– short term bank deposits	**#**	**58.3**	**40.6**	**98.9**	0.1	61.3	64.8	126.2
– other deposits	**–**	**3.4**	**1.7**	**5.1**	–	1.9	1.5	3.4
– staff loans	**–**	**0.7**	**3.2**	**3.9**	–	0.9	2.2	3.1
– available-for-sale receivables	**–**	**2.2**	**–**	**2.2**	–	2.9	–	2.9
TOTAL FINANCE INCOME	**#**	**64.6**	**45.5**	**110.1**	0.1	67.0	68.5	135.6
Finance cost on								
– borrowings	**(160.3)**	**–**	**–**	**(160.3)**	(166.0)	(1.6)	–	(167.6)
– TM Islamic Stapled Income Securities (note 17(b))	**–**	**–**	**(44.9)**	**(44.9)**	–	–	(162.6)	(162.6)
– fair value gain on interest rate swaps – realised (note 17(c))	**–**	**–**	**3.8**	**3.8**	–	–	7.4	7.4
– Islamic Commercial Papers (note 17(d))	**–**	**–**	**–**	**–**	–	–	(0.8)	(0.8)
– Islamic Medium Term Notes (note 17(d))	**–**	**–**	**(107.4)**	**(107.4)**	–	–	(70.5)	(70.5)
– accretion of finance cost (note 17(e))	**–**	**(8.4)**	**–**	**(8.4)**	–	(8.0)	–	(8.0)
– finance lease (note 17(f))	**–**	**(3.0)**	**–**	**(3.0)**	–	(3.2)	–	(3.2)
– Inter-Company Fund Optimisation (note 43(b))	**–**	**(17.5)**	**(0.8)**	**(18.3)**	–	(7.8)	–	(7.8)
– amortisation of interest subsidy on staff loan	**–**	**–**	**(0.8)**	**(0.8)**	–	(0.3)	(0.7)	(1.0)
Borrowing costs capitalised	**6.6**	**8.4**	**27.3**	**42.3**	4.4	8.0	23.1	35.5
TOTAL FINANCE COST	**(153.7)**	**(20.5)**	**(122.8)**	**(297.0)**	(161.6)	(12.9)	(204.1)	(378.6)
Foreign exchange gain/(loss) on borrowings								
– realised	**254.2**	**–**	**–**	**254.2**	–	–	–	–
– unrealised	**(314.6)**	**–**	**–**	**(314.6)**	(147.5)	–	–	(147.5)
– reclassification from hedging reserve	**28.6**	**–**	**–**	**28.6**	0.9	–	–	0.9
Fair value (loss)/gain on forward foreign currency contracts								
– realised (note 19)	**(16.1)**	**–**	**–**	**(16.1)**	–	–	–	–
– unrealised (note 19)	**–**	**–**	**–**	**–**	41.4	–	–	41.4
TOTAL FOREIGN EXCHANGE LOSS ON BORROWINGS	**(47.9)**	**–**	**–**	**(47.9)**	(105.2)	–	–	(105.2)
NET FINANCE COST	**(201.6)**	**44.1**	**(77.3)**	**(234.8)**	(266.7)	54.1	(135.6)	(348.2)

Amount less than RM0.1 million

11. Taxation and Zakat

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**161.3**	59.0	**108.6**	25.5
Prior year	**(4.5)**	(12.1)	**0.9**	(5.9)
Deferred Tax (net)	**103.3**	(54.7)	**104.1**	(45.8)
	260.1	(7.8)	**213.6**	(26.2)
Overseas				
Income Tax				
Current year	**3.5**	0.3	**–**	–
Prior year	**(2.3)**	(1.3)	**–**	–
Deferred Tax (net)	**(1.4)**	2.7	**–**	–
	(0.2)	1.7	**–**	–
TOTAL TAXATION	**259.9**	(6.1)	**213.6**	(26.2)
Zakat	**3.1**	4.3	**1.8**	3.5
TAXATION AND ZAKAT	**263.0**	(1.8)	**215.4**	(22.7)
Current taxation				
Current year	**164.8**	59.3	**108.6**	25.5
(Over)/Under accrual in prior years (net)	**(6.8)**	(13.4)	**0.9**	(5.9)
Deferred taxation				
Origination and reversal of temporary differences	**101.8**	186.1	**100.2**	177.1
Change in tax rate	**3.9**	(35.0)	**3.9**	(31.8)
Tax incentive	**–**	(191.1)	**–**	(191.1)
Benefit from previously unrecognised tax losses	**(3.8)**	(12.0)	**–**	–
	259.9	(6.1)	**213.6**	(26.2)

11. Taxation and Zakat (continued)

The relationship between taxation and profit before taxation and zakat can be explained by the numerical reconciliation between taxation expense and the product of accounting profit multiplied by the Malaysian tax rate as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit Before Taxation and Zakat	**1,105.5**	1,046.0	**1,079.1**	950.1
Taxation calculated at the applicable Malaysian taxation rate of 25.0%	**276.4**	261.5	**269.8**	237.5
Tax effects of:				
– share of results of associates	**(2.3)**	(0.8)	**–**	–
– different taxation rates in other countries	**0.5**	1.7	**–**	–
– expenses not deductible for taxation purposes	**146.6**	84.4	**121.3**	66.0
– income not subject to taxation	**(162.3)**	(97.7)	**(166.2)**	(90.3)
– expenses allowed for double deduction	**(16.1)**	(14.5)	**(16.1)**	(14.5)
– tax incentive	**–**	(191.1)	**–**	(191.1)
– benefit from previously unrecognised tax losses	**(3.8)**	(12.0)	**–**	–
– change in tax rate	**3.9**	(35.0)	**3.9**	(31.8)
– current year tax losses not recognised	**13.3**	2.1	**–**	–
– (over)/under accrual of income tax (net)	**(6.8)**	(13.4)	**0.9**	(5.9)
– previously unrecognised temporary differences	**10.5**	8.7	**–**	3.9
TOTAL TAXATION	**259.9**	(6.1)	**213.6**	(26.2)

12. Earnings Per Share

Basic earnings per share of the Group was calculated by dividing the net profit attributable to equity holders by the weighted average number of issued and paid-up ordinary shares of the Company in issue during the financial year. There is no dilutive potential ordinary shares as at 31 December 2014. Thus, diluted earnings per share equals basic earnings per share.

	The Group	
	2014	2013
Profit attributable to equity holders of the Company (RM million)	**831.8**	1,012.2
Weighted average number of ordinary shares (million)	**3,633.8**	3,577.4
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	**22.9**	28.3

13. Dividends in Respect of Ordinary Shares

Dividends approved and paid in respect of ordinary shares:

The Company	2014 Dividend per share Sen	2014 Amount of single-tier dividend RM	2013 Dividend per share Sen	2013 Amount of single-tier dividend RM
Final dividends paid in respect of the financial years ended:				
– 31 December 2013	**16.3**	**583.1**	–	–
– 31 December 2012	**–**	**–**	12.2	436.4
Interim dividends paid in respect of the financial years ended:				
– 31 December 2014	**9.5**	**348.4**	–	–
– 31 December 2013	**–**	**–**	9.8	350.6
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**25.8**	**931.5**	22.0	787.0

In respect of the financial year ended 31 December 2014, the Directors now recommend a final single-tier dividend of 13.4 sen per share (Final Dividend) amounting to RM498.4 million (2013: a final single-tier dividend of 16.3 sen per share amounting to RM583.1 million) for the shareholders' approval at the forthcoming Annual General Meeting of the Company. The Directors has also determined that the Dividend Reinvestment Scheme (DRS) will be applicable to the entire Final Dividend. The allotment and issuance of new ordinary shares of RM0.70 each in the Company (TM Shares) in relation to the DRS are subject to shareholders' approval at the forthcoming Annual General Meeting for the renewal of the authority for the Directors of the Company to allot and issue new TM Shares and the approval of Bursa Malaysia Securities Berhad for the listing and quotation of the new TM Shares.

14. Share Capital

The Group and Company	2014 Number of shares	2014 RM	2013 Number of shares	2013 RM
Authorised:				
Ordinary shares of RM0.70 each	**5,040.0**	**3,528.0**	5,040.0	3,528.0
Special Share of RM1.00 (sub-note (a))	**#**	**#**	#	#
2,000 Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
1,000 Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
TOTAL AUTHORISED SHARE CAPITAL	**5,040.0**	**3,528.0**	5,040.0	3,528.0

14. Share Capital (continued)

The Group and Company	2014 Number of shares	2014 RM	2013 Number of shares	2013 RM
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	**3,577.4**	**2,504.2**	3,577.4	2,504.2
Share issued under Dividend Reinvestment Scheme (sub-note (c))	**142.0**	**99.4**	–	–
At 31 December	**3,719.4**	**2,603.6**	3,577.4	2,504.2
Special Share of RM1.00 (sub-note (a))				
At 1 January and 31 December	**#**	**#**	#	#
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,719.4**	**2,603.6**	3,577.4	2,504.2

Amount less than RM0.1 million

(a) Special Rights Redeemable Preference Share (Special Share)

The Special Share of RM1.00 would enable the Government through the Minister of Finance to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policy. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but does not carry any right to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

Certain matters, in particular, the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, the dissolution of the Company, any substantial acquisitions and disposal of assets, amalgamation, merger and takeover, require the prior consent of the Special Shareholder.

The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time. In a distribution of capital in a winding up of the Company, the Special Shareholder is entitled to the repayment of the capital paid-up on the Special Share in priority to any repayment of capital to any other member. The Special Share does not confer any right to participate in the capital or profits of the Company.

(b) Non-Convertible Redeemable Preference Shares (NCRPS)

These comprise 2,000 Class C NCRPS of RM1.00 each and 1,000 Class D NCRPS of RM1.00 each. On 20 July 2007, the Company issued 2,000 Class C NCRPS (TM NCRPS C) and 925 Class D NCRPS (TM NCRPS D) at a premium of RM999.00 each over the par value of RM1.00 each. TM NCRPS C and TM NCRPS D rank pari passu amongst themselves but below the Special Share and ahead of the ordinary shares of the Company in a distribution of capital in the event of the winding up or liquidation of the Company. TM NCRPS C and TM NCRPS D have been classified as liabilities.

The details of TM NCRPS C and TM NCRPS D are set out in note 17(b)(I) to the financial statements.

(c) Dividend Reinvestment Scheme

On 27 March 2014, the Company announced a proposal to undertake a dividend reinvestment scheme that provides shareholders of the Company (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 the Company (New TM Share) (DRS).

The DRS has received the approval from the Bursa Malaysia Securities Berhad via its letter dated 7 April 2014 and the Shareholders' approval at the Company's Extraordinary General Meeting on 8 May 2014.

14. Share Capital (continued)

(c) Dividend Reinvestment Scheme (continued)

Shareholders have the following options to reinvest their cash dividend in New TM Shares (Option to Reinvest):

- to elect to participate by reinvesting in whole or in part the portion of such dividend to which the Option to Reinvest applies (Electable Portion), at the issue price for New TM Shares.

  In the event that only part of the Electable Portion is reinvested, the Shareholders shall receive the remaining portion of the dividend in cash; or

- to elect not to participate in the Option to Reinvest and thereby receive the entire dividend in cash.

Pursuant to the DRS, the Company increased its issued and fully paid share capital from RM2,504,184,312 to RM2,603,561,225.30 via:

(i) the issuance of 89,770,254 New TM Shares on 23 June 2014 at an issue price of RM5.38 per New TM Share relating to the Electable Portion of the final single-tier dividend for the financial year ended 31 December 2013 of 16.3 sen per TM Share. This translates to 82.8% rate of acceptance of Shareholders to reinvest their final cash dividend in New TM Shares.

(ii) the issuance of 52,196,765 New TM Shares on 29 October 2014 at an issue price of RM5.67 per New TM Share relating to the Electable Portion of the interim single-tier dividend for the financial year ended 31 December 2014 of 9.5 sen per TM Share. This translates to 85.0% rate of acceptance of Shareholders to reinvest their interim cash dividend in New TM Shares.

Upon completion of the DRS on listing and quotation of the above New TM Shares on Main Market Bursa Malaysia Securities Berhad, the total issued and paid up share capital of the Company was RM2,603,561,225.30 comprising 3,719,368,999 ordinary shares of RM0.70 each, 1 Special Rights Redeemable Preference Share of RM1.00, 2,000 Class C NCRPS of RM1.00 each, and 925 Class D NCRPS of RM1.00 each.

15. Other Reserves

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Fair value reserves (note 2(h)(iii))	**57.8**	56.3	**57.8**	56.3
Hedging reserve (note 2(j))	**63.5**	46.5	**63.5**	46.5
Capital redemption reserve	**71.6**	71.6	**71.6**	71.6
Other reserve (note 2(q)(iii) & note 47(a))	**(267.6)**	–	**–**	–
Currency translation differences arising from translation of:				
– subsidiaries	**3.6**	(0.8)	**–**	–
– associate	**0.2**	0.3	**–**	–
TOTAL OTHER RESERVES	**(70.9)**	173.9	**192.9**	174.4

16. Retained Profits

Pursuant to the Finance Act, 2007, the single-tier system was introduced with effect from the year of assessment 2008. Under the single-tier system, the tax on a company's profit is a final tax and the dividends distributed to its shareholders would be exempted from tax. With the implementation of the single-tier system, companies with unutilised Section 108 balances are allowed to either elect for the irrevocable option to switch over to the single-tier system or continue utilising the available Section 108 balances as at 31 December 2007 until such time the tax credit is fully utilised or upon expiry of the 6 years transitional period on 31 December 2013, whichever is earlier.

The Company has elected for the irrevocable option to disregard the remaining Section 108 balance of RM0.7 million on 13 September 2011 and thus, had, on the same day, switched over to the single-tier system and allowed to distribute single-tier dividend.

As at 31 December 2014, the Company has tax exempt profits of RM110.6 million (2013: RM100.5 million) subject to the agreement by the Inland Revenue Board.

17. Borrowings

	2014				2013			
The Group	**Weighted Average Rate of Finance**	**Non-current RM**	**Current RM**	**Total RM**	**Weighted Average Rate of FInance**	**Non-current RM**	**Current RM**	**Total RM**
DOMESTIC								
Secured								
Borrowings from financial institutions (sub-note (a))	**4.90%**	**164.7**	**81.2**	**245.9**	–	–	–	–
Finance lease	**2.89%**	**0.2**	**0.1**	**0.3**	–	–	–	–
Total Domestic Secured	**4.90%**	**164.9**	**81.3**	**246.2**	–	–	–	–
Unsecured								
Borrowings from financial institutions	**4.31%**	**–**	**13.0**	**13.0**	4.16%	–	13.0	13.0
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (b) and (c))	**4.87%**	**925.0**	**–**	**925.0**	4.87%	925.0	–	925.0
– Fair value of hedged risk (sub-note (c))	**–**	**3.6**	**–**	**3.6**	–	7.5	–	7.5
– Islamic Medium Term Notes (sub-note (d))	**4.32%**	**3,400.0**	**–**	**3,400.0**	4.12%	2,200.0	–	2,200.0
Other borrowings (sub-note (e))	**4.71%**	**89.8**	**98.1**	**187.9**	4.71%	132.2	48.2	180.4
Finance lease (sub-note (f))	**6.23%**	**42.2**	**4.4**	**46.6**	6.23%	46.7	4.1	50.8
Total Domestic Unsecured	**4.46%**	**4,460.6**	**115.5**	**4,576.1**	4.37%	3,311.4	65.3	3,376.7
Total Domestic	**4.48%**	**4,625.5**	**196.8**	**4,822.3**	4.37%	3,311.4	65.3	3,376.7
FOREIGN								
Unsecured								
Borrowings from financial institutions	**1.07%**	**575.7**	**–**	**575.7**	1.06%	568.7	–	568.7
Notes and Debentures (sub-note (g))	**7.88%**	**1,047.3**	**–**	**1,047.3**	6.28%	981.7	1,524.7	2,506.4
Other borrowings	**–**	**2.9**	**0.2**	**3.1**	–	3.2	0.2	3.4
Total Foreign	**5.46%**	**1,625.9**	**0.2**	**1,626.1**	5.31%	1,553.6	1,524.9	3,078.5
TOTAL BORROWINGS	**4.73%**	**6,251.4**	**197.0**	**6,448.4**	4.82%	4,865.0	1,590.2	6,455.2

17. Borrowings (continued)

	2014			2013		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Group's non-current borrowings are repayable as follows:						
After one year and up to five years	**1,182.3**	**228.3**	**1,410.6**	1,083.4	243.2	1,326.6
After five years and up to ten years	**3,443.2**	**348.6**	**3,791.8**	2,227.9	326.8	2,554.7
After ten years and up to fifteen years	**–**	**1,048.0**	**1,048.0**	0.1	982.5	982.6
After fifteen years	**–**	**1.0**	**1.0**	–	1.1	1.1
	4,625.5	**1,625.9**	**6,251.4**	3,311.4	1,553.6	4,865.0

The Company	2014 Weighted Average Rate of Finance	2014 Non-current RM	2014 Current RM	2014 Total RM	2013 Weighted Average Rate of FInance	2013 Non-current RM	2013 Current RM	2013 Total RM
DOMESTIC								
Unsecured								
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (b) and (c))	**4.87%**	**925.0**	**–**	**925.0**	4.87%	925.0	–	925.0
– Fair value of hedged risk (sub-note (c))	**–**	**3.6**	**–**	**3.6**	–	7.5	–	7.5
– Islamic Medium Term Notes (sub-note (d))	**4.32%**	**3,400.0**	**–**	**3,400.0**	4.12%	2,200.0	–	2,200.0
Other borrowings (sub-note (e))	**4.71%**	**89.8**	**98.1**	**187.9**	4.71%	132.2	48.2	180.4
Finance lease (sub-note (f))	**6.23%**	**42.2**	**4.4**	**46.6**	6.23%	46.7	4.1	50.8
Total Domestic	**4.46%**	**4,460.6**	**102.5**	**4,563.1**	4.38%	3,311.4	52.3	3,363.7
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (g))	**7.88%**	**1,047.3**	**–**	**1,047.3**	7.88%	981.7	–	981.7
Other borrowings	**–**	**2.9**	**0.2**	**3.1**	–	3.2	0.2	3.4
Total Foreign	**7.86%**	**1,050.2**	**0.2**	**1,050.4**	7.85%	984.9	0.2	985.1
TOTAL BORROWINGS	**5.10%**	**5,510.8**	**102.7**	**5,613.5**	5.17%	4,296.3	52.5	4,348.8

17. Borrowings (continued)

	2014			2013		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Company's non-current borrowings are repayable as follows:						
After one year and up to five years	**1,038.6**	**0.5**	**1,039.1**	1,083.4	0.5	1,083.9
After five years and up to ten years	**3,422.0**	**0.7**	**3,422.7**	2,227.9	0.8	2,228.7
After ten years and up to fifteen years	**–**	**1,048.0**	**1,048.0**	0.1	982.5	982.6
After fifteen years	**–**	**1.0**	**1.0**	–	1.1	1.1
	4,460.6	**1,050.2**	**5,510.8**	3,311.4	984.9	4,296.3

The currency exposure profile of borrowings is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	**4,822.3**	3,376.7	**4,563.1**	3,363.7
US Dollar	**1,395.2**	2,832.4	**1,047.3**	981.7
Other currencies	**230.9**	246.1	**3.1**	3.4
	6,448.4	6,455.2	**5,613.5**	4,348.8

(a) Secured borrowings of subsidiaries are facilities relating to projects of the subsidiaries and are secured mainly by either assignment of proceeds receivable from projects, fixed and floating charge over assets and undertakings of the subsidiaries or corporate guarantee by a non-controlling shareholder.

(b) On 20 July 2007, the Company had, through itself and its wholly-owned subsidiary, Hijrah Pertama Berhad (HPB), issued the TM Islamic Stapled Income Securities (TM ISIS) consisting of:

(i) (a) RM2.0 million Class C Non-Convertible Redeemable Preference Shares (NCRPS) (TM NCRPS C) consisting of 2,000 Class C NCRPS of RM1.00 each at a premium of RM999.00 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class A of nominal value RM1,998.0 million issued by HPB; and

(ii) (a) RM925,000 Class D NCRPS (TM NCRPS D) consisting of 925 Class D NCRPS of RM1.00 each at a premium of RM999.00 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class B of nominal value RM924,075,000 issued by HPB.

Sukuk Ijarah Class A and B are collectively referred to as 'Sukuk'.

The TM NCRPS (which comprises Class C and Class D NCRPS respectively) are effectively linked to the Sukuk in that the TM NCRPS and the Sukuk are issued simultaneously to the same parties and the periodic distribution obligations under the Sukuk are dependent on the payments made under the TM NCRPS. The outstanding amount of Sukuk are treated as borrowing by the Company as the Sukuk are effectively obligations of the Company.

17. Borrowings (continued)

(b) The TM ISIS are classified as debt instruments and hence are reported as liabilities. Consequently, dividend payable under TM NCRPS and rental payable under Sukuk are reported as finance cost.

On 30 December 2013, the Company repaid the RM2.0 million Class C NCRPS and RM1,998.0 million Class A Sukuk at nominal value.

Salient terms of the above transactions are:

(I) TM NCRPS

The principle features of the TM NCRPS are summarised as follows:

(i) The NCRPS will not be convertible to ordinary shares of the Company.

(ii) The NCRPS are not transferable/tradable and will be held by Primary Subscribers. The NCRPS will be mandatorily redeemed by the Company upon maturity of the Sukuk.

(iii) There will be no voting rights except with regards to the proposal to reduce the capital of the Company, sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NCRPS holders or as provided for in the Companies Act, 1965.

(iv) The NCRPS will not be listed on any of the boards of Bursa Malaysia Securities Berhad.

(v) The NCRPS shall rank pari passu amongst themselves but below the Special Share and ahead of the Company's ordinary shares in a distribution of capital in the event of the winding up or liquidation of the Company.

(II) Sukuk Ijarah

The Sukuk are issued in 4 classes and is for the purposes of financing the purchase by HPB of the beneficial ownership of certain assets. The Sukuk comprise the following classes:

(i) Class A Sukuk comprising Class A1 Sukuk and Class A2 Sukuk (collectively referred to as 'Class A Sukuk')

(ii) Class B Sukuk comprising Class B1 Sukuk and Class B2 Sukuk (collectively referred to as 'Class B Sukuk')

The Class A Sukuk and Class B Sukuk shall represent undivided beneficial ownership in the relevant assets and shall constitute direct, unconditional and unsecured trust obligations of HPB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves.

Features of the Sukuk are summarised as follows:

(i) The Sukuk shall constitute trust obligations of HPB in relation to, and represent undivided beneficial ownership in the assets.

(ii) Class A2 Sukuk and Class B2 Sukuk are not transferable/tradable and will be held by Primary Subscribers until maturity of the Sukuk.

(iii) The Sukuk will constitute, inter alia, the obligations of the Company.

(iv) The obligations of the Company in respect of the Sukuk will constitute direct, unconditional and unsecured obligations of the Company and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Company, subject to those preferred by law or the transaction documents.

17. Borrowings (continued)

(b) Salient terms of the above transactions are: (continued)

(II) Sukuk Ijarah (continued)

(v) The Sukuk carry a rating of AAA by RAM Rating Services Berhad at the date of issue.

The respective tenure of the Sukuk are as follows:

Class	Maturity Dates
A1	30 December 2013
A2	30 December 2013
B1	28 December 2018
B2	28 December 2018

During the tenure of the TM ISIS, the Company can elect to either:

(i) Pay gross dividends, comprising net dividend with the respective tax credits to investors and Nominal Rental payable to HPB; or

(ii) Pay full rental to HPB, which in turn distributes the same as periodic distribution to investors who are holding Class A2 Sukuk and Class B2 Sukuk.

Where the Company elects to pay dividend, HPB will only receive Nominal Rental under the lease agreement which it in turn would pay out to investors under Class A2 Sukuk and Class B2 Sukuk as nominal periodic distribution. The nominal periodic distribution rate is 0.01% per annum.

Where the Company elects to pay full rental, the Periodic Distribution Rate as in the TM ISIS of Class C NCRPS and Class D NCRPS which is linked to Class A Sukuk and Class B Sukuk is 6.20% and 5.25% per annum respectively, payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset on 31 December 2008 to 4.193% per annum payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset again on 31 December 2013 to 4.87% per annum payable semi-annually in arrears. There will be no resetting of the Periodic Distribution Rate for Class B Sukuk subsequent to 2013 up to the maturity dates of the Sukuk.

Pursuant to Finance Act, 2007, tax credits can no longer be passed on to the investors who are not ordinary shareholders effective from 1 January 2008.

(c) A portion of the security as described in sub-note (b) above, has been hedged with interest rate swaps which are accounted for using hedge accounting. Hence, fair value attributable to the changes in interest rate risk that has been hedged, is included in borrowings.

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

On 5 April 2011, the Company also established an ICP and IMTN programmes with a combined limit of up to RM2.0 billion in nominal value, which has been fully issued during the previous financial year.

17. Borrowings (continued)

(d) The proceeds from the issuance of the ICP and/or IMTN are used by the Company to meet its capital expenditure and business operating requirements. The IMTN in issue comprise the following:

	The Group and Company	
	2014 RM	**2013 RM**
IMTN due in 2020 (4.30%)	**200.0**	200.0
IMTN due in 2021 (4.20% – 4.50%)	**800.0**	800.0
IMTN due in 2022 (3.95% – 4.00%)	**550.0**	550.0
IMTN due in 2023 (3.93% – 3.95%)	**650.0**	650.0
IMTN due in 2024 (4.55% – 4.82%)	**1,200.0**	–
	3,400.0	2,200.0

(e) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company.

(f) Minimum lease payments at the reporting date are as follows:

The Group	**2014 RM**	**2013 RM**
Not later than one year	**7.3**	7.1
Later than one year and not later than five years	**28.6**	28.4
Later than five years and not later than ten years	**24.2**	31.3
	60.1	66.8
Future finance charges	**(13.2)**	(16.0)
Present value of finance lease liabilities	**46.9**	50.8
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**4.6**	4.1
Later than one year and not later than five years	**20.4**	19.1
Later than five years and not later than ten years	**21.9**	27.6
	46.9	50.8

17. Borrowings (continued)

(f) Minimum lease payments at the reporting date are as follows: (continued)

The Company	2014 RM	2013 RM
Not later than one year	**7.1**	7.1
Later than one year and not later than five years	**28.4**	28.4
Later than five years and not later than ten years	**24.2**	31.3
	59.7	66.8
Future finance charges	**(13.1)**	(16.0)
Present value of finance lease liabilities	**46.6**	50.8
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**4.4**	4.1
Later than one year and not later than five years	**20.3**	19.1
Later than five years and not later than ten years	**21.9**	27.6
	46.6	50.8

The finance lease refers to a leasing arrangement for an office building of the Company in Melaka.

(g) Notes and Debentures consist of the following:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
USD465.1 million 5.25% Guaranteed Notes due in 2014	**–**	1,524.7	**–**	–
USD300.0 million 7.875% Debentures due in 2025	**1,047.3**	981.7	**1,047.3**	981.7
	1,047.3	2,506.4	**1,047.3**	981.7

On 22 September 2014, the Group redeemed in full at its nominal value, the USD465.1 million (RM1,513.3 million) 5.25% Guaranteed Notes.

None of the other Debentures was redeemed, purchased or cancelled during the current financial year.

18. Payable to a Subsidiary

(a) (i) On 20 November 2012, the Company's wholly-owned subsidiary, TM Global Incorporated, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, obtained a 5-year JPY7.8 billion loan from a financial institution which will mature on 20 November 2017. The loan carries a fixed JPY interest rate of 0.91375% per annum payable semi-annually on 20 May and 20 November of each financial year. The loan was utilised to repay the two Islamic Commercial Papers issued by the Company of RM150.0 million each matured on 21 November 2012. The loan is unconditionally and irrevocably guaranteed by the Company.

(ii) On 12 November 2013, the Company's wholly-owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from another financial institution which will mature on 30 October 2020. The loan carries a floating USD interest rate of 3 months London Interbank Offer Rate (LIBOR) plus 0.91% per annum payable quarterly on 12 February, May, August and November of each financial year including 30 October 2020. The loan is unconditionally and irrevocably guaranteed by the Company.

(b) On 22 September 2004, the Company's wholly-owned subsidiary, TM Global Incorporated, issued a 10-year USD500.0 million Guaranteed Notes due in 2014 (Notes). The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 22 March and 22 September in each financial year commencing in March 2005. Proceeds from the transaction were utilised to refinance the Company's maturing debt and general working capital. The Notes are unconditional and irrevocably guaranteed by the Company.

On 4 December 2009, the Company repurchased USD34.9 million in nominal value of the Notes. The Notes matured on 22 September 2014 and the Company redeemed in full all of the remaining Notes of USD465.1 million (RM1,513.3 million) on the same day.

The Notes and term loans are reflected as borrowings of the Group (note 17 to the financial statements).

19. Derivative Financial Instruments and Hedging Transactions

The Group	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2014				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– less than 1 year	**–**	**–**	**–**	**(16.1)**
Call option on shares held by non-controlling interest				
– more than 3 years (sub-note (f)(ii))	**87.1**	**9.0**	**–**	**9.0**
Put option liability over shares held by non-controlling interest				
– more than 3 years (sub-note (f)(i))	**–**	**–**	**270.1**	**(270.1)**
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– 1 year to 3 years (sub-note (c))	**500.0**	**3.6**	**–**	**(3.9)**
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (d) & (e))	**926.2**	**134.7**	**67.7**	**45.6**
TOTAL	**1,513.3**	**147.3**	**337.8**	**(235.5)**

19. Derivative Financial Instruments and Hedging Transactions (continued)

The Group	Contract or notional amount RM	Fair value		Fair value changes during the financial year RM
		Assets RM	Liabilities RM	
2013				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– less than 1 year	910.5	27.1	11.0	41.4
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– more than 3 years (sub-note (c))	500.0	7.5	–	(11.1)
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (d) & (e))	926.2	72.8	51.4	20.5
TOTAL	2,336.7	107.4	62.4	50.8

The Company	Contract or notional amount RM	Fair value		Fair value changes during the financial year RM
		Assets RM	Liabilities RM	
2014				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– less than 1 year	**–**	**–**	**–**	**(16.1)**
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– 1 year to 3 years (sub-note (c))	**500.0**	**3.6**	**–**	**(3.9)**
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (d) & (e))	**926.2**	**134.7**	**67.7**	**45.6**
TOTAL	**1,426.2**	**138.3**	**67.7**	**25.6**

19. Derivative Financial Instruments and Hedging Transactions (continued)

The Company	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2013				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– less than 1 year	910.5	27.1	11.0	41.4
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– more than 3 years (sub-note (c))	500.0	7.5	–	(11.1)
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (d) & (e))	926.2	72.8	51.4	20.5
TOTAL	2,336.7	107.4	62.4	50.8

(i) The cumulative gains or losses on the hedged items attributable to the hedged risk is disclosed in note 17 to the financial statements.

(ii) Hedge accounting has been applied for these cash flow hedges where the underlying hedged items are as follows:

(a) the hedged portion of the recurring semi-annual coupon payment and final settlement of the USD300.0 million 7.875% Debentures due in 2025.
(b) semi-annual interest payment and final settlement of the JPY7.8 billion loan due in 2017.
(c) quarterly interest payment and final settlement of the USD100.0 million loan due in 2020.

There is no ineffectiveness to be recorded from fair value and cash flow hedges accounted for under hedge accounting.

Fair values of financial derivative instruments are the present values of their future cash flows. Favourable fair value indicates amount receivable by the Group and the Company if the contracts are terminated or vice versa. The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination.

The maximum exposure to credit risk at the reporting date is the carrying amount of the derivative assets as presented on the Statements of Financial Position.

Summarised below are the derivative hedging transactions entered into by the Company:

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts

Underlying Liability

USD300.0 million 7.875% Debentures due in 2025

In 1995, the Company issued USD300.0 million 7.875% Debentures due in 2025.

Hedging Instruments

On 17 October 2011, the Company entered into a CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM154.0 million.

19. Derivative Financial Instruments and Hedging Transactions (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts (continued)

Hedging Instruments (continued)

On 2 December 2011, the Company entered into another CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM156.5 million.

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

(b) Forward Foreign Currency Contracts

Underlying Liability

USD465.1 million 5.25% Guaranteed Notes due in 2014

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

Hedging Instruments

On 10 March 2009 and 28 May 2009, the Company entered into two forward foreign currency contracts which will mature on 22 September 2014. On the maturity date, the Company would receive USD50.0 million each from the counterparties in return for a payment of RM174.5 million and RM169.8 million respectively.

On 12 September 2012, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment to be determined later. If the exchange rate at maturity date is below the pre-determined rate, the Company will buy USD for RM for the notional amount at the minimum rate. If the exchange rate at maturity date is above the pre-determined rate, the Company will buy USD for RM for the notional amount based on the exchange rate adjusted for the difference between the pre-determined rate and the minimum rate. Subsequently, on 17 October 2012, the Company entered into another forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million from the counterparty in return for a payment of RM94.9 million.

On 3 January 2013 and 11 January 2013, the Company entered into two forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million and USD40.0 million from the counterparties in return for a payment of RM94.8 million and RM125.6 million respectively. On 18 October 2013, the Company entered into another forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million from the counterparty in return for a payment of RM96.5 million.

Closer to the maturity date, between February and August 2014, the Company entered into additional forward foreign currency contracts maturing on 19 September 2014. On the maturity date, the Company would receive USD155.0 million from the counterparty in return for a payment of RM506.0 million.

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

The Company received a total of USD435.0 million for the contracts on maturity from the counterparties in return for a total payment of RM1,416.6 million.

19. Derivative Financial Instruments and Hedging Transactions (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(c) Interest Rate Swap (IRS) Contract

Underlying Liability

RM925.0 million 4.193% TM Islamic Stapled Income Securities (TM ISIS) due in 2018

In 2007, the Company issued RM925.0 million 5.25% TM ISIS due in 2018. The coupon was reset to 4.193% per annum payable semi-annually in arrears on 31 December 2008 and was reset again on 31 December 2013 to 4.87% per annum.

Hedging Instrument

On 2 November 2009, the Company entered into an IRS agreement with a notional principal of RM500.0 million that entitles it to receive interest at a fixed rate of 4.193% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR minus 0.035% per annum. On 31 December 2013, in tandem with the reset of the underlying liability's coupon to 4.87% per annum, the Company is obliged to pay interest at a floating rate of 6 months KLIBOR plus 0.642% instead. The swap will mature on 30 December 2016.

(d) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability

JPY7.8 billion 0.91375% Loan due in 2017

In 2012, the Company, through its wholly-owned subsidiary, TM Global Incorporated, obtained a 5-year JPY7.8 billion loan from a financial institution.

Hedging Instrument

On 20 November 2012, the Company entered into a CCIRS agreement with a notional amount of JPY7.8 billion that entitles it to receive interest at a fixed rate of 0.91375% per annum on JPY notional amount and obliges it to pay interest at a fixed rate of 3.62% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 20 November 2017. On the maturity date, the Company would receive the JPY notional amount and pay the counterparty an equivalent RM amount of RM298.9 million.

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

(e) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability

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

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

Hedging Instrument

On 12 November 2013, the Company entered into two CCIRS agreements with notional amount of USD70.0 million and USD30.0 million respectively. The former CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.02% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The latter CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.00% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The swaps will mature on 30 October 2020. On the maturity date, the Company would receive the USD notional amount and pay the counterparties an equivalent combined RM amount of RM316.8 million.

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

19. Derivative Financial Instruments and Hedging Transactions (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(f) Call and Put Options on Shares of a Subsidiary of the Group

(i) Put Option liability over shares held by non-controlling interest

As disclosed in note 5(a) to the financial statements, the Group through Mobikom Sdn Bhd (Mobikom) has granted Packet One Sdn Bhd (Packet One) an option to sell, which would require Mobikom to buy, all shares in the capital of Packet One Networks (Malaysia) Sdn Bhd (P1) registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of P1 at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if P1 shares are not publicly traded, the fully distributed market or equity value at which the P1 shares would trade on a recognised stock exchange.

(ii) Call Option on shares held by non-controlling interest

As disclosed in note 5(a) to the financial statements, SK Telecom Co Ltd (SKT) has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of P1 registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation ceases to own at least 10% of the issued share capital of P1 and will automatically lapse upon the earlier of:

(i) Two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;
(ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or
(iii) any initial public offering implemented by P1.

The exercise price is at a price equal to Mobikom's per share subscription price during the completion of the acquisition of P1 by the Group on 30 September 2014.

Other than the above, there were other derivatives arising from the Group's investment in P1 but for which exercise prices are at fair market value of the shares in P1 at the time when the options are to be exercised and as such, the fair value of these options are nil.

20. Deferred Tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are presented on the Statements of Financial Position:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Subject to income tax:				
Deferred tax assets	**14.8**	19.3	**–**	–
Deferred tax liabilities	**1,258.0**	1,151.0	**1,135.0**	1,030.9
TOTAL DEFERRED TAX	**1,243.2**	1,131.7	**1,135.0**	1,030.9
At 1 January	**1,131.7**	1,184.0	**1,030.9**	1,076.7
Acquisition of a subsidiary (note 5(b))	**0.1**	–	**–**	–
Current year (credited)/charged to the Income Statement arising from:				
– property, plant and equipment	**(89.5)**	128.5	**(86.9)**	97.2
– intangible assets	**(0.8)**	–	**–**	–
– tax incentive	**221.7**	(161.8)	**221.7**	(161.8)
– tax losses	**–**	(6.3)	**–**	–
– provisions and others	**(29.5)**	(12.4)	**(30.7)**	18.8
	101.9	(52.0)	**104.1**	(45.8)
– fair value adjustment arising from acquisition of a subsidiary (note 5(a))	**9.7**	–	**–**	–
– currency translation differences	**(0.2)**	(0.3)	**–**	–
At 31 December	**1,243.2**	1,131.7	**1,135.0**	1,030.9

Breakdown of cumulative balances by each type of temporary difference:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
(a) Deferred tax assets				
Property, plant and equipment	**19.6**	36.3	**–**	5.5
Tax incentive	**756.9**	978.6	**756.9**	978.6
Tax losses	**7.7**	7.7	**–**	–
Provisions and others	**467.8**	437.8	**445.0**	414.3
	1,252.0	1,460.4	**1,201.9**	1,398.4
Offsetting	**(1,237.2)**	(1,441.1)	**(1,201.9)**	(1,398.4)
Total deferred tax assets after offsetting	**14.8**	19.3	**–**	–
(b) Deferred tax liabilities				
Property, plant and equipment	**2,485.8**	2,592.1	**2,336.9**	2,429.3
Intangible assets	**8.9**	–	**–**	–
Provisions and others	**0.5**	–	**–**	–
	2,495.2	2,592.1	**2,336.9**	2,429.3
Offsetting	**(1,237.2)**	(1,441.1)	**(1,201.9)**	(1,398.4)
Total deferred tax liabilities after offsetting	**1,258.0**	1,151.0	**1,135.0**	1,030.9

20. Deferred Tax (continued)

The Company was granted approval under Section 127 of the Income Tax Act, 1967 for income tax exemption in the form of the following Investment Allowance (IA):

(i) 100% on qualifying last mile broadband assets acquired within a period of 5 years commencing 8 September 2007 to 7 September 2012 to be set off against 70% of statutory income for each year of assessment.

(ii) 60% on qualifying high speed broadband assets acquired within a period of 5 years commencing 16 September 2008 to 15 September 2013 to be set off against 70% of statutory income for each year of assessment.

Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

The deferred tax assets on unutilised IA have been recognised on the basis of the Company's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

The tax effects of unutilised tax losses and unabsorbed capital/other tax allowances of subsidiaries for which no deferred tax asset has been recognised on the Statement of Financial Position are as follows:

	The Group	
	2014 RM	**2013 RM**
Unutilised tax losses	**230.4**	126.3
Unabsorbed capital/other tax allowances	**532.6**	301.5
	763.0	427.8

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

21. Deferred Income

	The Group and Company	
	2014 RM	**2013 RM**
At 1 January	**1,999.5**	2,129.4
Additions	**100.7**	123.1
Credited to the Income Statement	**(277.1)**	(253.0)
At 31 December	**1,823.1**	1,999.5

Deferred income includes government funding for Universal Service Provision (USP), High Speed Broadband (HSBB) and Broadband to the General Population (BBGP) project which is amortised on a straight line basis over the estimated useful lives of the related assets.

22. Property, Plant and Equipment

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2014	**9,828.0**	**420.3**	**777.7**	**829.0**	**1,936.3**	**780.7**	**14,572.0**
Acquisition of subsidiaries (note 5)	**453.3**	**26.2**	**20.0**	**–**	**0.2**	**56.6**	**556.3**
Additions (sub-note (a))	**164.1**	**82.5**	**12.8**	**0.1**	**20.4**	**1,831.6**	**2,111.5**
Assetisation	**1,192.5**	**42.0**	**338.6**	**–**	**71.6**	**(1,644.7)**	**–**
Disposals	**(1.1)**	**(4.2)**	**–**	**(0.1)**	**–**	**–**	**(5.4)**
Charged to Income Statement	**–**	**–**	**–**	**–**	**–**	**(133.5)**	**(133.5)**
Write-off (note 7(a))	**(45.3)**	**(0.4)**	**(0.8)**	**–**	**(2.1)**	**(4.2)**	**(52.8)**
Depreciation (note 7(a))	**(1,628.7)**	**(146.9)**	**(357.4)**	**(0.9)**	**(126.0)**	**–**	**(2,259.9)**
Impairment (note 7(a))	**–**	**(2.3)**	**–**	**–**	**–**	**–**	**(2.3)**
Transfer to non-current assets held for sale (note 32)	**–**	**–**	**–**	**–**	**(4.4)**	**–**	**(4.4)**
Currency translation differences	**0.8**	**1.5**	**(0.4)**	**–**	**1.9**	**(0.2)**	**3.6**
Reclassification	**(5.0)**	**(30.8)**	**–**	**–**	**35.8**	**–**	**–**
At 31 December 2014	**9,958.6**	**387.9**	**790.5**	**828.1**	**1,933.7**	**886.3**	**14,785.1**
At 31 December 2014							
Cost (sub-note (b))	**40,771.4**	**2,356.4**	**4,887.5**	**845.0**	**4,047.5**	**886.3**	**53,794.1**
Accumulated depreciation	**(30,580.8)**	**(1,965.3)**	**(4,091.5)**	**(14.2)**	**(2,113.6)**	**–**	**(38,765.4)**
Accumulated impairment	**(232.0)**	**(3.2)**	**(5.5)**	**(2.7)**	**(0.2)**	**–**	**(243.6)**
Net Book Value	**9,958.6**	**387.9**	**790.5**	**828.1**	**1,933.7**	**886.3**	**14,785.1**
Net Book Value							
At 1 January 2013	9,423.4	396.0	797.3	844.7	1,959.8	1,300.5	14,721.7
Additions (sub-note (a))	300.1	93.8	11.8	–	19.5	1,766.8	2,192.0
Assetisation	1,648.8	77.7	299.2	–	80.6	(2,106.3)	–
Disposals	(0.7)	(3.2)	–	–	–	–	(3.9)
Charged to Income Statement	–	–	–	–	–	(175.7)	(175.7)
Write-off (note 7(a))	(3.2)	(0.1)	(0.7)	–	(0.9)	(4.4)	(9.3)
Depreciation (note 7(a))	(1,540.1)	(144.9)	(330.0)	(0.9)	(118.5)	–	(2,134.4)
Transfer to non-current assets held for sale (note 32)	–	–	–	(15.7)	(5.5)	–	(21.2)
Currency translation differences	(0.4)	1.3	–	–	2.1	(0.2)	2.8
Reclassification	0.1	(0.3)	0.1	0.9	(0.8)	–	–
At 31 December 2013	9,828.0	420.3	777.7	829.0	1,936.3	780.7	14,572.0
At 31 December 2013							
Cost (sub-note (b))	39,315.8	2,273.2	4,513.0	845.0	3,932.5	780.7	51,660.2
Accumulated depreciation	(29,255.8)	(1,852.0)	(3,729.8)	(13.3)	(1,996.0)	–	(36,846.9)
Accumulated impairment	(232.0)	(0.9)	(5.5)	(2.7)	(0.2)	–	(241.3)
Net Book Value	9,828.0	420.3	777.7	829.0	1,936.3	780.7	14,572.0

22. Property, Plant and Equipment (continued)

The Company	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2014	**9,311.5**	**368.1**	**633.5**	**349.6**	**1,363.3**	**804.0**	**12,830.0**
Additions (sub-note (a))	**138.1**	**62.0**	**9.0**	**0.1**	**6.7**	**1,728.6**	**1,944.5**
Assetisation	**1,118.0**	**41.5**	**315.8**	**–**	**71.3**	**(1,546.6)**	**–**
Disposals	**(0.8)**	**(4.2)**	**–**	**–**	**–**	**–**	**(5.0)**
Charged to Income Statement	**–**	**–**	**–**	**–**	**–**	**(131.6)**	**(131.6)**
Write-off (note 7(a))	**(44.5)**	**(0.2)**	**(0.5)**	**–**	**(1.4)**	**(4.2)**	**(50.8)**
Depreciation (note 7(a))	**(1,488.1)**	**(117.2)**	**(311.4)**	**(0.8)**	**(101.1)**	**–**	**(2,018.6)**
Transfer to non-current assets held for sale (note 32)	**–**	**–**	**–**	**–**	**(4.4)**	**–**	**(4.4)**
Reclassification	**(5.0)**	**(30.8)**	**–**	**–**	**35.8**	**–**	**–**
At 31 December 2014	**9,029.2**	**319.2**	**646.4**	**348.9**	**1,370.2**	**850.2**	**12,564.1**
At 31 December 2014							
Cost (sub-note (b))	**38,629.3**	**1,865.8**	**4,283.4**	**363.4**	**3,226.0**	**850.2**	**49,218.1**
Accumulated depreciation	**(29,398.8)**	**(1,546.6)**	**(3,637.0)**	**(11.9)**	**(1,855.8)**	**–**	**(36,450.1)**
Accumulated impairment	**(201.3)**	**–**	**–**	**(2.6)**	**–**	**–**	**(203.9)**
Net Book Value	**9,029.2**	**319.2**	**646.4**	**348.9**	**1,370.2**	**850.2**	**12,564.1**
Net Book Value							
At 1 January 2013	8,894.5	323.6	633.3	365.2	1,382.2	1,291.6	12,890.4
Additions (sub-note (a))	274.5	65.6	11.8	–	10.9	1,705.2	2,068.0
Assetisation	1,578.5	76.8	274.4	–	80.5	(2,010.2)	–
Disposals[#]	(0.2)	(3.3)	(1.3)	–	(3.2)	(3.7)	(11.7)
Charged to Income Statement	–	–	–	–	–	(174.5)	(174.5)
Write-off (note 7(a))	(2.3)	–	–	–	(0.9)	(4.4)	(7.6)
Depreciation (note 7(a))	(1,433.6)	(94.3)	(284.8)	(0.8)	(99.9)	–	(1,913.4)
Transfer to non-current assets held for sale (note 32)	–	–	–	(15.7)	(5.5)	–	(21.2)
Reclassification	0.1	(0.3)	0.1	0.9	(0.8)	–	–
At 31 December 2013	9,311.5	368.1	633.5	349.6	1,363.3	804.0	12,830.0
At 31 December 2013							
Cost (sub-note (b))	38,032.5	1,845.3	3,972.5	363.3	3,122.1	804.0	48,139.7
Accumulated depreciation	(28,519.7)	(1,477.2)	(3,339.0)	(11.1)	(1,758.8)	–	(35,105.8)
Accumulated impairment	(201.3)	–	–	(2.6)	–	–	(203.9)
Net Book Value	9,311.5	368.1	633.5	349.6	1,363.3	804.0	12,830.0

[#] Included RM8.4 million being computer support systems, movable plant, building and work-in-progress equipment disposed to subsidiaries.

22. Property, Plant and Equipment (continued)

(a) Included in additions of the Group and the Company are borrowing costs of RM42.3 million (2013: RM35.5 million) directly attributable to the construction of qualifying assets.

(b) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM22,747.6 million (2013: RM24,102.6 million) and RM21,962.4 million (2013: RM23,637.6 million) respectively.

(c) Included in property, plant and equipment of the Group and the Company is an office building with net book value of RM48.7 million (2013: RM51.8 million) which is under finance lease arrangement.

(d) Details of land are as follows:

The Group	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2014	**729.0**	**68.1**	**31.9**	**829.0**
Addition	**–**	**0.1**	**–**	**0.1**
Disposal	**(0.1)**	**–**	**–**	**(0.1)**
Depreciation	**–**	**(0.9)**	**–**	**(0.9)**
Reclassification	**0.2**	**0.3**	**(0.5)**	**–**
At 31 December 2014	**729.1**	**67.6**	**31.4**	**828.1**
At 31 December 2014				
Cost	**731.8**	**81.4**	**31.8**	**845.0**
Accumulated depreciation	**–**	**(13.8)**	**(0.4)**	**(14.2)**
Accumulated impairment	**(2.7)**	**–**	**–**	**(2.7)**
Net Book Value	**729.1**	**67.6**	**31.4**	**828.1**
Net Book Value				
At 1 January 2013	743.4	69.0	32.3	844.7
Depreciation	–	(0.9)	–	(0.9)
Transfer to non-current assets held for sale (note 32)	(15.7)	–	–	(15.7)
Reclassification	1.3	–	(0.4)	0.9
At 31 December 2013	729.0	68.1	31.9	829.0
At 31 December 2013				
Cost	731.7	81.0	32.3	845.0
Accumulated depreciation	–	(12.9)	(0.4)	(13.3)
Accumulated impairment	(2.7)	–	–	(2.7)
Net Book Value	729.0	68.1	31.9	829.0

22. Property, Plant and Equipment (continued)

(d) Details of land are as follows: (continued)

The Company	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2014	**260.1**	**57.6**	**31.9**	**349.6**
Addition	**–**	**0.1**	**–**	**0.1**
Depreciation	**–**	**(0.8)**	**–**	**(0.8)**
Reclassification	**0.2**	**0.3**	**(0.5)**	**–**
At 31 December 2014	**260.3**	**57.2**	**31.4**	**348.9**
At 31 December 2014				
Cost	**262.9**	**68.7**	**31.8**	**363.4**
Accumulated depreciation	**–**	**(11.5)**	**(0.4)**	**(11.9)**
Accumulated impairment	**(2.6)**	**–**	**–**	**(2.6)**
Net Book Value	**260.3**	**57.2**	**31.4**	**348.9**
Net Book Value				
At 1 January 2013	274.5	58.4	32.3	365.2
Depreciation	–	(0.8)	–	(0.8)
Transfer to non-current assets held for sale (note 32)	(15.7)	–	–	(15.7)
Reclassification	1.3	–	(0.4)	0.9
At 31 December 2013	260.1	57.6	31.9	349.6
At 31 December 2013				
Cost	262.7	68.3	32.3	363.3
Accumulated depreciation	–	(10.7)	(0.4)	(11.1)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	260.1	57.6	31.9	349.6

22. Property, Plant and Equipment (continued)

(d) Details of land are as follows: (continued)

(i) Leasehold land comprise the followings:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Long term leasehold land	**48.2**	48.6	**47.2**	47.6
Short term leasehold land	**19.4**	19.5	**10.0**	10.0
Total	**67.6**	68.1	**57.2**	57.6

Long term leasehold land has an unexpired lease period of 50 years and above.

(ii) The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, these lands have not been classified according to their tenures.

The other land will be reclassified accordingly as and when the title deeds pertaining to these lands have been registered.

23. Investment Property

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Net Book Value				
At 1 January	**–**	5.6	**116.9**	119.1
Disposal	**–**	(2.0)	**–**	–
Depreciation (note 7(a))	**–**	–	**(2.2)**	(2.2)
Transfer to inventories (sub-note (a)) (note 31)	**–**	(3.6)	**–**	–
At 31 December	**–**	–	**114.7**	116.9
At 31 December				
Cost	**–**	–	**128.0**	128.0
Accumulated depreciation	**–**	–	**(13.3)**	(11.1)
Net Book Value	**–**	–	**114.7**	116.9

(a) During the previous financial year, the Group finalised and entered into Sales and Purchase Agreements to dispose land held by a wholly-owned subsidiary.

The investment property of the Company comprise of an office building located on a freehold land which is rented and occupied by a wholly-owned subsidiary.

The fair value of the property of the Company at 31 December 2014 was RM128.0 million (2013: RM124.0 million) based on a valuation performed by an independent professional valuer. The valuation was based on current price in an active market.

24. Intangible Assets

The Group	Goodwill RM	Customer Base RM	Telecom-munication Spectrum RM	Other Intangibles* RM	Total RM
Net Book Value					
At 1 January 2014	**309.6**	**–**	**–**	**10.2**	**319.8**
Acquisition of a subsidiary	**52.1**	**40.6**	**168.2**	**2.3**	**263.2**
Additions	**–**	**–**	**–**	**18.7**	**18.7**
Amortisation (note 7(a))	**–**	**(3.3)**	**–**	**(16.7)**	**(20.0)**
At 31 December 2014	**361.7**	**37.3**	**168.2**	**14.5**	**581.7**
Net Book Value					
At 1 January 2013	309.6	–	–	12.5	322.1
Additions	–	–	–	13.7	13.7
Amortisation (note 7(a))	–	–	–	(16.0)	(16.0)
At 31 December 2013	309.6	–	–	10.2	319.8
At 31 December 2014					
Cost	**366.7**	**40.6**	**168.2**	**47.7**	**623.2**
Accumulated amortisation	**–**	**(3.3)**	**–**	**(33.2)**	**(36.5)**
Accumulated impairment	**(5.0)**	**–**	**–**	**–**	**(5.0)**
Net Book Value	**361.7**	**37.3**	**168.2**	**14.5**	**581.7**
At 31 December 2013					
Cost	314.6	–	–	39.1	353.7
Accumulated amortisation	–	–	–	(28.9)	(28.9)
Accumulated impairment	(5.0)	–	–	–	(5.0)
Net Book Value	309.6	–	–	10.2	319.8

* Other intangibles comprise the fair value of acquired development expenditure incurred in the design, development and testing of products and services of a newly acquired subsidiary during the financial year, as well as software and programme rights of other subsidiaries.

Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. No impairment loss was required for the carrying amounts of goodwill assessed as at 31 December 2014 as their recoverable amounts were in excess of their carrying amounts.

The Group's total goodwill is attributable to the following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows:

	2014 RM	2013 RM
VADS Berhad	**308.4**	308.4
Packet One Networks (Malaysia) Sdn Bhd	**52.1**	–
Others	**1.2**	1.2
	361.7	309.6

The amount of goodwill initially recognised is dependent upon the allocation of the purchase price to the fair value of identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment.

24. Intangible Assets (continued)

Impairment test for goodwill (continued)

(i) Key assumptions used in the value-in-use calculation for VADS Berhad (VADS)

The recoverable amount of the cash-generating unit including goodwill in this test, is determined based on value-in-use calculation.

This value-in-use calculation applies a discounted cash flow model using cash flows projection based on forecast and projection approved by management covering a three-year period for VADS. The forecast and projection reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on past experience. Cash flows beyond the third year for VADS are extrapolated using estimated terminal growth rate. The rate has been determined with regards to projected growth rate for the market in which the cash-generating unit participates.

The discount rate applied to the cash flows forecast is benchmarked against local peers at the date of the assessment of the cash-generating unit.

The following assumptions have been applied in the value-in-use calculation:

	2014	2013
Pre-tax discount rate	**13.2%**	12.0%
Terminal growth rate	**1.5%**	1.5%

(ii) Impact of possible change in key assumptions used for VADS

Changing the assumptions selected by management, in particular the discount rate assumption used in the discounted cash flow model could significantly affect the result of the impairment test and consequently the Group's results. The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

If the following pre-tax discount rate is applied to the cash flows forecast and projection of the Group's cash-generating unit, the carrying amount of the cash-generating unit including goodwill will equal the corresponding recoverable value, assuming all other variables remain unchanged.

	2014	2013
Pre-tax discount rate	**18.7%**	21.4%

No impairment review has been performed for the Group's goodwill in Packet One Network (Malaysia) Sdn Bhd as it was acquired during the current financial year.

25. Subsidiaries

The Company	2014 Malaysia RM	2014 Overseas RM	2014 Total RM	2013 Malaysia RM	2013 Overseas RM	2013 Total RM
Unquoted investments, at cost	**1,705.3**	**22.0**	**1,727.3**	1,310.3	22.0	1,332.3
Accumulated impairment (sub-note (a))	**(1.7)**	**(13.2)**	**(14.9)**	(77.7)	(13.2)	(90.9)
	1,703.6	**8.8**	**1,712.4**	1,232.6	8.8	1,241.4
Options granted to employees of subsidiaries	**24.3**	**–**	**24.3**	24.3	–	24.3
Unquoted investments, at written down value (sub-note (b))	**–**	**–**	**–**	–	–	–
NET INVESTMENTS IN SUBSIDIARIES	**1,727.9**	**8.8**	**1,736.7**	1,256.9	8.8	1,265.7

(a) During the financial year, consequent to the Company's assessment of the recoverable amount from its investment in subsidiaries, a reversal of an impairment loss of RM76.0 million was recognised in respect of a wholly-owned subsidiary.

(b) Investments in certain subsidiaries have been written down to recoverable amount of RM1.00 each.

The Group's effective equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 52 to the financial statements. Other than Yayasan Telekom Malaysia, which is 100% consolidated in the Group's financial results, the proportion of the Group's voting rights in the subsidiaries held by the Group do not differ from the proportion of ordinary shares held or the Group's effective equity interests in the subsidiaries. The Group has de facto control over Yayasan Telekom Malaysia due to a combination of facts including source of funding and right to appoint the Board of Trustees.

There are no significant restrictions on the ability of the subsidiaries to transfer funds in the form of dividends and other capital distributions or for loans or advances being made or repaid, to (or from) the Group.

25. Subsidiaries (continued)

Set out below are the summarised financial information for each subsidiary which has non-controlling interests that are material to the Group, before any inter-company eliminations:

	Packet One Networks (Malaysia) Sdn Bhd Group*		Fiberail Sdn Bhd		Fibrecomm Networks (M) Sdn Bhd	
	2014 RM	2013 RM	2014 RM	2013 RM	2014 RM	2013 RM
Summarised Income Statement						
Revenue	**67.1**	–	**249.1**	240.5	**128.7**	142.8
(Loss)/Profit before income tax	**(53.3)**	–	**92.1**	81.4	**7.4**	13.3
Income tax expense	**–**	–	**(21.6)**	(16.7)	**(3.1)**	(1.3)
(Loss)/Profit after taxation and total comprehensive income	**(53.3)**	–	**70.5**	64.7	**4.3**	12.0
Total comprehensive (loss)/income attributed to non-controlling interests	**(23.8)**	–	**32.4**	29.7	**2.1**	5.9
Dividends paid to non-controlling interests	**–**	–	**21.8**	30.1	**3.6**	8.1
Summarised Statement of Financial Position						
Current assets	**161.2**	–	**152.9**	131.7	**126.7**	77.4
Current liabilities	**(311.3)**	–	**(54.8)**	(54.5)	**(157.1)**	(105.7)
Total current net (liabilities)/assets	**(150.1)**	–	**98.1**	77.2	**(30.4)**	(28.3)
Non-current assets	**752.7**	–	**182.6**	181.7	**194.2**	194.4
Non-current liabilities	**(117.1)**	–	**(37.6)**	(38.5)	**(41.6)**	(40.2)
Total non-current net assets	**635.6**	–	**145.0**	143.2	**152.6**	154.2
Net assets	**485.5**	–	**243.1**	220.4	**122.2**	125.9
Cumulative non-controlling interests	**217.1**	–	**111.8**	101.4	**59.9**	61.7
Summarised Statement of Cash Flows						
Cash generated (used in)/from operations	**(83.4)**	–	**123.9**	60.6	**59.4**	31.4
Interest paid	**(5.3)**	–	**–**	–	**(0.5)**	(0.3)
Income tax (paid)/refunded	**–**	–	**(17.8)**	(24.7)	**1.0**	0.3
Cash flows (used in)/from operating activities	**(88.7)**	–	**106.1**	35.9	**59.9**	31.4
Cash flows used in investing activities	**(30.4)**	–	**(9.7)**	(17.7)	**(21.2)**	(25.2)
Cash flows from/(used in) financing activities	**53.5**	–	**(47.3)**	(65.5)	**(7.6)**	(6.5)
Net (decrease)/increase in cash and cash equivalents	**(65.6)**	–	**49.1**	(47.3)	**31.1**	(0.3)
Effect of exchange rate changes	**–**	–	**–**	–	**(1.1)**	(0.2)
Cash and cash equivalents at beginning of the financial year	**–**	–	**16.5**	63.8	**9.1**	9.6
Cash and cash equivalents at acquisition date	**112.0**	–	**–**	–	**–**	–
Cash and cash equivalents at end of the financial year	**46.4**	–	**65.6**	16.5	**39.1**	9.1

* Acquired during the current financial year.

26. Loans and Advances to Subsidiaries

Loans and advances to subsidiaries of RM250.5 million (2013: RM166.9 million) represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 2.33% to 5.26% (2013: 2.40% to 4.41%) and will mature between 1 to 8 years.

27. Associates

The Group	**2014 RM**	**2013 RM**
Share of net assets of associates		
Unquoted investments	**6.5**	10.7
TOTAL	**6.5**	10.7
The Group's share of revenue and profit of associates is as follows:		
Revenue	**15.5**	11.8
Profit after taxation and total comprehensive income	**9.3**	3.9
The Group's share of assets and liabilities of associates is as follows:		
Non-current assets	**16.8**	15.6
Current assets	**11.0**	9.1
Non-current liabilities	**(12.6)**	(13.7)
Current liabilities	**(8.7)**	(0.3)
Net assets	**6.5**	10.7

The Group's associates are not material individually to the financial position, financial performance and cash flows of the Group.

The Group has not recognised the share of loss after taxation of associates amounting to RM0.9 million (2013: nil) and RM2.0 million (2013: RM1.1 million) in respect of the current and cumulative financial year respectively.

The Group's effective equity interest in the associates, all of which are unquoted, their respective principal activities and countries of incorporation are listed in note 53 to the financial statements.

There are no contigent liabilities relating to the Group's interest in the associates and there are no significant restrictions on the ability of the associates to transfer funds in the form of dividend to the Group.

28. Available-for-sale Investments

The Group	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2014	**99.7**	**624.3**	**724.0**
Additions	**–**	**319.5**	**319.5**
Fair value changes transferred to other comprehensive income	**(0.7)**	**3.1**	**2.4**
Disposals	**–**	**(477.6)**	**(477.6)**
At 31 December 2014	**99.0**	**469.3**	**568.3**
Current portion	**–**	**469.3**	**469.3**
Non-current portion	**99.0**	**–**	**99.0**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**99.0**	**469.3**	**568.3**
At 1 January 2013	98.7	500.6	599.3
Additions	–	467.0	467.0
Fair value changes transferred to other comprehensive income	1.0	(7.5)	(6.5)
Disposals	–	(335.8)	(335.8)
At 31 December 2013	99.7	624.3	724.0
Current portion	–	624.3	624.3
Non-current portion	99.7	–	99.7
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	99.7	624.3	724.0

The Company	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2014	**99.6**	**624.3**	**723.9**
Additions	**–**	**319.5**	**319.5**
Fair value changes transferred to other comprehensive income	**(0.7)**	**3.1**	**2.4**
Disposals	**–**	**(477.6)**	**(477.6)**
At 31 December 2014	**98.9**	**469.3**	**568.2**
Current portion	**–**	**469.3**	**469.3**
Non-current portion	**98.9**	**–**	**98.9**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**98.9**	**469.3**	**568.2**
At 1 January 2013	98.6	500.6	599.2
Additions	–	467.0	467.0
Fair value changes transferred to other comprehensive income	1.0	(7.5)	(6.5)
Disposals	–	(335.8)	(335.8)
At 31 December 2013	99.6	624.3	723.9
Current portion	–	624.3	624.3
Non-current portion	99.6	–	99.6
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	99.6	624.3	723.9

28. Available-for-sale Investments (continued)

The currency exposure profile of available-for-sale investments is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	**472.3**	628.0	**472.2**	627.9
US Dollar	**47.6**	47.6	**47.6**	47.6
Singapore Dollar	**48.4**	48.4	**48.4**	48.4
	568.3	724.0	**568.2**	723.9

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment in fixed income securities.

The credit quality of investment in fixed income securities is as follows:

	The Group and Company	
	2014 RM	2013 RM
AAA	**154.6**	170.8
AA	**289.8**	361.8
A	**18.8**	34.8
P1	**–**	19.6
MARC-1	**–**	19.6
Malaysian Government Securities	**6.1**	17.7
	469.3	624.3

29. Available-for-sale Receivables

The Group and Company	2014 RM	2013 RM
At 1 January	**26.4**	26.4
Additions (including interest)	**2.2**	2.9
Repayments	**(2.1)**	(3.3)
Fair value changes transferred to other comprehensive income	**(0.8)**	0.4
At 31 December	**25.7**	26.4
Impairment at 1 January and 31 December	**(18.8)**	(18.8)
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	**6.9**	7.6

Available-for-sale receivables of the Company are in respect of education loans provided to undergraduates and are convertible to scholarships if certain performance criteria are met. The loans are contractually interest free and if not converted to scholarship will be repayable over a period of not more than 11 years.

29. Available-for-sale Receivables (continued)

As of 31 December 2014, all overdue amounts have been impaired.

In both the current and previous financial year, there was no conversion to scholarships.

The Company does not hold any collateral for security in respect of education loans.

30. Other Non-Current Receivables

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Staff loans at amortised cost				
– under Islamic principles	**80.7**	36.4	**80.7**	36.4
– under conventional principles	**1.9**	1.3	**1.8**	1.2
Total staff loans (sub-note (i))	**82.6**	37.7	**82.5**	37.6
Other non-current receivables				
– other deposits (sub-note (ii))	**112.1**	91.9	**112.1**	91.9
– tax recoverable (sub-note (iii))	**113.8**	113.8	**113.8**	113.8
– Redeemable Exchangeable Medium Term Notes receivable (sub-note (iv))	**121.7**	–	**–**	–
– others (sub-note (v))	**72.2**	72.6	**–**	–
	502.4	316.0	**308.4**	243.3
Prepaid employee benefits	**5.5**	3.4	**5.5**	3.4
	507.9	319.4	**313.9**	246.7
Staff loans receivable within twelve months included under other receivables (note 34)	**(7.2)**	(4.5)	**(7.2)**	(4.5)
TOTAL OTHER NON-CURRENT RECEIVABLES	**500.7**	314.9	**306.7**	242.2

(i) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with contractual financing cost of 4.0% per annum on a reducing balance basis except for club membership loans which are free of financing cost. There is no single significant credit risk exposure as the amount is mainly receivable from individuals. Staff loans inclusive of financing cost, are repayable in equal monthly instalments as follows:

- Housing loans – 25 years or upon employees attaining 55 years of age, whichever is earlier
- Vehicle loans – maximum of 8 years for new cars and 6 years for second hand cars
- Computer loans – 3 years

Credit risk arising from staff loans is mitigated by the enforcement of salary deductions as a mode of repayment. In addition, collateral is obtained for the following:

- Housing loans – registered land charges and assignments over the properties financed
- Vehicle loans – ownership claims over the vehicles financed

During the current financial year, the Company disposed RM8.9 million (2013: RM10.4 million) of its employees housing loans for a total cash consideration of RM8.5 million (2013: RM9.9 million) pursuant to the Sale and Purchase (S&P) Agreement entered on 27 May 2009 with AmMortgage One Berhad (AmMortgage One), a wholly-owned subsidiary of AmBank (M) Berhad (AmBank). In tandem with the S&P Agreement, a Servicing Agreement between the Company, AmMortgage One and AmBank was also executed. The arrangement reflects the outsourcing of the Company's mortgage servicing operations to AmBank.

30. Other Non-Current Receivables (continued)

(i) The disposal in 2009 included loan portfolio of employees where the repayment terms go beyond the employees' retirement age. This loan portfolio was not derecognised as the credit risk in the event of default after the employees' retirement age, remains with the Company. The carrying amount of the loan portfolio and its fair value are as follows:

	The Group and Company			
	2014		2013	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Staff loans at amortised cost	**1.0**	**1.0**	1.6	1.2
Other borrowings (note 17)	**(1.0)**	**(1.1)**	(1.6)	(1.7)
Net amount	**–**	**(0.1)**	–	(0.5)

(ii) Other deposits comprise deposit and accrued interest relating to the non-cancellable operating lease of four office buildings and a long term deposit.

The Company entered into two Ringgit Malaysia deposit agreements in 2011 with maturity on 1 August 2025, under which the Company will deposit RM4.1 million and RM4.2 million respectively every six months until the deposits' maturity date. On maturity, the Company will be entitled for deposits repayments of RM154.0 million and RM156.5 million respectively. The deposits are collateralised by Malaysian Government Bonds.

The deposits effectively build up a sinking fund with an assured value of RM154.0 million and RM156.5 million respectively on 1 August 2025 for the repayment of the Company's Debentures.

(iii) This comprise tax credit in respect of prior years arising from the last mile broadband tax incentive as explained in note 20 to the financial statements, to be offset against future tax payables.

(iv) This being carrying value of the first tranche of the 8-year Redeemable Exchangeable Medium Term Notes (Exchangeable MTNs) issued by Green Packet Berhad (Green Packet) subscribed by a wholly-owned subsidiary of the Group as explained in note 5 to the financial statements. The credit risk arising from the Exchangeable MTNs is limited to the extent that the Exchangeable MTNs is secured against Packet One Networks (Malaysia) Sdn Bhd (P1) ordinary shares held by Packet One Sdn Bhd, a wholly-owned subsidiary of Green Packet and the 8-year convertible unsecured medium term notes issued by P1 which will be subscribed amongst others by Packet One using part of the proceeds from the issuance of Exchangeable MTNs.

(v) Include the present value of receivables for land disposed by a wholly-owned subsidiary, due over the remaining contractual period of the joint land development agreement.

31. Inventories

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Telecommunications equipment	**10.4**	14.5	**10.4**	14.2
Capacity held for resale	**5.9**	9.5	**5.9**	9.5
Work-in-progress	**57.5**	84.7	**15.7**	18.3
Land held for sale (sub-note (a))	**4.4**	4.4	**–**	–
Land held for property development (sub-note (a))	**32.8**	37.6	**–**	–
Others	**4.9**	3.3	**3.1**	3.1
TOTAL INVENTORIES	**115.9**	154.0	**35.1**	45.1

(a) During the previous financial year, arising from an assessment of net realisable value of land held for sale and land held for property development, reversal of write-downs of RM0.8 million and RM8.1 million respectively were credited to the Income Statement.

32. Non-Current Assets Held for Sale

During the financial year, pursuant to the finalisation of Sale and Purchase Agreement for disposal of land, the Company reclassified certain buildings as non-current assets held for sale. Total consideration for the remaining assets held for sale as at 31 December 2014 was RM20.3 million (2013: RM54.7 million).

The Group and Company	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 22) RM	Disposal RM	Impairment (note 7(a)) RM	At 31 December RM
Carrying amount					
2014					
Land					
– Freehold	**16.0**	**–**	**(2.5)**	**(1.7)**	**11.8**
– Leasehold	**0.9**	**–**	**–**	**–**	**0.9**
Buildings	**5.4**	**4.4**	**(4.9)**	**(4.6)**	**0.3**
	22.3	**4.4**	**(7.4)**	**(6.3)**	**13.0**
2013					
Land					
– Freehold	0.3	15.7	#	–	16.0
– Leasehold	5.7	–	(4.8)	–	0.9
Buildings	2.0	5.5	(2.1)	–	5.4
	8.0	21.2	(6.9)	–	22.3

Amount less than RM0.1 million

The land and buildings are presented as part of the Shared Services/Others segment.

33. Customer Acquisition Costs

	The Group and Company	
	2014 RM	**2013 RM**
At 1 January	**73.8**	100.1
Additions	**78.9**	80.1
Amortised to the Income Statement	**(90.0)**	(106.4)
At 31 December	**62.7**	73.8

34. Trade and Other Receivables

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Receivables from external customers	**2,811.2**	2,824.5	**2,030.2**	2,063.6
Receivables from subsidiaries	**–**	–	**59.2**	180.6
Receivables from associates	**34.4**	30.8	**34.4**	30.8
	2,845.6	2,855.3	**2,123.8**	2,275.0
Impairment of trade receivables	**(1,387.8)**	(1,235.9)	**(971.7)**	(830.4)
	1,457.8	1,619.4	**1,152.1**	1,444.6
Accrued earnings	**574.3**	228.3	**441.3**	199.0
Total trade receivables (net)	**2,032.1**	1,847.7	**1,593.4**	1,643.6
Prepayments	**240.3**	200.2	**190.8**	172.2
Tax recoverable	**118.6**	100.0	**85.4**	85.2
Staff loans (note 30)	**7.2**	4.5	**7.2**	4.5
Other receivables from subsidiaries	**–**	–	**188.9**	83.0
Other receivables from associates	**1.0**	1.0	**1.0**	1.0
Other receivables	**458.5**	169.2	**126.9**	129.2
Impairment of other receivables	**(32.4)**	(34.0)	**(71.3)**	(45.3)
Total other receivables (net)	**793.2**	440.9	**528.9**	429.8
TOTAL TRADE AND OTHER RECEIVABLES (net)	**2,825.3**	2,288.6	**2,122.3**	2,073.4

34. Trade and Other Receivables (continued)

Movements in the impairment accounts of trade and other receivables are as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
(a) Trade receivables				
At 1 January	**1,235.9**	1,387.7	**830.4**	975.2
Acquisition of a subsidiary (note 5(a))	**39.6**	–	**–**	–
Impairment	**252.3**	109.9	**245.4**	110.3
Receivables written off as uncollectible	**(140.2)**	(262.1)	**(104.1)**	(255.1)
Foreign exchange difference	**0.2**	0.4	**–**	–
At 31 December	**1,387.8**	1,235.9	**971.7**	830.4
(b) Other receivables				
At 1 January	**34.0**	42.9	**45.3**	37.3
Net (reversal)/impairment	**(0.7)**	(7.7)	**26.1**	9.0
Receivables written off as uncollectible	**(0.9)**	(1.2)	**(0.1)**	(1.0)
At 31 December	**32.4**	34.0	**71.3**	45.3

The creation and release of impaired receivables has been included in 'other operating costs' on the Income Statement (note 7(b) to the financial statements). Amounts charged to the impairment accounts are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

Certain amount of trade receivables have been subjected to offsetting with trade payables where these balances are from transactions transacted with the same counterparty and are settled on net basis, summarised as follows:

	2014			2013		
	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 37) RM	Net amount of trade receivables RM	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 37) RM	Net amount of trade receivables RM
The Group	**2,256.0**	**(223.9)**	**2,032.1**	2,043.5	(195.8)	1,847.7
The Company	**1,817.3**	**(223.9)**	**1,593.4**	1,839.4	(195.8)	1,643.6

For trade receivables and trade payables subject to netting arrangements above, each agreement between the Group and the counterparties is carried out on net settlement basis, including events of default.

34. Trade and Other Receivables (continued)

Trade receivables of RM706.7 million (2013: RM671.5 million) and RM585.0 million (2013: RM657.2 million) for the Group and the Company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

The Group	Not past due RM	Past due but not impaired 1 to 3 months RM	4 to 6 months RM	> 6 months RM	Total RM
2014					
Collectively assessed	**318.0**	**41.7**	**15.0**	**35.2**	**409.9**
Individually assessed	**433.1**	**315.3**	**157.8**	**141.7**	**1,047.9**
	751.1	**357.0**	**172.8**	**176.9**	**1,457.8**
2013					
Collectively assessed	401.4	79.2	16.0	13.9	510.5
Individually assessed	546.5	328.6	127.3	106.5	1,108.9
	947.9	407.8	143.3	120.4	1,619.4

The Company	Not past due RM	Past due but not impaired 1 to 3 months RM	4 to 6 months RM	> 6 months RM	Total RM
2014					
Collectively assessed	**285.9**	**27.8**	**1.3**	**20.7**	**335.7**
Individually assessed	**268.3**	**238.0**	**142.4**	**108.5**	**757.2**
Amount due from subsidiaries	**12.9**	**31.2**	**2.1**	**13.0**	**59.2**
	567.1	**297.0**	**145.8**	**142.2**	**1,152.1**
2013					
Collectively assessed	379.5	77.9	13.5	5.6	476.5
Individually assessed	376.5	257.5	91.9	62.1	788.0
Amount due from subsidiaries	31.4	60.3	10.7	77.7	180.1
	787.4	395.7	116.1	145.4	1,444.6

34. Trade and Other Receivables (continued)

An analysis of trade receivables that are neither past due nor impaired is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Global & Wholesale	**93.2**	120.6	**74.3**	99.3
Retail – Consumer	**176.0**	215.4	**175.7**	215.0
Retail – SME	**110.2**	164.5	**110.2**	164.5
Retail – Enterprise	**74.1**	28.5	**74.1**	28.5
Retail – Government	**121.9**	302.8	**119.9**	248.7
Amount due from subsidiaries	**–**	–	**12.9**	31.4
Others*	**175.7**	116.1	**–**	–
	751.1	947.9	**567.1**	787.4

* Others mainly comprise student debtors and receivables for the provision of managed network services, information and communications technology, system integration services and last mile broadband services of subsidiaries.

The Group and the Company are not exposed to major concentrations of credit risk due to the diversed customer base. The analysis of trade receivables by lines of business is considered the most appropriate disclosure of credit concentration. In addition, credit risk is mitigated to a certain extent by cash deposits (note 38 to the financial statements) and bankers' guarantee obtained from customers amounting to RM14.7 million (2013: RM14.3 million). The Group and the Company consider the impairment at the reporting date to be adequate to cover the potential financial loss.

Trade receivables that are individually assessed for impairment are those under Global & Wholesale, Retail – Enterprise and Retail – Government lines of business.

Credit terms of trade receivables excluding accrued earnings range from 30 to 90 days (2013: 30 to 90 days).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

The currency exposure profile of trade and other receivables after impairment is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	**2,110.8**	1,742.4	**1,484.6**	1,600.9
US Dollar	**673.6**	523.7	**635.2**	470.2
Special Drawing Rights	**0.8**	2.3	**0.8**	2.3
Other currencies	**40.1**	20.2	**1.7**	–
	2,825.3	2,288.6	**2,122.3**	2,073.4

35. Financial Assets at Fair Value Through Profit or Loss

	The Group and Company	
	2014 RM	2013 RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	**9.2**	17.2
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**9.2**	17.2
Market value of quoted equity securities	**9.2**	17.2

36. Cash and Bank Balances

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Deposits with:				
Licensed banks	**1,055.6**	817.8	**995.2**	772.0
Other financial institutions	**32.8**	13.9	**32.8**	13.9
Deposits under Islamic principles	**954.4**	927.8	**868.3**	880.4
Total deposits	**2,042.8**	1,759.5	**1,896.3**	1,666.3
Cash and bank balances	**814.7**	699.3	**429.4**	390.0
Cash and bank balances under Islamic principles	**128.3**	56.1	**22.1**	36.6
TOTAL CASH AND BANK BALANCES	**2,985.8**	2,514.9	**2,347.8**	2,092.9
Less:				
Deposits pledged	**(10.8)**	(0.4)	**–**	–
TOTAL CASH AND CASH EQUIVALENTS	**2,975.0**	2,514.5	**2,347.8**	2,092.9
The currency exposure profile of cash and bank balances is as follows:				
Ringgit Malaysia	**2,901.1**	2,407.4	**2,345.1**	2,065.5
US Dollar	**70.8**	86.2	**2.7**	27.4
Other currencies	**13.9**	21.3	**–**	–
	2,985.8	2,514.9	**2,347.8**	2,092.9

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. The credit quality of the financial institutions in which cash and deposits are placed is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
AAA	**1,129.2**	1,375.8	**625.9**	1,032.8
AA	**1,441.3**	631.7	**1,351.9**	585.2
A	**273.4**	481.5	**230.4**	459.2
NR (sub-note (a))	**141.9**	25.9	**139.6**	15.7
	2,985.8	2,514.9	**2,347.8**	2,092.9

(a) Mainly comprise deposits with other financial institutions with sovereign equivalent rating.

36. Cash and Bank Balances (continued)

Deposits have maturities ranging from overnight to 90 days (2013: from overnight to 90 days) for the Group and the Company. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits as at 31 December 2014 was 4.33% (2013: 3.65%) and 4.34% (2013: 3.65%) for the Group and the Company respectively.

37. Trade and Other Payables

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Trade payables and accruals	**2,218.5**	1,797.0	**1,766.4**	1,582.1
Payable for Universal Service Provision	**348.1**	317.1	**312.2**	310.4
Deferred revenue	**155.0**	109.0	**40.7**	21.8
Provision for Skim MESRA (sub-note (b))	**110.2**	–	**100.4**	–
Finance cost payable	**55.2**	66.2	**54.8**	66.1
Duties and other taxes payable	**43.4**	51.3	**29.2**	35.8
Deposits and trust monies	**80.8**	66.9	**54.8**	51.7
Payables to subsidiaries (sub-note (a))	**–**	–	**580.7**	671.5
Other payables and accruals	**729.8**	775.1	**410.9**	597.6
	3,741.0	3,182.6	**3,350.1**	3,337.0
Current portion	**3,605.2**	3,172.8	**3,315.8**	3,327.2
Non-current portion (sub-note (b) & (c))	**135.8**	9.8	**34.3**	9.8
TOTAL TRADE AND OTHER PAYABLES	**3,741.0**	3,182.6	**3,350.1**	3,337.0

(a) Include excess funds of subsidiaries managed and invested by the Company, which are interest bearing as disclosed in note 43(b) to the financial statements.

(b) Provision for Skim MESRA for eligible employees

On 13 October 2014, the Company announced the offering of a special optional retirement scheme, called Skim MESRA, to its employees aged 55 and above as at 31 December 2014. Eligible employees who accepts the optional retirement offer will be compensated through special incentives and designated benefits until they reach the age of 60. The expected financial impact of this scheme which involves a one-off compensation payment within the next 12 months of the current financial year end as well as pre-determine limited health-care benefits expected over the next 5 financial years has been recognised on the financial statements based on the number of employees who have accepted the offer as at the end of the current financial year.

37. Trade and Other Payables (continued)

(c) Include amount owing by a subsidiary to a supplier which is subject to interest of 4.2% per annum to be repaid over the remaining period of 2 years and is secured by the followings:

(i) a corporate guarantee from Green Packet Berhad (a non-controlling interest of the subsidiary) in favour of the supplier; and

(ii) debenture creating a fixed and floating charge upon the present and future assets and properties of the subsidiary in favour of the supplier. As at 31 December 2014, this debenture is being negotiated by both parties as such a formalised charge has not been made.

Certain amount of trade payables and accruals have been subjected to offsetting with trade receivables where these balances are from transactions transacted with the same counterparties and are settled on net basis, summarised as follows:

	2014			2013		
	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 34) RM	Net amount of trade payables and accruals RM	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 34) RM	Net amount of trade payables and accruals RM
The Group	**2,442.4**	**(223.9)**	**2,218.5**	1,992.8	(195.8)	1,797.0
The Company	**1,990.3**	**(223.9)**	**1,766.4**	1,777.9	(195.8)	1,582.1

Credit terms of trade and other payables excluding accruals vary from 30 to 90 days (2013: 30 to 90 days) depending on the terms of the contracts.

The currency exposure profile of trade and other payables is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	**3,197.7**	2,842.3	**3,057.8**	2,999.7
US Dollar	**505.8**	313.7	**287.0**	320.1
Special Drawing Rights	**0.9**	1.1	**0.9**	1.1
Other currencies	**36.6**	25.5	**4.4**	16.1
	3,741.0	3,182.6	**3,350.1**	3,337.0

38. Customer Deposits

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Telephone services	**479.4**	498.7	**479.4**	498.6
Data services	**3.0**	3.4	**1.2**	1.7
TOTAL CUSTOMER DEPOSITS	**482.4**	502.1	**480.6**	500.3

Customer deposits for telephone services are subject to rebate at 2.5% per annum effective 1 April 2010 in accordance with the provisions of Communications and Multimedia (Rates) Rules 2002. Customer deposits are repayable on demand as and when the customers terminate their services.

39. Cash Flows from Operating Activities

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Receipts from customers	**10,538.3**	10,063.6	**9,580.7**	8,991.5
Payments to suppliers and employees	**(7,110.1)**	(6,831.3)	**(6,270.8)**	(6,379.1)
Payments of finance cost	**(300.2)**	(363.7)	**(289.9)**	(363.4)
Payments of income taxes and zakat (net)	**(113.9)**	(72.9)	**(65.4)**	(26.6)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**3,014.1**	2,795.7	**2,954.6**	2,222.4

40. Cash Flows used in Investing Activities

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Contribution for purchase of property, plant and equipment	**79.4**	47.1	**79.4**	47.1
Disposal of property, plant and equipment	**11.0**	5.8	**10.7**	14.0
Purchase of property, plant and equipment	**(2,100.5)**	(2,415.2)	**(1,962.6)**	(2,268.4)
Acquisition of subsidiaries*	**(281.4)**	–	**(45.0)**	–
Subscription of shares in a subsidiary	**–**	–	**(350.0)**	–
Acquisition of an associate	**–**	(12.7)	**–**	–
Subscription of Exchangeable Medium Term Notes	**(119.3)**	–	**–**	–
Disposal of available-for-sale investments	**474.9**	337.8	**474.9**	337.8
Purchase of available-for-sale investments	**(319.5)**	(467.0)	**(319.5)**	(467.0)
Disposal of financial assets at fair value through profit or loss	**3.8**	0.8	**3.8**	0.8
Disposal of non-current assets held for sale	**24.9**	14.4	**24.9**	14.4
Long term deposits	**(16.6)**	(16.6)	**(16.6)**	(16.6)
Repayments from subsidiaries – loans and advances	**–**	–	**42.8**	93.5
– other receivables	**–**	–	**65.5**	80.0
Advances to subsidiaries	**–**	–	**(180.0)**	(37.7)
Repayments to subsidiaries for Inter-Company Fund Optimisation (ICFO)	**–**	–	**(2,691.4)**	(1,352.2)
Receipts from subsidiaries for ICFO	**–**	–	**2,544.1**	1,574.4
Repayments of loans by employees	**8.0**	8.4	**8.0**	8.4
Loans to employees	**(63.1)**	(26.0)	**(63.1)**	(26.0)
Disposal of housing loan	**8.5**	9.9	**8.5**	9.9
Interests received	**119.7**	137.6	**98.5**	130.7
Dividends received	**8.2**	13.3	**37.7**	119.4
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(2,162.0)**	(2,362.4)	**(2,229.4)**	(1,737.5)

* Net of cash and cash equivalents acquired

41. Cash Flows used in Financing Activities

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Proceeds from issuance of shares (note 14(c))	**778.9**	–	**778.9**	–
Proceeds from borrowings	**1,313.7**	1,553.5	**1,200.0**	1,543.5
Repayments of borrowings (net)	**(1,522.8)**	(2,379.5)	**(1,513.9)**	(2,379.5)
Repayments of finance lease	**(4.2)**	(3.8)	**(4.1)**	(3.8)
Dividends paid to shareholders	**(931.5)**	(787.0)	**(931.5)**	(787.0)
Dividends paid to non-controlling interests	**(25.4)**	(38.2)	**–**	–
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**(391.3)**	(1,655.0)	**(470.6)**	(1,626.8)

42. Significant Non-Cash Transactions

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	**–**	–	**2.2**	2.2
(b) Contra settlements with customers cum suppliers between trade receivables and trade payables	**208.3**	162.9	**208.3**	162.9
(c) Exchange building received as part consideration of the sale of land	**–**	7.1	**–**	7.1

43. Significant Related Party Disclosures

Set out below are the significant related party transactions and balances, in addition to related party transactions and balances mentioned elsewhere in the financial statements:

(a) Significant transactions with subsidiaries and associates

The Company has significant related party transactions with its subsidiaries and associate, as listed below:

BlueTel Networks Pte Ltd
Fiberail Sdn Bhd
Fibrecomm Network (M) Sdn Bhd
GITN Sdn Berhad
GTC Global Sdn Bhd
Meganet Communications Sdn Bhd
Menara Kuala Lumpur Sdn Bhd
Packet One Networks (Malaysia) Sdn Bhd
Telekom Applied Business Sdn Bhd
Telekom Malaysia (Australia) Pty Ltd
Telekom Malaysia (Hong Kong) Limited
Telekom Malaysia (S) Pte Ltd
Telekom Malaysia (UK) Limited
Telekom Malaysia (USA) Inc
Telekom Multi-Media Sdn Bhd
Telekom Research & Development Sdn Bhd
Telekom Sales and Services Sdn Bhd
TM ESOS Management Sdn Bhd
TM Facilities Sdn Bhd
TMF Autolease Sdn Bhd
TM Global Incorporated
TM Info-Media Sdn Bhd
TM Net Sdn Bhd
Universiti Telekom Sdn Bhd
VADS Berhad
VADS e-Services Sdn Bhd
VADS Solutions Sdn Bhd
VADS Business Process Sdn Bhd

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
(i) Sales of goods and rendering of services to subsidiaries and associates:				
– telecommunications related services	**35.5**	22.4	**627.2**	590.5
– lease/rental of buildings and vehicles	**–**	–	**23.4**	26.3
– other income*	**–**	–	**24.2**	19.7
(ii) Dividend and interest income from subsidiaries	**–**	–	**97.5**	123.7
(iii) Purchases of goods and services from subsidiaries and associates:				
– telecommunications related services	**41.3**	15.1	**877.5**	860.4
– lease/rental of buildings	**–**	–	**5.6**	5.6
– maintenance of vehicles and buildings	**–**	–	**47.3**	48.5
– other expenses	**–**	–	**93.8**	102.5
(iv) Finance cost paid/payable to a subsidiary	**–**	–	**63.1**	78.7

* Includes management fees, royalties, charges for security and other shared services, training and related activities.

43. Significant Related Party Disclosures (continued)

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
(b) Year end balances arising from:				
(i) Sales/Purchases of goods/services				
– receivables from subsidiaries	**–**	–	**248.1**	263.6
– receivables from associates	**34.4**	30.8	**34.4**	30.8
– payables to subsidiaries	**–**	–	**288.0**	249.9
– payables to associates	**18.1**	2.6	**18.1**	2.6
(ii) Other payables				
– subsidiaries	**–**	–	**292.7**	421.6

The above receivables from/payables to related parties arise mainly from sale/purchase transactions with credit terms of 30 to 90 days. The receivables/payables are unsecured and interest free.

Other payables to subsidiaries mainly comprise excess funds of subsidiaries managed and invested by the Company under the fund optimisation arrangement. This amount is repayable on demand and the interest paid to subsidiaries during the financial year ranges from 3.38% to 4.26% (2013: 3.19% to 3.55%).

	The Company	
	2014 RM	2013 RM
(c) Loans and advances to subsidiaries		
At 1 January	**166.9**	260.4
Cash advanced	**126.4**	–
Repayments (note 40)	**(42.8)**	(93.5)
Interest charged (note 8)	**11.6**	7.5
Reclassified as other receivables	**(11.6)**	(7.5)
At 31 December (note 26)	**250.5**	166.9

(d) Key management personnel

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Consistent with the previous financial year, key management personnel has been defined as the Directors (executive and non-executive) of the Company and heads or senior management officers who are members of the Management Committee for the Group and the Company respectively.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

43. Significant Related Party Disclosures (continued)

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
(d) Key management personnel (continued)				
Key management personnel compensation[@]				
– short term employee benefits				
– fees	**2.5**	2.2	**1.9**	1.8
– salaries, allowances and bonus	**21.3**	16.3	**21.2**	16.3
– contribution to Employees Provident Fund	**2.9**	2.3	**2.9**	2.3
– estimated money value of benefits	**1.1**	1.4	**1.1**	1.4

[@] Includes the Directors' remuneration (whether executive or otherwise) as disclosed in note 7(b) to the financial statements.

In addition, certain key management personnel have family members who are officers of subsidiaries of the Company with total remuneration amounting to RM0.2 million (2013: RM0.2 million).

(e) Government-related entities

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.95% (2013: 28.73%) equity interest and is a related party of the Group and the Company. 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 and the Company.

The individually significant transactions that the Group and the Company 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		Corresponding outstanding balances	
	2014 RM	2013 RM	2014 RM	2013 RM
The Group				
Sales and Receivables	**945.7**	740.5	**77.5**	121.0
The Company				
Sales and Receivables	**303.2**	197.2	**12.7**	68.4

The Group and the Company also has individually significant contracts with other Government-related entities where the Group and the Company was provided funding for projects of which the amortisation of grants to the income statement in the current financial year was RM198.6 million (2013: RM170.2 million) with corresponding receivables of nil (2013: nil).

In addition to the above, the Group and the Company have 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.

44. Capital and Other Commitments

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
(a) Property, plant and equipment				
Commitments in respect of expenditure approved and contracted for	**3,271.0**	2,793.8	**3,199.9**	2,755.0
Commitments in respect of expenditure approved but not contracted for	**849.9**	1,119.7	**768.7**	1,029.7

(b) High Speed Broadband (HSBB) Project

On 25 July 2008, the Company received the Letter of Award from the Government of Malaysia (GoM) for the implementation of the HSBB project under a public-private partnership (PPP) arrangement. The PPP agreement was executed by the GoM and the Company on 16 September 2008.

The objective of the HSBB project is to develop the country's broadband infrastructure to increase broadband penetration and the competitiveness of the country in attracting foreign investments. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The estimated roll-out cost, to be incurred over a 10 years period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Sponsor of the project, the GoM has agreed to fund RM2.4 billion of the project cost. The remaining RM8.9 billion will be borne by the Company. The HSBB roll out has covered 1.3 million premises in 2012.

Under the above arrangement, the Company shall claim from the GoM fifty percent (50.0%) of the capital expenditure incurred for the HSBB project on a quarterly basis over a projected 3.5 years period up to the maximum amount of RM2.4 billion.

In conjunction with the arrangement, the Company has to fulfill certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred in relation to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for the GoM, develop certain number of telecentres, formulate a broadband package with low cost internet access and provide promotion and public awareness on HSBB which would contribute towards achieving the objective of the project.

	The Group and Company	
	2014 RM	**2013 RM**
(c) Donation to Yayasan Telekom Malaysia		
Amount approved and committed	**14.5**	21.7

	The Group and Company	
	2014 RM	**2013 RM**
(d) Future minimum lease payments of non-cancellable operating lease commitments		
Not later than one year	**75.2**	75.2
Later than one year and not later than five years	**323.4**	312.1
Later than five years	**259.4**	345.9
	658.0	733.2

The above lease payments relate to the non-cancellable operating lease of four office buildings from Menara ABS Berhad.

44. Capital and Other Commitments (continued)

(e) Funding Commitment

Pursuant to the Investment Agreement as disclosed in note 5(a) to the financial statements, a Convertible Medium Term Notes Programme (Programme) Agreement will be entered into between Mobikom Sdn Bhd (Mobikom) (and/or its related corporation), Packet One Sdn Bhd (and/or its related corporation), SK Telecom Co Ltd (and/or its related corporation) and Packet One Networks (Malaysia) Sdn Bhd (P1). The Programme provides P1 the avenue to raise future funds up to RM1.65 billion in tranches. Mobikom is entitled to subscribe up to RM990.0 million of the Programme. The proceeds raised under the Programme shall be utilised to finance and fund the implementation of P1's business plan which would involve the roll out of Long Term Evolution (LTE) network.

45. Segment Reporting

By Business Segments

The Group organises its business into the following segments, summarised as follows:

- Retail Business comprises the Company's retail arm and its subsidiaries which complement the retail business. Retail Business is further segregated into four specific segments, i.e. Consumer, Small and Medium Enterprise (SME), Enterprise and Government to focus on different market segments and customers' needs. This line of business is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.

- Global and Wholesale Business comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of wholesale telecommunications services delivered over the Group's networks to domestic and international carriers.

- Shared Services/Others include all shared services divisions, all business functions divisions such as information technology and network, and subsidiaries that do not fall under the above lines of business.

Segment profits represent segment operating revenue less segment expenses. Unallocated income/other gains comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, 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 are not allocated to a particular business segment. The accounting policies used to derive reportable segment profits are consistent with those as described in the Significant Accounting Policies.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables and inventories. 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 as well as cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to property, plant and equipment and intangibles, including additions resulting from acquisition of subsidiaries.

Significant non-cash expenses comprise mainly allowance for impairment of receivables and unrealised foreign exchange gains or losses on settlement as disclosed in note 7(b) to the financial statements.

45. Segment Reporting (continued)

	Retail Business							
	Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Global & Wholesale Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2014								
Operating revenue								
Total operating revenue	3,147.8	1,933.1	1,211.8	2,171.0	8,463.7	2,107.4	6,587.0	17,158.1
Inter-segment[@]	(40.4)	(0.3)	(8.5)	(3.1)	(52.3)	(331.6)	(5,539.1)	(5,923.0)
External operating revenue	3,107.4	1,932.8	1,203.3	2,167.9	8,411.4	1,775.8	1,047.9	11,235.1
Results								
Segment profits	204.3	281.8	212.8	653.2	1,352.1	422.0	(22.8)	1,751.3
Unallocated income/other gains								22.4
Unallocated costs								(474.6)
Operating profit before finance cost								1,299.1
Finance income								136.6
Finance cost								(291.6)
Foreign exchange loss on borrowings								(47.9)
Associates								
– share of results (net of tax)								9.3
Profit before taxation and zakat								1,105.5
Taxation and zakat								(263.0)
Profit for the financial year								842.5
At 31 December 2014								
Segment assets	289.3	163.3	263.3	833.0	1,548.9	1,295.0	16,454.1	19,298.0
Associates								6.5
Unallocated assets								3,318.7
Total assets								22,623.2
Segment liabilities	353.8	361.5	255.0	497.6	1,467.9	749.8	4,155.4	6,373.1
Borrowings								6,448.4
Unallocated liabilities								1,841.8
Total liabilities								14,663.3
Financial year ended 31 December 2014								
Other information								
Capital expenditure								
– additions during the financial year	1.9	0.2	9.5	102.6	114.2	102.1	2,733.4	2,949.7
Depreciation and amortisation	1.8	0.4	5.4	150.5	158.1	64.5	2,057.3	2,279.9
Write-off of property, plant and equipment	–	–	–	(0.8)	(0.8)	–	(52.0)	(52.8)
Significant non-cash expenses	109.0	132.4	(6.4)	(4.0)	231.0	(21.2)	34.6	244.4

45. Segment Reporting (continued)

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

45. Segment Reporting (continued)

	Retail Business							
	Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Global & Wholesale Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2013								
Other information								
Capital expenditure								
– additions during the financial year	1.6	0.2	9.5	150.4	161.7	39.8	2,004.2	2,205.7
Depreciation and amortisation	2.0	0.3	4.8	123.7	130.8	64.7	1,954.9	2,150.4
Write-off of property, plant and equipment	–	–	–	0.8	0.8	–	8.5	9.3
Significant non-cash expenses	98.2	52.3	(19.2)	(9.6)	121.7	(7.9)	(23.6)	90.2

@ 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 entered into in the normal course of business and are subject to periodic review.

By Geographical Location

The Group operates in a few countries as disclosed in note 52 to the financial statements. Accordingly, the segmentisation of the Group's operations by geographical location is segmentised into Malaysia and overseas. The overseas operation is not further segregated as no individual overseas country contributed more than 10.0% of the consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

	Operating Revenue		Total Assets		Capital Expenditure	
	2014 RM	2013 RM	2014 RM	2013 RM	2014 RM	2013 RM
Malaysia	**10,302.5**	9,724.4	**18,510.1**	17,103.9	**2,825.9**	2,089.7
Other countries	**932.6**	904.3	**794.4**	866.7	**123.8**	116.0
Unallocated assets	**–**	–	**3,318.7**	3,175.9	**–**	–
	11,235.1	10,628.7	**22,623.2**	21,146.5	**2,949.7**	2,205.7

46. Financial Instruments by Category

The Group	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2014						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	**–**	**9.0**	**138.3**	**–**	**–**	**147.3**
Available-for-sale investments (note 28)	**–**	**–**	**–**	**568.3**	**–**	**568.3**
Available-for-sale receivables (note 29)	**–**	**–**	**–**	**6.9**	**–**	**6.9**
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	**388.6**	**–**	**–**	**–**	**–**	**388.6**
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	**2,459.2**	**–**	**–**	**–**	**–**	**2,459.2**
Financial assets at fair value through profit or loss (note 35)	**–**	**9.2**	**–**	**–**	**–**	**9.2**
Cash and bank balances (note 36)	**2,985.8**	**–**	**–**	**–**	**–**	**2,985.8**
Total	**5,833.6**	**18.2**	**138.3**	**575.2**	**–**	**6,565.3**
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	**–**	**–**	**–**	**–**	**6,401.5**	**6,401.5**
Finance lease liabilities (note 17)	**–**	**–**	**–**	**–**	**46.9**	**46.9**
Derivative financial instruments (note 19)	**–**	**270.1**	**67.7**	**–**	**–**	**337.8**
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	**–**	**–**	**–**	**–**	**3,194.5**	**3,194.5**
Customer deposits (note 38)	**–**	**–**	**–**	**–**	**482.4**	**482.4**
Total	**–**	**270.1**	**67.7**	**–**	**10,125.3**	**10,463.1**
2013						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	–	27.1	80.3	–	–	107.4
Available-for-sale investments (note 28)	–	–	–	724.0	–	724.0
Available-for-sale receivables (note 29)	–	–	–	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	202.2	–	–	–	–	202.2
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	1,983.9	–	–	–	–	1,983.9
Financial assets at fair value through profit or loss (note 35)	–	17.2	–	–	–	17.2
Cash and bank balances (note 36)	2,514.9	–	–	–	–	2,514.9
Total	4,701.0	44.3	80.3	731.6	–	5,557.2
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	–	–	–	–	6,404.4	6,404.4
Finance lease liabilities (note 17)	–	–	–	–	50.8	50.8
Derivative financial instruments (note 19)	–	11.0	51.4	–	–	62.4
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	–	–	–	–	2,705.2	2,705.2
Customer deposits (note 38)	–	–	–	–	502.1	502.1
Total	–	11.0	51.4	–	9,662.5	9,724.9

46. Financial Instruments by Category (continued)

The Company	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2014						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	**–**	**–**	**138.3**	**–**	**–**	**138.3**
Loans and advances to subsidiaries (note 26)	**250.5**	**–**	**–**	**–**	**–**	**250.5**
Available-for-sale investments (note 28)	**–**	**–**	**–**	**568.2**	**–**	**568.2**
Available-for-sale receivables (note 29)	**–**	**–**	**–**	**6.9**	**–**	**6.9**
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	**194.6**	**–**	**–**	**–**	**–**	**194.6**
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	**1,838.9**	**–**	**–**	**–**	**–**	**1,838.9**
Financial assets at fair value through profit or loss (note 35)	**–**	**9.2**	**–**	**–**	**–**	**9.2**
Cash and bank balances (note 36)	**2,347.8**	**–**	**–**	**–**	**–**	**2,347.8**
Total	**4,631.8**	**9.2**	**138.3**	**575.1**	**–**	**5,354.4**
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	**–**	**–**	**–**	**–**	**5,566.9**	**5,566.9**
Finance lease liabilities (note 17)	**–**	**–**	**–**	**–**	**46.6**	**46.6**
Derivative financial instruments (note 19)	**–**	**–**	**67.7**	**–**	**–**	**67.7**
Payable to a subsidiary (note 18)	**–**	**–**	**–**	**–**	**575.7**	**575.7**
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	**–**	**–**	**–**	**–**	**2,968.0**	**2,968.0**
Customer deposits (note 38)	**–**	**–**	**–**	**–**	**480.6**	**480.6**
Total	**–**	**–**	**67.7**	**–**	**9,637.8**	**9,705.5**
2013						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	–	27.1	80.3	–	–	107.4
Loans and advances to subsidiaries (note 26)	166.9	–	–	–	–	166.9
Available-for-sale investments (note 28)	–	–	–	723.9	–	723.9
Available-for-sale receivables (note 29)	–	–	–	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	129.5	–	–	–	–	129.5
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	1,811.5	–	–	–	–	1,811.5
Financial assets at fair value through profit or loss (note 35)	–	17.2	–	–	–	17.2
Cash and bank balances (note 36)	2,092.9	–	–	–	–	2,092.9
Total	4,200.8	44.3	80.3	731.5	–	5,056.9
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	–	–	–	–	4,298.0	4,298.0
Finance lease liabilities (note 17)	–	–	–	–	50.8	50.8
Derivative financial instruments (note 19)	–	11.0	51.4	–	–	62.4
Payable to a subsidiary (note 18)	–	–	–	–	2,093.4	2,093.4
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	–	–	–	–	2,969.0	2,969.0
Customer deposits (note 38)	–	–	–	–	500.3	500.3
Total	–	11.0	51.4	–	9,911.5	9,973.9

47. Fair Values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date.

(a) Financial Instruments Carried at Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels of valuations are:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December.

	2014				2013			
The Group	**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	**9.2**	**–**	**–**	**9.2**	17.2	–	–	17.2
Derivatives at fair value through profit or loss	**–**	**9.0**	**–**	**9.0**	–	27.1	–	27.1
Derivatives accounted for under hedge accounting	**–**	**138.3**	**–**	**138.3**	–	80.3	–	80.3
Available-for-sale financial assets								
– investments	**–**	**519.9**	**48.4**	**568.3**	–	675.6	48.4	724.0
– receivables	**–**	**6.9**	**–**	**6.9**	–	7.6	–	7.6
Total	**9.2**	**674.1**	**48.4**	**731.7**	17.2	790.6	48.4	856.2
Liabilities								
Derivatives at fair value through profit or loss	**–**	**–**	**–**	**–**	–	11.0	–	11.0
Derivatives accounted for under hedge accounting	**–**	**67.7**	**–**	**67.7**	–	51.4	–	51.4
Put option liability over shares held by non-controlling interest	**–**	**–**	**270.1**	**270.1**	–	–	–	–
Total	**–**	**67.7**	**270.1**	**337.8**	–	62.4	–	62.4

47. Fair Values (continued)

(a) Financial Instruments Carried at Fair Value (continued)

The Company	2014 Level 1 RM	2014 Level 2 RM	2014 Level 3 RM	2014 Total RM	2013 Level 1 RM	2013 Level 2 RM	2013 Level 3 RM	2013 Total RM
Assets								
Financial assets at fair value through profit or loss								
– quoted securities	**9.2**	**–**	**–**	**9.2**	17.2	–	–	17.2
Derivatives at fair value through profit or loss	**–**	**–**	**–**	**–**	–	27.1	–	27.1
Derivatives accounted for under hedge accounting	**–**	**138.3**	**–**	**138.3**	–	80.3	–	80.3
Available-for-sale financial assets								
– investments	**–**	**519.8**	**48.4**	**568.2**	–	675.5	48.4	723.9
– receivables	**–**	**6.9**	**–**	**6.9**	–	7.6	–	7.6
Total	**9.2**	**665.0**	**48.4**	**722.6**	17.2	790.5	48.4	856.1
Liabilities								
Derivatives at fair value through profit or loss	**–**	**–**	**–**	**–**	–	11.0	–	11.0
Derivatives accounted for under hedge accounting	**–**	**67.7**	**–**	**67.7**	–	51.4	–	51.4
Total	**–**	**67.7**	**–**	**67.7**	–	62.4	–	62.4

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occuring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise equity securities quoted on the Bursa Malaysia Securities Berhad classified as fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- The fair value of the put option on non-controlling interest of a subsidiary is determined using expected future value of a subsidiary with the resulting value discounted to present value.
- The fair value of the call option on shares of a subsidiary held by non-controlling interest is determined through an option valuation model with the use of observable market inputs.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in Level 2 except for an investment in non-traded equity security and put option on shares of a subsidiary held by non-controlling interest.

47. Fair Values (continued)

(a) Financial Instruments Carried at Fair Value (continued)

The following table shows a reconciliation from the opening balance to the closing balance for fair value measurements in Level 3 of the fair value hierarchy:

	The Group and Company			
	Assets		Liabilities	
	2014 RM	2013 RM	2014 RM	2013 RM
At 1 January	**48.4**	49.3	**–**	–
Initial recognition (note 15 & 19(f)(i))	**–**	–	**267.6**	–
Unwinding of discount	**–**	–	**2.5**	–
Fair value changes transferred to other comprehensive income	**–**	(0.9)	**–**	–
At 31 December	**48.4**	48.4	**270.1**	–

The financial asset included in Level 3 of the fair value hierarchy is a non-traded equity investment for which its valuation is based on discounted future cash flows derived from the budgets and forecasts of the investee entity, duly approved by its Board of Directors. The future cash flows are discounted based on discount factors of comparable entities which are publicly listed whenever available, as well as industry benchmarks, having considered historical ability of the investee in meeting its previous budgets and forecasts. The Group also has Board representation in the investee through which due understanding of actual and forecasted performance are used by the Group in assessing the appropriateness of the estimates and assumptions used in arriving to the valuation. In estimating the fair value of the put option on shares of a subsidiary held by non-controlling interest, a financial liability included in Level 3, the Group has used valuation model in projecting the expected share price of the subsidiary cumulatively in year 2021 to 2022 using recently transacted price, comparable growth rates and discount factors specific to certain industry available at the reporting date.

Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, if the discount rate used in the discounted cash flow analysis is to differ by 10% from management's estimates, the carrying amount of available-for-sale financial assets would be approximately RM1.0 million (2013: RM1.0 million) lower or RM1.1 million (2013: RM1.3 million) higher. The carrying amount of the put option on shares of a subsidiary of the Group would be an estimated RM3.6 million lower or RM3.6 million higher if the discount rate used in the valuation were to differ by 5% from management's estimates.

47. Fair Values (continued)

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

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date reasonably approximate their fair values except as set out below:

	The Group				The Company			
	2014		2013		2014		2013	
	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM
Assets								
Staff loans	**82.6**	**79.7**	37.7	35.1	**82.5**	**79.6**	37.6	35.0
Redeemable Exchangeable Medium Term Notes receivable	**121.7**	**120.8**	–	–	**–**	**–**	–	–
Other non-current receivables (excluding tax recoverable)	**184.3**	**179.9**	164.5	148.7	**112.1**	**107.7**	91.9	76.1
Liabilities								
Borrowings	**6,448.4**	**6,953.0**	6,455.2	6,813.7	**5,613.5**	**6,086.8**	4,348.8	4,654.1
Payable to a subsidiary	**–**	**–**	–	–	**575.7**	**603.8**	2,093.4	2,146.6
Payable by a subsidiary to a vendor	**192.6**	**206.5**	–	–	**–**	**–**	–	–

Assets

In assessing the fair value of non-traded financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Where impairment is made in respect of any investment, the carrying amount net of impairment made is deemed to be a close approximation of its fair value.

The fair values of staff loans, Redeemable Exchangeable Medium Term Notes and other non-current receivables were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

Collaterals are taken for staff loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

Liabilities

The fair value of quoted bonds was estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity.

The financial liabilities will be realised at their carrying amounts and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term financial instruments maturing within 1 year or are repayable on demand, the carrying amounts reasonably approximate their fair values at the reporting date.

48. Liquidity Risk

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows:

The Group	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2014							
Borrowings	**(201.9)**	**(98.9)**	**(1,330.6)**	**(4,844.9)**	**(6,476.3)**	**27.9**	**(6,448.4)**
Put option liability over shares held by non-controlling interest	**–**	**–**	**–**	**(355.1)**	**(355.1)**	**85.0**	**(270.1)**
Unfavourable cross currency interest rate swaps	**(8.7)**	**(8.7)**	**(55.1)**	**–**	**(72.5)**	**4.8**	**(67.7)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(3,194.5)**	**–**	**–**	**–**	**(3,194.5)**	**–**	**(3,194.5)**
Customer deposits	**(482.4)**	**–**	**–**	**–**	**(482.4)**	**–**	**(482.4)**
Total	**(3,887.5)**	**(107.6)**	**(1,385.7)**	**(5,200.0)**	**(10,580.8)**	**117.7**	**(10,463.1)**
Interest	**(290.7)**	**(286.9)**	**(805.6)**	**(944.0)**	**(2,327.2)**		
2013							
Borrowings	(1,595.4)	(57.7)	(1,297.5)	(3,544.3)	(6,494.9)	39.7	(6,455.2)
Unfavourable forward contracts	(11.1)	–	–	–	(11.1)	0.1	(11.0)
Unfavourable cross currency interest rate swaps	(8.6)	(8.5)	(38.9)	–	(56.0)	4.6	(51.4)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(2,705.2)	–	–	–	(2,705.2)	–	(2,705.2)
Customer deposits	(502.1)	–	–	–	(502.1)	–	(502.1)
Total	(4,822.4)	(66.2)	(1,336.4)	(3,544.3)	(9,769.3)	44.4	(9,724.9)
Interest	(289.4)	(226.4)	(662.7)	(822.9)	(2,001.4)		

48. Liquidity Risk (continued)

The Company	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2014							
Borrowings	**(107.6)**	**(57.4)**	**(1,000.6)**	**(4,475.8)**	**(5,641.4)**	**27.9**	**(5,613.5)**
Payable to a subsidiary	**–**	**–**	**(227.7)**	**(348.0)**	**(575.7)**	**–**	**(575.7)**
Unfavourable cross currency interest rate swaps	**(8.7)**	**(8.7)**	**(55.1)**	**–**	**(72.5)**	**4.8**	**(67.7)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(2,968.0)**	**–**	**–**	**–**	**(2,968.0)**	**–**	**(2,968.0)**
Customer deposits	**(480.6)**	**–**	**–**	**–**	**(480.6)**	**–**	**(480.6)**
Total	**(3,564.9)**	**(66.1)**	**(1,283.4)**	**(4,823.8)**	**(9,738.2)**	**32.7**	**(9,705.5)**
Interest	**(280.8)**	**(280.8)**	**(792.7)**	**(939.5)**	**(2,293.8)**		
2013							
Borrowings	(57.7)	(57.7)	(1,054.8)	(3,218.3)	(4,388.5)	39.7	(4,348.8)
Payable to a subsidiary	(1,524.7)	–	(242.7)	(326.0)	(2,093.4)	–	(2,093.4)
Unfavourable forward contracts	(11.1)	–	–	–	(11.1)	0.1	(11.0)
Unfavourable cross currency interest rate swaps	(8.6)	(8.5)	(38.9)	–	(56.0)	4.6	(51.4)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(2,969.0)	–	–	–	(2,969.0)	–	(2,969.0)
Customer deposits	(500.3)	–	–	–	(500.3)	–	(500.3)
Total	(5,071.4)	(66.2)	(1,336.4)	(3,544.3)	(10,018.3)	44.4	(9,973.9)
Interest	(288.9)	(226.4)	(662.7)	(822.9)	(2,000.9)		

49. Interest Rate Risk/Maturity Analysis

The table below summarises the Group's and the Company's exposure to interest rate risk. Included in the tables are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of repricing or contractual maturity dates. As such the spread of balances between the ageing brackets in the table below may not necessarily coincide with those shown in the liquidity risk schedule in note 48 or the repayment schedules in note 17 to the financial statements. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

		Maturing or repriced (whichever is earlier)								
The Group	WARF*	1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2014										
Financial assets										
Derivative financial instruments	–	147.3	–	–	–	–	–	147.3	–	147.3
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	99.0	99.0
– fixed interest rate	4.47%	469.3	–	–	–	–	–	469.3	–	469.3
Available-for-sale receivables	8.04%	1.6	0.8	0.9	1.2	1.1	1.3	6.9	–	6.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	6.40%	0.2	2.1	0.1	0.1	0.1	185.2	187.8	70.2	258.0
– balances under Islamic principles	4.20%	51.3	1.3	1.6	2.4	2.0	72.0	130.6	–	130.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	2,459.2	2,459.2
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	9.2	9.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	943.0	943.0
– fixed interest rate										
– conventional	4.34%	1,088.4	–	–	–	–	–	1,088.4	–	1,088.4
– balances under Islamic principles	4.32%	954.4	–	–	–	–	–	954.4	–	954.4
Total		2,712.5	4.2	2.6	3.7	3.2	258.5	2,984.7	3,580.6	6,565.3
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.1	3.1
– floating interest rate	1.17%	–	–	–	–	–	347.9	347.9	–	347.9
– fixed interest rate										
– conventional	6.16%	196.8	57.1	278.1	5.3	129.2	1,102.3	1,768.8	–	1,768.8
– balances under Islamic principles	4.43%	–	–	–	928.6	–	3,400.0	4,328.6	–	4,328.6
Derivative financial instruments	–	67.7	–	–	–	–	270.1	337.8	–	337.8
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	3,001.9	3,001.9
– fixed interest rate	4.20%	–	192.6	–	–	–	–	192.6	–	192.6
Customer deposits	–	–	–	–	–	–	–	–	482.4	482.4
Total		264.5	249.7	278.1	933.9	129.2	5,120.3	6,975.7	3,487.4	10,463.1
Interest sensitivity gap		2,448.0	(245.5)	(275.5)	(930.2)	(126.0)	(4,861.8)			

49. Interest Rate Risk/Maturity Analysis (continued)

The Group	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2013										
Financial assets										
Derivative financial instruments	–	107.4	–	–	–	–	–	107.4	–	107.4
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	99.7	99.7
– fixed interest rate	4.53%	624.3	–	–	–	–	–	624.3	–	624.3
Available-for-sale receivables	7.78%	0.7	0.7	1.0	1.2	1.5	2.5	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.60%	0.2	0.2	0.2	0.1	0.1	44.1	44.9	72.6	117.5
– balances under Islamic principles	3.56%	48.7	1.2	1.8	2.4	3.1	27.5	84.7	–	84.7
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,983.9	1,983.9
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	17.2	17.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	755.4	755.4
– fixed interest rate										
– conventional	3.67%	831.7	–	–	–	–	–	831.7	–	831.7
– balances under Islamic principles	3.63%	927.8	–	–	–	–	–	927.8	–	927.8
Total		2,540.8	2.1	3.0	3.7	4.7	74.1	2,628.4	2,928.8	5,557.2
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.4	3.4
– floating interest rate	1.16%	326.0	–	–	–	–	–	326.0	–	326.0
– fixed interest rate										
– conventional	5.74%	1,586.2	45.8	43.6	284.6	0.1	1,032.9	2,993.2	–	2,993.2
– balances under Islamic principles	4.13%	–	–	–	–	932.6	2,200.0	3,132.6	–	3,132.6
Derivative financial instruments	–	62.4	–	–	–	–	–	62.4	–	62.4
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	–	–	–	–	–	–	2,705.2	2,705.2
Customer deposits	–	–	–	–	–	–	–	–	502.1	502.1
Total		1,974.6	45.8	43.6	284.6	932.7	3,232.9	6,514.2	3,210.7	9,724.9
Interest sensitivity gap		566.2	(43.7)	(40.6)	(280.9)	(928.0)	(3,158.8)			

* WARF – Weighted Average Rate of Finance as at 31 December

49. Interest Rate Risk/Maturity Analysis (continued)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

The Group	2014 USD	2014 RM	2013 USD	2013 RM
Financial assets				
Available-for-sale investments	**–**	**4.47%**	–	4.53%
Available-for-sale receivables	**–**	**8.04%**	–	7.78%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**–**	**5.50%**	–	3.59%
Cash and bank balances	**–**	**4.33%**	0.59%	3.66%
Financial liabilities				
Borrowings	**6.20%**	**4.48%**	5.69%	4.37%
Trade and other payables (excluding statutory liabilities and deferred revenue)	**4.20%**	**–**	–	–

49. Interest Rate Risk/Maturity Analysis (continued)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2014										
Financial assets										
Derivative financial instruments	–	138.3	–	–	–	–	–	138.3	–	138.3
Loans and advances to subsidiaries (net)										
– floating interest rate	4.42%	250.5	–	–	–	–	–	250.5	–	250.5
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	98.9	98.9
– fixed interest rate	4.47%	469.3	–	–	–	–	–	469.3	–	469.3
Available-for-sale receivables	8.04%	1.6	0.8	0.9	1.2	1.1	1.3	6.9	–	6.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.57%	0.1	0.1	0.1	0.1	0.1	63.5	64.0	–	64.0
– balances under Islamic principles	4.20%	51.3	1.3	1.6	2.4	2.0	72.0	130.6	–	130.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,838.9	1,838.9
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	9.2	9.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	451.5	451.5
– fixed interest rate										
– conventional	4.35%	1,028.0	–	–	–	–	–	1,028.0	–	1,028.0
– balances under Islamic principles	4.33%	868.3	–	–	–	–	–	868.3	–	868.3
Total		2,807.4	2.2	2.6	3.7	3.2	136.8	2,955.9	2,398.5	5,354.4
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.1	3.1
– fixed interest rate										
– conventional	7.35%	102.3	50.5	48.5	5.3	5.7	1,069.5	1,281.8	–	1,281.8
– balances under Islamic principles	4.43%	–	–	–	928.6	–	3,400.0	4,328.6	–	4,328.6
Payable to a subsidiary										
– fixed interest rate	0.91%	–	–	227.8	–	–	–	227.8	–	227.8
– floating interest rate	1.17%	–	–	–	–	–	347.9	347.9	–	347.9
Derivative financial instruments	–	67.7	–	–	–	–	–	67.7	–	67.7
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	2,675.3	2,675.3
– floating interest rate	4.26%	292.7	–	–	–	–	–	292.7	–	292.7
Customer deposits	–	–	–	–	–	–	–	–	480.6	480.6
Total		462.7	50.5	276.3	933.9	5.7	4,817.4	6,546.5	3,159.0	9,705.5
Interest sensitivity gap		2,344.7	(48.3)	(273.7)	(930.2)	(2.5)	(4,680.6)			

49. Interest Rate Risk/Maturity Analysis (continued)

		Maturing or repriced (whichever is earlier)								
The Company	WARF*	1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2013										
Financial assets										
Derivative financial instruments	–	107.4	–	–	–	–	–	107.4	–	107.4
Loans and advances to subsidiaries (net)										
– floating interest rate	3.69%	166.9	–	–	–	–	–	166.9	–	166.9
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	99.6	99.6
– fixed interest rate	4.53%	624.3	–	–	–	–	–	624.3	–	624.3
Available-for-sale receivables	7.78%	0.7	0.7	1.0	1.2	1.5	2.5	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.60%	0.1	0.2	0.2	0.1	0.1	44.1	44.8	–	44.8
– balances under Islamic principles	3.56%	48.7	1.2	1.8	2.4	3.1	27.5	84.7	–	84.7
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,811.5	1,811.5
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	17.2	17.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	426.6	426.6
– fixed interest rate										
– conventional	3.67%	785.9	–	–	–	–	–	785.9	–	785.9
– balances under Islamic principles	3.63%	880.4	–	–	–	–	–	880.4	–	880.4
Total		2,614.4	2.1	3.0	3.7	4.7	74.1	2,702.0	2,354.9	5,056.9
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.4	3.4
– fixed interest rate										
– conventional	7.34%	48.5	45.8	43.6	41.9	0.1	1,032.9	1,212.8	–	1,212.8
– balances under Islamic principles	4.13%	–	–	–	–	932.6	2,200.0	3,132.6	–	3,132.6
Payable to a subsidiary										
– fixed interest rate	4.65%	1,524.7	–	–	242.7	–	–	1,767.4	–	1,767.4
– floating interest rate	1.16%	326.0	–	–	–	–	–	326.0	–	326.0
Derivative financial instruments	–	62.4	–	–	–	–	–	62.4	–	62.4
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	2,547.4	2,547.4
– floating interest rate	3.55%	421.6	–	–	–	–	–	421.6	–	421.6
Customer deposits	–	–	–	–	–	–	–	–	500.3	500.3
Total		2,383.2	45.8	43.6	284.6	932.7	3,232.9	6,922.8	3,051.1	9,973.9
Interest sensitivity gap		231.2	(43.7)	(40.6)	(280.9)	(928.0)	(3,158.8)			

49. Interest Rate Risk/Maturity Analysis (continued)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

	2014		2013	
The Company	**USD**	**RM**	**USD**	**RM**
Financial assets				
Loans and advances to subsidiaries (net)	**2.33%**	**5.04%**	2.35%	4.50%
Available-for-sale investments	**–**	**4.47%**	–	4.53%
Available-for-sale receivables	**–**	**8.04%**	–	7.78%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**–**	**3.99%**	–	3.59%
Cash and bank balances	**–**	**4.34%**	0.59%	3.66%
Financial liabilities				
Borrowings	**7.88%**	**4.46%**	7.88%	4.38%
Payable to a subsidiary	**1.17%**	**–**	4.53%	–
Trade and other payables (excluding statutory liabilities and deferred revenue)	**–**	**4.26%**	–	3.55%

50. Contingent Liabilities (Unsecured)

(a) On 26 November 2007, the Company and TESB were served with a Writ of Summons and Statement of Claim in respect of a suit filed by Mohd Shuaib Ishak (MSI). MSI is seeking from the Company, TESB and 12 others (including the former and existing directors of the Company) jointly and/or severally, inter alia, the following:

(i) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

(ii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2003 issued by Commerce International Merchant Bankers Berhad (now known as CIMB) are illegal and void and of no effect;

(iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

(iv) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed demerger of the mobile and fixed line businesses of the Group; and

(v) various damages to be assessed.

On 30 November 2007, the Company and TESB obtained leave to enter conditional appearance and subsequently on 17 December 2007, the Company and TESB filed the relevant application to strike out the suit (Striking Out Application).

On 20 July 2012, the High Court found in favour of the Company 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.

50. Contingent Liabilities (Unsecured) (continued)

(a) 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 3 March 2015.

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

(b) On 11 August 2009, the Company and its wholly-owned subsidiary, TM Net Sdn Bhd (TM Net) were served with a Writ of Summons and Statement of Claim by Network Guidance (M) Sdn Bhd (NGSB) in connection with a purported joint venture in regard to a project described in the statement of claim as "Fine TV Services".

On 17 September 2009, the Company and TM Net filed the Amended Statement of Defence in Court.

On 13 October 2009, NGSB filed and served an Amended Statement of Claim to TM Net wherein NGSB have quantified their claim for aggravated damages at RM200.0 million and exemplary damages at RM200.0 million. Pursuant thereto, the Company and TM Net filed a re-amended Statement of Defence in Court on 23 October 2009.

On 10 December 2009, the Company and TM Net filed an application to strike out NGSB's claim. On 15 July 2010, the High Court proceeded with the hearing of the striking out application and dismissed the same with cost on 9 August 2010. On 3 September 2010, the Company and TM Net filed an appeal to the Court of Appeal against the abovestated decision of the High Court. On 11 January 2011, the Court of Appeal has dismissed appeal.

Meanwhile, NGSB's application to re-amend its Amended Statement of Claim was allowed by the High Court on 12 January 2011. Pursuant thereto, on 11 February 2011, NGSB's solicitors served on the Company and TM Net's solicitors an Amended Writ and Re-amended Statement of Claim (Re-amended Claim).

The reliefs sought by NGSB against the Company and TM Net in the Re-amended Claim are as follows:

(a) a declaration that:

(i) NGSB and the Company entered into an agreement whereby it was agreed that NGSB and the Company will commence with the Fine TV project on a joint venture basis (the Agreement);

(ii) the Company breached the Agreement;

(iii) as a result of the breach of the Agreement, NGSB suffered loss and damages.

(b) an order that the Company and TM Net pay NGSB the following special damages:

(i) RM0.15 million for the services of Fiberail Sdn Bhd;

(ii) RM0.3 million for the services of "MYLOCA" and/or the rental space of TM Net;

(iii) RM1.0 million for the cost of the tests conducted;

(iv) RM5.0 million for equipment such as the server, the router, Digital Video Encoder, Set Top Box and Digital Video Editing;

(v) RM3.0 million for license fees for the use of software;

(vi) RM3.0 million for license fees for the use of content;

50. Contingent Liabilities (Unsecured) (continued)

(b) (b) (vii) RM0.5 million for legal fees;

(viii) RM4.0 million for overheads; and

(ix) loan of RM7.0 million from Eurofine Sdn Bhd.

(c) interest at the rate of 8% per annum on the special damages from the date of judgment to the date of full and final settlement of the special damages;

(d) an order that the Company and TM Net pay general damages;

(e) an order that the general damages be assessed by the court;

(f) interest of 8% per annum on the general damages from the date of judgment to the date of full and final settlement of the general damages;

(g) cost; and

(h) any other relief which the court deems fit.

In the Re-amended Claim, NGSB has also reflected the change of NGSB's name to Fine TV Network Sdn Bhd.

The case proceeded for trial on 25, 26 and 27 January 2012 and thereafter on 7 and 8 May 2012. On 2 July 2012, the High Court 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 28 October 2014.

On 28 October 2014, the Court of Appeal has dismissed NGSB's (now known as Fine TV Sdn Bhd) appeal against the decision of the High Court on 2 July 2012 to dismiss NGSB's claim against the Company and TM Net. The Court of Appeal also awarded costs in the sum of RM20,000.00 in favour of the Company and TM Net.

NGSB did not file the application for leave to appeal to Federal Court within the period prescribed by the law.

The Directors, based on legal advice, are of the view that the legal suit has ended.

(c) A legal suit was commenced by One Visa Sdn Bhd (OVSB) against the Company on 21 September 2012.

In brief, the legal suit is premised on the allegation that the Company is a trespasser on 5 pieces of land belonging to OVSB known as HS(D) 23474 Lot 3181, HS(D) 23475 Lot 3182, HS(D) 23477 Lot 3183, HS(D) 23478 Lot 3184 and HS(D) 23479 Lot 3185 of Pekan Ulu Temiang, Negeri Sembilan (the Land) due to the existence of the Company's network infrastructures thereon. OVSB further alleges that it was prevented from developing the Land to its full potential as a result of the supply of telecommunication services by the Company to certain illegal occupiers (Squatters) on the Land.

50. Contingent Liabilities (Unsecured) (continued)

(c) OVSB is claiming the following sums from the Company:

(i) damages amounting to RM23,077,116.00 which is the total rental value of the Land allegedly payable by the Company to OVSB, based on current prevailing market value rate calculated with effect from 22 March 2011 and continuing until cessation of the telecommunication services and the date of removal of the Company's offending infrastructure from the Land;

(ii) damages amounting to RM198,110,908.00 which OVSB alleges as being its loss of opportunity and/or loss of profit by reason of the continued wrongful occupation of the Squatters on the Land which was caused, encouraged or facilitated by the Company resulting in OVSB being prevented from developing the Land to its full potential;

(iii) quit rent and assessment for the Land for the year 2012 amounting to RM234,677.00 and RM49,360.00 respectively; and

(iv) general damages, aggravated/exemplary damages, interest and costs.

On 28 September 2012, the Company filed its Memorandum of Appearance in the High Court. The Statement of Defence was later filed on 22 October 2012. The legal suit went on full trial from 17 to 19 February 2014. The High Court will deliver its decision on 8 May 2014.

On 22 April 2014, OVSB's claim was dismissed 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 realisation and cost of RM15,000.00.

The Company has duly complied with the above judgment. OVSB did not file any appeal within the period prescribed by the law.

The Directors, based on legal advice, are of the view that the legal suit has ended.

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

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

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

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

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

(b) Damages in respect of works and expenses of RM86,298,078.60;

(c) Damages in respect of the value of a land measuring 28.49 acres of RM80,600,000.00;

(d) General damages;

50. Contingent Liabilities (Unsecured) (continued)

(d) (e) Interest; and

(f) Costs.

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

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

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

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

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

(i) An Order for declaration that TMF has wrongfully and unlawfully terminated the Agreement;

(ii) An Order for assessment of damages to be paid by TMF to MIL for all the damages and losses suffered by MIL as compensation for the termination of the Agreement wrongfully and unlawfully;

(iii) An Order for TMF to pay MIL immediately after the assessment of damages by the Court; and

(iv) Interest and cost.

The hearing date for the Summary Judgment Application is fixed on 26 May 2014.

On 26 May 2014, MIL withdrew the Summary Judgment Application. The legal suit then proceeded for trial on 26 – 27 May 2014 and on 23 – 24 June 2014.

On 31 October 2014, the High Court dismissed MIL's claim and awarded costs in the sum of RM50,000.00 in favour of TMF.

On 12 November 2014, MIL filed its appeal against the said decision of the High Court. The appeal has been fixed for case management on 17 March 2015.

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

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.

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these, no material losses are anticipated.

51. Significant Subsequent Event

High Speed Broadband Phase 2 (HSBB2) and Sub Urban Broadband (SUBB) Projects

On 25 February 2015, the Company announced that it has accepted the Letter of Award (LoA) from the Government of Malaysia (the Government) for the implementation of the:

(a) HSBB2 project in collaboration with the Government to deploy the access and domestic core networks to deliver an end-to-end HSBB infrastructure. The total cost of the HSBB2 investment for a period of ten (10) years is RM1.8 billion.

(b) SUBB project in collaboration with the Government to deploy the access and domestic core networks to deliver an end-to-end HSBB infrastructure. The total cost of the SUBB investment for a period of ten (10) years is RM1.6 billion.

With the acceptance of the LoA by the Company, the parties will enter into a formal agreement (HSBB2 and SUBB Agreements) based on mutually agreed terms and conditions in due course.

52. List of Subsidiaries as at 31 December 2014

The subsidiaries are as follows:

	Group's Effective Interest		Paid-up Capital		
Name of Company	2014 %	2013 %	2014 Million	2013 Million	Principal Activities
Fiberail Sdn Bhd	**54**	54	**RM15.8**	RM15.8	Provision of network connectivity and bandwidth services in Malaysia and project management services in relation to telecommunications
Fibrecomm Network (M) Sdn Bhd	**51**	51	**RM75.0**	RM75.0	Provision of fibre optic transmission network services
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunication and information technology services
GTC Global Sdn Bhd (note 5(b))	**100**	–	**RM1.1**	–	Business of trading, leasing and installing cellular and telecommunication equipment and trading in related product accessories
Hijrah Pertama Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Intelsec Sdn Bhd	**100**	100	**RM3.0**	RM3.0	Provision of information and communications technology (ICT) services and cloud consumption by designing and leveraging the network and exchange platforms
Menara Kuala Lumpur Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Management and operation of Menara Kuala Lumpur
Mobikom Sdn Bhd	**100**	100	**RM610.0**	RM260.0	Provision of transmission of voice and data through the cellular system

52. List of Subsidiaries as at 31 December 2014 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2014 %	Group's Effective Interest 2013 %	Paid-up Capital 2014 Million	Paid-up Capital 2013 Million	Principal Activities
Parkside Properties Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
Tekad Mercu Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	**100**	100	**RM1.6**	RM1.6	Provision of software development and sale of software products
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding
Telekom Malaysia (Australia) Pty Ltd*	**100**	100	**AUD#**	AUD#	Provision of international telecommunications services
Telekom Malaysia (Hong Kong) Limited*	**100**	100	**HKD18.5**	HKD18.5	Provision of international telecommunications services
Telekom Malaysia (S) Pte Ltd*	**100**	100	**SGD#**	SGD#	Provision of international telecommunications services
Telekom Malaysia (UK) Limited*	**100**	100	**GBP#**	GBP#	Provision of international telecommunications services
Telekom Malaysia (USA) Inc*	**100**	100	**USD3.5**	USD3.5	Provision of international telecommunications services
Telekom Multi-Media Sdn Bhd	**100**	100	**RM1.7**	RM1.7	Investment holding
Telekom Research & Development Sdn Bhd	**100**	100	**RM20.0**	RM20.0	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	**100**	100	**RM14.5**	RM14.5	Provision of management of customers care services and trading of customer premises telecommunication equipment
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operations
TM Broadcasting Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
TM ESOS Management Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Special purpose entity
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of property development activities
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding

52. List of Subsidiaries as at 31 December 2014 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2014 %	Group's Effective Interest 2013 %	Paid-up Capital 2014 Million	Paid-up Capital 2013 Million	Principal Activities
TM Info-Media Sdn Bhd	**100**	100	**RM6.0**	RM6.0	Publication of printed and online telephone directories services as well as provision of multi platform solutions for advertising
TM International (Cayman) Ltd˃	**–**	100	**–**	USD#	Struck off on 31 December 2014
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	**100**	100	**RM5.0**	RM5.0	Provision of managed network services, network system integration services and network centric services
Subsidiary held through Intelsec Sdn Bhd					
Inneonusa Sdn Bhd	**100**	–	**RM#**	–	Provision of ICT system security and smart building services including smart tenant services for building owners, operators, residents and visitors
Subsidiary held through Mobikom Sdn Bhd					
Packet One Networks (Malaysia) Sdn Bhd (note 5(a))	**55.3**	–	**RM16.7**	–	Providing last mile broadband network infrastructure facilities and services
Subsidiaries held through Packet One Networks (Malaysia) Sdn Bhd					
P1.Com Sdn Bhd	**100**	–	**RM#**	–	A collector of telecommunications revenue for fellow group companies
Millercom Sdn Bhd	**100**	–	**RM0.3**	–	Providing project management services
RuumzNation Sdn Bhd	**100**	–	**RM0.1**	–	Dormant
Packet One (L) Ltd	**100**	–	**RM#**	–	Investment holding

52. List of Subsidiaries as at 31 December 2014 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2014 %	Group's Effective Interest 2013 %	Paid-up Capital 2014 Million	Paid-up Capital 2013 Million	Principal Activities
Subsidiaries held through Tekad Mercu Berhad					
Mediatel (Malaysia) Sdn Bhd (in liquidation)[<]	**100**	100	**RM#**	RM#	Investment holding
Rebung Utama Sdn Bhd[~]	**–**	100	**–**	RM#	Dissolved on 10 June 2014
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Ceased operations
Subsidiaries held through TM Facilities Sdn Bhd					
TMF Autolease Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of fleet management services
TMF Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Ceased operations
Subsidiaries held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of training and related services
Multimedia College Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Managing and administering a private college known as Multimedia College
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	**100**	100	**RM#**	RM#	Provision of digital video and film production and post production services
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	**100**	100	**RM11.0**	RM11.0	To develop, operate and provide Intelligent Building Systems, Intelligent Security, Integrated Telecommunications and Information Technology Solutions to both the Government and private sectors
VADS Business Process Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Provision of managed contact centre services
VADS e-Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of managed information technology services, managed application services and contact centre service
VADS Professional Services Sdn Bhd	**100**	100	**RM#**	RM#	Dormant

52. List of Subsidiaries as at 31 December 2014 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2014 %	Group's Effective Interest 2013 %	Paid-up Capital 2014 Million	Paid-up Capital 2013 Million	Principal Activities
Subsidiaries held through VADS Berhad (continued)					
VADS Solutions Sdn Bhd	**100**	100	**RM1.5**	RM1.5	Provision of system integration services
Subsidiary held through VADS Business Process Sdn Bhd					
PT VADS Indonesia (collectively with VADS Berhad)^	**100**	100	**IDR17,052.8**	IDR17,052.8	Provision of managed contact centre services
Subsidiary consolidated through effective control as defined by MFRS 10					
Yayasan Telekom Malaysia	**-**	-	**^^**	^^	A trust established under the provision of Trustees (Incorporation) Act, 1952, for promotion and advancement of education, research and dissemination of knowledge

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
PT VADS Indonesia	– Indonesia
Telekom Malaysia (Australia) Pty Ltd	– Australia
Telekom Malaysia (Hong Kong) Limited	– Hong Kong
Telekom Malaysia (S) Pte Ltd	– Singapore
Telekom Malaysia (UK) Limited	– United Kingdom
Telekom Malaysia (USA) Inc	– USA
TM International (Cayman) Ltd	– British West Indies, USA

AUD	Australian Dollar
IDR	Indonesian Rupiah
HKD	Hong Kong Dollar
SGD	Singapore Dollar
GBP	Pound Sterling
USD	US Dollar

Amount less than 0.1 million in their respective currencies

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

‹ Notice of Final Meeting for the Members of Mediatel (Malaysia) Sdn Bhd (Mediatel) pursuant to Section 272(1) of the Companies Act, 1965 (CA 1965) dated 27 January 2015 was advertised via daily major newspaper on 27 January 2015. A Final Meeting of the Members of Mediatel will be held on 27 February 2015. Pursuant to Section 272(5) of the CA 1965, Mediatel would be dissolved upon the expiry of three (3) months after the lodgement of the Form 69 i.e. Return by Liquidator Relating to Final Meeting, with the Companies Commission of Malaysia ("CCM") and Official Receiver. The Form 69 shall be lodged with CCM after the conclusion of the Final Meeting.

52. List of Subsidiaries as at 31 December 2014 (continued)

˃ Application for striking off was submitted to the Registrar of Companies of Cayman Island pursuant to Section 156(2) of the Part VI of the Companies Law (as amended) of Cayman Island on 3 November 2014. Pursuant to the said Section, TM International (Cayman) Ltd was struck off on 31 December 2014.

˜ Rebung Utama Sdn Bhd was dissolved on 10 June 2014 upon the expiry of three (3) months after the lodgement of the Form 69 i.e. Return by Liquidator Relating to Final Meeting, with CCM and Official Receiver on 11 March 2014.

^ VADS Berhad and VADS Business Process Sdn Bhd hold a direct interest of 10.0% and 90.0% respectively in PT VADS Indonesia.

^^ As an entity established under the Trustees (Incorporation) Act, 1952, this entity has an initial contribution of RM13.0 million instead of paid-up capital.

53. List of Associates as at 31 December 2014

The associates are as follows:

	Group's Effective Interest		
Name of Company	**2014 %**	**2013 %**	**Principal Activities**
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd (in liquidation)	**49**	49	Granted Order for Creditors' winding up by the Kuala Lumpur High Court pursuant to Section 217 of the Companies Act, 1965
Mutiara.Com Sdn Bhd	**30**	30	Provision and promotion of Internet-based communications services
Associate held through Telekom Malaysia (S) Pte Ltd			
BlueTel Networks Pte Ltd	**29**	29	Provision of telecommunications and network solutions

All associates are incorporated in Malaysia, except BlueTel Networks Pte Ltd (BTN), which is incorporated in Singapore.

All associates have co-terminous financial year end with the Company.

54. Currency

All amounts are expressed in Ringgit Malaysia (RM).

55. Approval of Financial Statements

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 26 February 2015.

56. Supplementary Information pursuant to Bursa Malaysia Securities Berhad Listing Requirements

Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

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

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Retained profits:				
– realised	**2,473.8**	3,051.2	**4,024.5**	3,680.8
– unrealised – in respect of deferred tax recognised in the Income Statements	**(1,243.2)**	(1,131.7)	**(1,135.0)**	(1,030.9)
– in respect of other items of income and expense	**545.6**	860.8	**268.8**	576.2
Share of accumulated profits of associates				
– realised	**13.2**	3.9	**–**	–
	1,789.4	2,784.2	**3,158.3**	3,226.1
Add: consolidation adjustments	**2,526.3**	1,631.2	**–**	–
TOTAL RETAINED PROFITS	**4,315.7**	4,415.4	**3,158.3**	3,226.1

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, as issued by the Malaysian Institute of Accountants on 20 December 2010.

INDEPENDENT AUDITORS' REPORT

to the members of Telekom Malaysia Berhad
Incorporated in Malaysia (Company No. 128740-P)

Report on the Financial Statements

We have audited the financial statements of Telekom Malaysia Berhad on pages 264 to 272 which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 273 to 383.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 52 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in note 56 on page 384 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965, in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
(No. 2910/02/17 (J))
Chartered Accountant

Kuala Lumpur
26 February 2015

INCOME STATEMENTS

for the financial year ended 31 December 2013

All amounts are in million unless otherwise stated	Note	The Group 2013 RM	The Group 2012 RM	The Company 2013 RM	The Company 2012 RM
OPERATING REVENUE	5	**10,628.7**	9,993.5	**9,485.5**	8,845.6
OPERATING COSTS					
– depreciation, impairment and amortisation	6(a)	**(2,159.7)**	(2,046.4)	**(1,923.2)**	(1,848.8)
– other operating costs	6(b)	**(7,218.6)**	(6,925.6)	**(6,546.5)**	(6,381.8)
OTHER OPERATING INCOME (net)	7	**121.5**	165.4	**280.8**	292.0
OTHER GAINS (net)	8	**1.7**	0.3	**1.7**	0.3
OPERATING PROFIT BEFORE FINANCE COST		**1,373.6**	1,187.2	**1,298.3**	907.3
FINANCE INCOME		**144.9**	139.6	**135.6**	132.7
FINANCE COST		**(371.2)**	(331.5)	**(378.6)**	(340.3)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS		**(105.2)**	73.4	**(105.2)**	73.4
NET FINANCE COST	9	**(331.5)**	(118.5)	**(348.2)**	(134.2)
ASSOCIATES					
– share of results (net of tax)	26	**3.9**	0.9	**–**	–
PROFIT BEFORE TAXATION AND ZAKAT		**1,046.0**	1,069.6	**950.1**	773.1
TAXATION AND ZAKAT	10	**1.8**	236.3	**22.7**	308.0
PROFIT FOR THE FINANCIAL YEAR		**1,047.8**	1,305.9	**972.8**	1,081.1
ATTRIBUTABLE TO:					
– equity holders of the Company		**1,012.2**	1,263.7	**972.8**	1,081.1
– non-controlling interests		**35.6**	42.2	**–**	–
PROFIT FOR THE FINANCIAL YEAR		**1,047.8**	1,305.9	**972.8**	1,081.1
EARNINGS PER SHARE (sen)					
– basic/diluted	11	**28.3**	35.3		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 283 to 413.

Independent Auditors' Report – Pages 416 to 417.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2013

All amounts are in million unless otherwise stated	Note	The Group 2013 RM	The Group 2012 RM	The Company 2013 RM	The Company 2012 RM
PROFIT FOR THE FINANCIAL YEAR		**1,047.8**	1,305.9	**972.8**	1,081.1
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to income statement:					
- decrease in fair value of available-for-sale investments	27	**(6.5)**	(5.3)	**(6.5)**	(5.3)
- increase/(decrease) in fair value of available-for-sale receivables	28(a)	**0.4**	(1.1)	**0.4**	(1.1)
- reclassification adjustments relating to available-for-sale investments disposed	8	**(0.2)**	(3.3)	**(0.2)**	(3.3)
- cash flow hedge					
- increase/(decrease) in fair value of cash flow hedge	18	**20.5**	(34.9)	**20.5**	(34.9)
- reclassification to foreign exchange (loss)/gain	9	**(0.9)**	29.7	**(0.9)**	29.7
- currency translation differences					
- subsidiaries		**3.1**	(3.6)	**–**	–
- associate		**0.3**	–	**–**	–
Other comprehensive income/(loss) for the financial year		**16.7**	(18.5)	**13.3**	(14.9)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**1,064.5**	1,287.4	**986.1**	1,066.2
ATTRIBUTABLE TO:					
- equity holders of the Company		**1,028.9**	1,245.2	**986.1**	1,066.2
- non-controlling interests		**35.6**	42.2	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**1,064.5**	1,287.4	**986.1**	1,066.2

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements on pages 283 to 413.

Independent Auditors' Report – Pages 416 to 417.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

All amounts are in million unless otherwise stated	Note	The Group 31.12.2013 RM	The Group 31.12.2012 RM	The Group 1.1.2012 RM	The Company 31.12.2013 RM	The Company 31.12.2012 RM	The Company 1.1.2012 RM
SHARE CAPITAL	13	**2,504.2**	2,504.2	3,577.4	**2,504.2**	2,504.2	3,577.4
SHARE PREMIUM		**43.2**	43.2	43.2	**43.2**	43.2	43.2
OTHER RESERVES	14	**173.9**	157.2	175.7	**174.4**	161.1	176.0
RETAINED PROFITS	15	**4,415.4**	4,190.2	3,627.7	**3,226.1**	3,040.3	2,660.4
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**7,136.7**	6,894.8	7,424.0	**5,947.9**	5,748.8	6,457.0
NON-CONTROLLING INTERESTS		**162.6**	165.2	162.9	**–**	–	–
TOTAL EQUITY		**7,299.3**	7,060.0	7,586.9	**5,947.9**	5,748.8	6,457.0
Borrowings	16	**4,865.0**	5,130.2	6,402.7	**4,296.3**	3,433.1	4,928.5
Payable to a subsidiary	17(a)	**–**	–	–	**568.7**	1,697.1	1,474.2
Derivative financial instruments	18	**51.4**	51.5	18.9	**51.4**	51.5	18.9
Deferred tax liabilities	19	**1,151.0**	1,202.6	1,541.8	**1,030.9**	1,076.7	1,438.8
Deferred income	20	**1,999.5**	2,129.4	2,072.7	**1,999.5**	2,129.4	2,072.7
Other payables	35	**9.8**	–	–	**9.8**	–	–
DEFERRED AND NON-CURRENT LIABILITIES		**8,076.7**	8,513.7	10,036.1	**7,956.6**	8,387.8	9,933.1
		15,376.0	15,573.7	17,623.0	**13,904.5**	14,136.6	16,390.1
Property, plant and equipment	21	**14,572.0**	14,721.7	14,226.7	**12,830.0**	12,890.4	12,580.0
Investment property	22	**–**	5.6	–	**116.9**	119.1	121.3
Intangible assets	23	**319.8**	322.1	320.9	**–**	–	–
Subsidiaries	24	**–**	–	–	**1,265.7**	1,265.7	1,346.7
Loans and advances to subsidiaries	25	**–**	–	–	**166.9**	260.4	219.7
Associates	26	**10.7**	1.5	0.6	**–**	–	–
Available-for-sale investments	27	**99.7**	98.7	104.8	**99.6**	98.6	104.7
Available-for-sale receivables	28(a)	**7.6**	7.6	11.1	**7.6**	7.6	11.1
Other non-current receivables	28(b)	**314.9**	252.3	199.5	**242.2**	214.2	199.5
Derivative financial instruments	18	**80.3**	43.1	66.2	**80.3**	43.1	66.2
Deferred tax assets	19	**19.3**	18.6	21.7	**–**	–	–
NON-CURRENT ASSETS		**15,424.3**	15,471.2	14,951.5	**14,809.2**	14,899.1	14,649.2

All amounts are in million unless otherwise stated	Note	The Group			The Company		
		31.12.2013 RM	31.12.2012 RM	1.1.2012 RM	**31.12.2013 RM**	31.12.2012 RM	1.1.2012 RM
Inventories	29	**154.0**	151.2	220.3	**45.1**	42.7	35.9
Non-current assets held for sale	30	**22.3**	8.0	–	**22.3**	8.0	–
Customer acquisition costs	31	**73.8**	100.1	106.1	**73.8**	100.1	106.1
Trade and other receivables	32	**2,288.6**	2,207.0	2,323.2	**2,073.4**	1,853.6	2,159.0
Derivative financial instruments	18	**27.1**	2.6	–	**27.1**	2.6	–
Available-for-sale investments	27	**624.3**	500.6	418.1	**624.3**	500.6	418.1
Financial assets at fair value through profit or loss	33	**17.2**	16.5	20.1	**17.2**	16.5	20.1
Cash and bank balances	34	**2,514.9**	3,738.7	4,213.0	**2,092.9**	3,241.6	3,729.0
CURRENT ASSETS		**5,722.2**	6,724.7	7,300.8	**4,976.1**	5,765.7	6,468.2
Trade and other payables	35	**3,172.8**	3,545.5	3,552.1	**3,327.2**	3,476.5	3,670.5
Customer deposits	36	**502.1**	518.2	544.5	**500.3**	517.8	543.8
Advance rental billings		**380.8**	423.6	443.1	**359.0**	417.2	427.3
Derivative financial instruments	18	**11.0**	–	–	**11.0**	–	–
Borrowings	16	**1,590.2**	2,010.2	7.7	**52.5**	2,007.2	4.7
Payable to a subsidiary	17(b)	**–**	–	–	**1,524.7**	–	–
Taxation and zakat		**113.6**	124.7	81.9	**106.1**	109.5	81.0
CURRENT LIABILITIES		**5,770.5**	6,622.2	4,629.3	**5,880.8**	6,528.2	4,727.3
NET CURRENT (LIABILITIES)/ ASSETS		**(48.3)**	102.5	2,671.5	**(904.7)**	(762.5)	1,740.9
		15,376.0	15,573.7	17,623.0	**13,904.5**	14,136.6	16,390.1

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 283 to 413.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2013

		Attributable to equity holders of the Company								
		Issued and Fully Paid of RM0.70 each** Special Share*/ Ordinary Shares								
All amounts are in million unless otherwise stated	Note	Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2013		2,504.2	43.2	62.6	26.9	71.6	(3.9)	4,190.2	165.2	7,060.0
Profit for the financial year		–	–	–	–	–	–	1,012.2	35.6	1,047.8
Other comprehensive income										
Items that may be reclassified subsequently to income statement:										
– decrease in fair value of available-for-sale investments	27	–	–	(6.5)	–	–	–	–	–	(6.5)
– increase in fair value of available-for-sale receivables	28(a)	–	–	0.4	–	–	–	–	–	0.4
– reclassification adjustments relating to available-for-sale investments disposed	8	–	–	(0.2)	–	–	–	–	–	(0.2)
– cash flow hedge										
– increase in fair value of cash flow hedge	18	–	–	–	20.5	–	–	–	–	20.5
– reclassification to foreign exchange loss	9	–	–	–	(0.9)	–	–	–	–	(0.9)
– currency translation differences										
– subsidiaries		–	–	–	–	–	3.1	–	–	3.1
– associate		–	–	–	–	–	0.3	–	–	0.3
Total comprehensive (loss)/income for the financial year		–	–	(6.3)	19.6	–	3.4	1,012.2	35.6	1,064.5
Transactions with owners:										
Final dividend paid for the financial year ended 31 December 2012	12	–	–	–	–	–	–	(436.4)	–	(436.4)
Interim dividend paid for the financial year ended 31 December 2013	12	–	–	–	–	–	–	(350.6)	–	(350.6)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(38.2)	(38.2)
Total transactions with owners		–	–	–	–	–	–	(787.0)	(38.2)	(825.2)
At 31 December 2013		2,504.2	43.2	56.3	46.5	71.6	(0.5)	4,415.4	162.6	7,299.3

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company Issued and Fully Paid of RM0.70 each** Special Share*/ Ordinary Shares Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2012		3,577.4	43.2	72.3	32.1	71.6	(0.3)	3,627.7	162.9	7,586.9
Profit for the financial year		–	–	–	–	–	–	1,263.7	42.2	1,305.9
Other comprehensive income										
Items that may be reclassified subsequently to income statement:										
– decrease in fair value of available-for-sale investments	27	–	–	(5.3)	–	–	–	–	–	(5.3)
– decrease in fair value of available-for-sale receivables	28(a)	–	–	(1.1)	–	–	–	–	–	(1.1)
– reclassification adjustments relating to available-for-sale investments disposed	8	–	–	(3.3)	–	–	–	–	–	(3.3)
– cash flow hedge										
– decrease in fair value of cash flow hedge	18	–	–	–	(34.9)	–	–	–	–	(34.9)
– reclassification to foreign exchange gain	9	–	–	–	29.7	–	–	–	–	29.7
– currency translation differences – subsidiaries		–	–	–	–	–	(3.6)	–	–	(3.6)
Total comprehensive (loss)/income for the financial year		–	–	(9.7)	(5.2)	–	(3.6)	1,263.7	42.2	1,287.4
Transactions with owners:										
Capital repayment**	13(c)	(1,073.2)	–	–	–	–	–	–	–	(1,073.2)
Capital return to non-controlling interest on winding up of a subsidiary		–	–	–	–	–	–	–	(0.6)	(0.6)
Final dividend paid for the financial year ended 31 December 2011	12	–	–	–	–	–	–	(350.6)	–	(350.6)
Interim dividend paid for the financial year ended 31 December 2012	12	–	–	–	–	–	–	(350.6)	–	(350.6)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(39.3)	(39.3)
Total transactions with owners		(1,073.2)	–	–	–	–	–	(701.2)	(39.9)	(1,814.3)
At 31 December 2012		2,504.2	43.2	62.6	26.9	71.6	(3.9)	4,190.2	165.2	7,060.0

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 13(a) to the financial statements for details of the terms and rights attached to the Special Share.

** The par value of the ordinary shares of the Company was reduced from RM1.00 to RM0.70 each effective 1 August 2012 pursuant to the capital repayment (note 13(c) to the financial statements).

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 283 to 413.

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COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2013

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM0.70 each** Special Share*/ Ordinary Shares Share Capital RM	Non-distributable Share Premium RM	Non-distributable Fair Value Reserves RM	Non-distributable Hedging Reserve RM	Non-distributable Capital Redemption Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2013		2,504.2	43.2	62.6	26.9	71.6	3,040.3	5,748.8
Profit for the financial year		–	–	–	–	–	972.8	972.8
Other comprehensive income								
Items that may be reclassified subsequently to income statement:								
– decrease in fair value of available-for-sale investments	27	–	–	(6.5)	–	–	–	(6.5)
– increase in fair value of available-for-sale receivables	28(a)	–	–	0.4	–	–	–	0.4
– reclassification adjustments relating to available-for-sale investments disposed	8	–	–	(0.2)	–	–	–	(0.2)
– cash flow hedge								
– increase in fair value of cash flow hedge	18	–	–	–	20.5	–	–	20.5
– reclassification to foreign exchange loss	9	–	–	–	(0.9)	–	–	(0.9)
Total comprehensive (loss)/income for the financial year		–	–	(6.3)	19.6	–	972.8	986.1
Transactions with owners:								
Final dividend paid for the financial year ended 31 December 2012	12	–	–	–	–	–	(436.4)	(436.4)
Interim dividend paid for the financial year ended 31 December 2013	12	–	–	–	–	–	(350.6)	(350.6)
Total transactions with owners		–	–	–	–	–	(787.0)	(787.0)
At 31 December 2013		2,504.2	43.2	56.3	46.5	71.6	3,226.1	5,947.9

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM0.70 each** Special Share*/ Ordinary Shares Share Capital RM	Non-distributable Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2012		3,577.4	43.2	72.3	32.1	71.6	2,660.4	6,457.0
Profit for the financial year		–	–	–	–	–	1,081.1	1,081.1
Other comprehensive income								
Items that may be reclassified subsequently to income statement:								
– decrease in fair value of available-for-sale investments	27	–	–	(5.3)	–	–	–	(5.3)
– decrease in fair value of available-for-sale receivables	28(a)	–	–	(1.1)	–	–	–	(1.1)
– reclassification adjustments relating to available-for-sale investments disposed	8	–	–	(3.3)	–	–	–	(3.3)
– cash flow hedge								
– decrease in fair value of cash flow hedge	18	–	–	–	(34.9)	–	–	(34.9)
– reclassification to foreign exchange gain	9	–	–	–	29.7	–	–	29.7
Total comprehensive (loss)/income for the financial year		–	–	(9.7)	(5.2)	–	1,081.1	1,066.2
Transactions with owners:								
Capital repayment**	13(c)	(1,073.2)	–	–	–	–	–	(1,073.2)
Final dividend paid for the financial year ended 31 December 2011	12	–	–	–	–	–	(350.6)	(350.6)
Interim dividend paid for the financial year ended 31 December 2012	12	–	–	–	–	–	(350.6)	(350.6)
Total transactions with owners		(1,073.2)	–	–	–	–	(701.2)	(1,774.4)
At 31 December 2012		2,504.2	43.2	62.6	26.9	71.6	3,040.3	5,748.8

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 13(a) to the financial statements for details of the terms and rights attached to the Special Share.

** The par value of the ordinary shares of the Company was reduced from RM1.00 to RM0.70 each effective 1 August 2012 pursuant to the capital repayment (note 13(c) to the financial statements).

The above Company Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 283 to 413.

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STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2013

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2013 RM	2012 RM	**2013 RM**	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES	37	**2,795.7**	2,847.9	**2,222.4**	2,273.0
CASH FLOWS USED IN INVESTING ACTIVITIES	38	**(2,362.4)**	(2,352.1)	**(1,737.5)**	(1,833.6)
CASH FLOWS USED IN FINANCING ACTIVITIES	39	**(1,655.0)**	(970.5)	**(1,626.8)**	(930.7)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,221.7)**	(474.7)	**(1,141.9)**	(491.3)
EFFECT OF EXCHANGE RATE CHANGES		**(2.1)**	0.4	**(6.8)**	3.9
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**3,738.3**	4,212.6	**3,241.6**	3,729.0
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34	**2,514.5**	3,738.3	**2,092.9**	3,241.6

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 283 to 413.

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All amounts are in million unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 51 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

Telekom Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur. The principal office and place of business of the Company is Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements, and have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of Preparation of the Financial Statements

The financial statements of the Group and the Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Companies Act, 1965.

The financial statements have been prepared under the historical cost convention except as disclosed in the Significant Accounting Policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

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

The new standards and amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2013, are as follows:

Amendments to MFRS 1, 101, 116, 132 and 134	Amendments to MFRSs contained in the document entitled "Annual Improvements 2009 – 2011 Cycle"
Amendments to MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
MFRS 3	Business Combinations (IFRS 3 issued by International Accounting Standards Board (IASB) in March 2004)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

- Amendments to MFRS 101 "Presentation of Financial Statements" clarify the difference between voluntary and minimum required comparative information and related notes to the financial statements beyond the minimum required comparative period. In addition an entity shall present a third Statement of Financial Position only if a retrospective application, restatement or reclassification has a material effect on the Statement of Financial Position at the beginning of the preceding period.

- Amendments to MFRS 116 "Property, Plant and Equipment" clarify the classification of servicing equipment such as spare parts, stand-by equipment and servicing equipment to be recognised as property, plant and equipment (PPE) when the definition of property, plant and equipment is met. With the amendments to MFRS 116, servicing items that are used for more than 1 period are reclassified and disclosed as PPE. The impact of the reclassification which has been applied retrospectively is as disclosed in note 50 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

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

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

- Amendments to MFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities" require more extensive disclosures focusing on qualitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset. The adoption of this amendment has no financial impact to the financial results and financial position of the Group and the Company but requires disclosures of information on offsetting financial assets and financial liabilities which are disclosed in notes 32 and 35 to the financial statements.

- MFRS 10 "Consolidated Financial Statements" changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and Separate Financial Statements" and IC Interpretation 112 "Consolidation – Special Purpose Entities". The adoption of MFRS 10 has called for the reassessment of the Company's involvement with its investees, which led to the consolidation of an additional entity, Yayasan Telekom Malaysia from its inception. The impact of this change on the Group's reported financial position, financial performance and cash flows is not material.

- MFRS 12 "Disclosure of Interests in Other Entities" sets out the required disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and structured entities. The adoption of this standard does not have any impact on the financial results and financial position of the Group and the Company but requires additional disclosures as disclosed in notes 24 and 26 to the financial statements.

Other than the amendments to MFRS 116 which impact has been disclosed in note 50 to the financial statements, the adoption of the above applicable standards and amendments to published standards has not given rise to any material impact on the financial statements of the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards, amendments to published standards and Interpretation Committee (IC) Interpretation that are not yet effective and have not been early adopted by the Group and the Company

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

Effective for annual periods beginning on or after 1 January 2014

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

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
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)

- Amendments to MFRS 132 "Financial Instruments: Presentation" do not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right to set off' where the right to set off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

- Amendments to MFRS 10 "Consolidated Financial Statements", MFRS 12 "Disclosure of Interests in Other Entities" and MFRS 127 "Separate Financial Statements" introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of their investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. Changes have also been made to MFRS 12 and MFRS 127 to introduce disclosures for investment entities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards, amendments to published standards and Interpretation Committee (IC) Interpretation that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards, amendments to published standards and IC Interpretation that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- Amendments to MFRS 136 "Impairment of Assets" clarify that disclosure of the recoverable amount of an asset is required only when an impairment loss has been recognised or reversed. When the recoverable amount is based on fair value less costs of disposal, new disclosure requirements about fair value measurement is required.

- Amendments to MFRS 139 "Financial Instruments: Recognition and Measurement" provide relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to affect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

- IC Interpretation 21 is an interpretation of MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" in relation to the accounting of a liability to pay a levy. MFRS 137 sets out the criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Amendment to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" relates to the standard's Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

- Amendments to MFRS 2 "Share-based Payment" clarify the definition of vesting conditions by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

- Amendments to MFRS 3 "Business Combinations" clarify that when contingent consideration in a business combination meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132. Contingent consideration that is classified as asset or liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss. Another amendment clarifies that MFRS 3 excludes from its scope, the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 "Joint Arrangements") in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangement for their interests in the joint arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards, amendments to published standards and Interpretation Committee (IC) Interpretation that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards, amendments to published standards and IC Interpretation that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- Amendments to MFRS 8 "Operating Segments" require the disclosure of judgements made in applying the aggregation criteria to operating segments which includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. Reconciliation of the total reportable segments' assets to the entity's assets is also required if that amount is regularly provided to the chief operating decision maker.

- Amendments to MFRS 13 "Fair Value Measurement" clarify that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 or MFRS 9 "Financial Instruments", regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132.

- Amendments to MFRS 116 and MFRS 138 "Intangible Assets" clarify the accounting for accumulated depreciation or amortisation when an asset is revalued. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation or amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

- Amendments to MFRS 119 "Employee Benefits" clarify the accounting for contribution from employees or third parties to defined benefit plans. If the amount of contributions is independent of the number of years of service, the entity is permitted to recognise such contributions as reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. If the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

- Amendments to MFRS 124 "Related Party Disclosures" extend the definition of 'related party' to include an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

- Amendments to MFRS 140 "Investment Property" clarify that the determination of whether an acquisition of an investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards, amendments to published standards and Interpretation Committee (IC) Interpretation that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards, amendments to published standards and IC Interpretation that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- MFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities" replaces the multiple classification and measurement models for financial assets in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The determination is made at initial recognition. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for derecognising financial instruments have been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss (FVTPL). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  With the amendments to MFRS 9, entities are allowed to change the accounting for liabilities elected to be measured at fair value without applying any of the other MFRS 9 requirements. Hence, gains caused by a worsening in the entity's own credit risk on such liabilities are no longer recognised in profit or loss. The amendments also remove the mandatory effective date of MFRS 9 but earlier application of MFRS 9 is allowed.

  A new hedge accounting model is introduced with corresponding disclosures requirements on risk management activities which enables entities to better reflect their risk management activities and effect of hedge accounting in their financial statements particularly those that hedge non-financial risk.

  The guidance in MFRS 139 on impairment of financial assets continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The adoption of the above applicable standards, amendments to published standards and IC Interpretation are not expected to have a material impact on the financial statements of the Group and the Company except for MFRS 9 and IC Interpretation 21.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the entity),
- Exposure, or rights, to variable returns from its involvement with the entity, and
- The ability to use its power over the entity to affect its returns.

When the Group has less than a majority of the voting or similar rights of an entity, the Group considers all relevant facts and circumstances in assessing whether it has power over that entity, including:

- The contractual arrangement with the other vote holders of the entity
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Previously, control exists when the Group has a majority or more than one half of the voting rights and has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Additionally, the existence and effects of potential voting rights that are currently exercisable or convertible are previously considered when assessing control. Presently, such rights are considered only if the rights are substantive.

Subsidiaries are consolidated using the acquisition method of accounting except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006, which were accounted for using the merger method.

The Group has taken advantage of the exemption provided by MFRS 1 to not restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Accordingly, business combinations entered into prior to transition date have not been restated.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and the resulting gain or loss is recognised in the Consolidated Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the Consolidated Income Statement (refer to Significant Accounting Policies note 2(f)(i) on Goodwill).

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

Effective from 1 January 2011, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intra-group transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary and is recognised in the Consolidated Income Statement.

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Income Statements, and its share of post-acquisition movements in reserves is recognised within other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

The results of associates are taken from the most recent unaudited financial statements of the associates concerned, made up to dates not more than 3 months prior to the end of the financial year of the Group.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses are recognised in the Consolidated Income Statement.

When the Group increases its stake in an existing investment and the investment becomes an associate for the first time, goodwill is calculated at each stage of the acquisition. The Group does not revalue its previously owned share of net assets to fair value. Any existing available-for-sale reserve is reversed in other comprehensive income, restating the investment to cost. A share of profits (after dividends) together with a share of any equity movements relating to the previously held interest are accounted for in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

The gain or loss on disposal of an associate is the difference between the net disposal proceeds and the Group's share of the associate's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that associate which were previously recognised in other comprehensive income, and is recognised in the Consolidated Income Statement.

(iv) Changes in Ownership Interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the Consolidated Income Statement. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost less accumulated impairment losses in the separate financial statements of the Company. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets). Impairment losses are charged to the Income Statement.

On disposal of investments in subsidiaries and associates, the difference between the net disposal proceeds and the carrying amounts of the investments are recognised in the Income Statement.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Certain freehold land are carried at fair value, being their deemed cost in accordance with the exemption provided by MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" as at 1 January 2011, the date of transition to MFRS.

(i) Cost

Cost of telecommunications network comprises expenditure up to and including the last distribution point before the customers' premises and includes contractors' charges, materials, direct labour and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Significant Accounting Policies note 2(p)(ii) on borrowing costs).

Subsequent cost is included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease is amortised in equal instalments over the period of the respective lease. Long term leasehold land has an unexpired lease period of 50 years and above. Other property, plant and equipment are depreciated on a straight line basis to write-off the cost of the assets to their residual values over their estimated useful lives in years as summarised below:

Telecommunications network	3 – 25
Movable plant and equipment	5 – 8
Computer support systems	3 – 5
Buildings	5 – 40

Capital work-in-progress are stated at cost and are not depreciated. Upon completion, capital work-in-progress are transferred to categories of property, plant and equipment depending on the nature of the assets. Capital work-in-progress includes servicing equipment, materials and spares. Depreciation on property, plant and equipment under construction commences when the property, plant and equipment are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each reporting date.

(iii) Impairment

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write down is made if the carrying value exceeds the recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

(iv) Gains or Losses on Disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the related asset and are included in other operating income in the Income Statement.

(v) Asset Exchange Transaction

Property, plant and equipment may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair values unless,

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Group cannot immediately derecognise the assets given up. If the acquired item is not reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(vi) Repairs and Maintenance

Repairs and maintenance are charged to the Income Statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. This cost is depreciated over the remaining useful life of the related asset.

(e) Investment Properties

Investment properties, principally comprising land and office buildings, are held for long term rental yields or for capital appreciation or for both, and are not occupied by the Group or the Company.

Investment properties are carried at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write-off the cost of the investment properties to their residual values over their estimated useful lives in years as summarised below:

Leasehold land	over the period of the respective leases
Buildings	5 – 40

Freehold land is not depreciated as it has an infinite life.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected, then it shall be derecognised (eliminated from the Statement of Financial Position). Gain or loss on disposal is determined by comparing the net disposal proceeds with the carrying amount and are included in the Income Statement.

(f) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition. Goodwill on acquisition occurring on or after 1 January 2002 in respect of a subsidiary is included in the Consolidated Statement of Financial Position as an intangible asset. Goodwill on acquisitions that occurred prior to 1 January 2002 was written off against reserves in the year of acquisition.

As part of the transition to MFRS, the Group elected not to restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous Financial Reporting Standards framework as at the date of transition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible Assets (continued)

(i) Goodwill (continued)

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the Consolidated Income Statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

(ii) Software

Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Amortisation is calculated using straight line method at 20% per annum subject to impairment.

(iii) Programme Rights

Programme rights comprise rights licensed from third parties with the primary intention to broadcast in the normal course of operating cycle. The rights are stated at cost less accumulated amortisation and accumulated impairment losses (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

The Group amortises programme rights on a straight line basis over the license period or estimated useful life if shorter, from the date of first transmission, to match the costs of consumption with the estimated benefits to be received. Amortisation is included in the Income Statement.

(g) Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful life, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

The impairment loss is charged to the Income Statement. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Assets

Financial assets are classified in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Quoted equity securities (within current assets), determined on an aggregate portfolio basis, are classified as financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to the Income Statement.

Changes in the fair values of financial assets at fair value through profit or loss are recognised in the Income Statement in the period in which the changes arise.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise non-current receivables, trade and other receivables and cash and bank balances in the Statement of Financial Position.

Loans and receivables are measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

(iii) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

Fixed income securities (within current assets) and certain non-current equity investments are classified as available-for-sale investments, whilst convertible education loans (within non-current assets) are classified as available-for-sale receivables. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Assets (continued)

(iii) Available-for-sale Financial Assets (continued)

Changes in the fair values of available-for-sale investments are recognised in other comprehensive income. Whereas, changes in the fair value of available-for-sale receivables classified as non-current assets can be analysed by way of changes arising from conversion of the receivables to scholarship and other fair value changes. Changes arising from the conversion are recognised in the Income Statement, whereas, other fair value changes are recognised in other comprehensive income. Interests on available-for-sale receivables calculated using the effective interest method are recognised in the Income Statement.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the Income Statement.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(v) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented on the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(i) Impairment of Financial Assets

(i) Assets Carried at Amortised Cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the customer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the customers will enter bankruptcy or other financial reorganisation;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Financial Assets (continued)

(i) Assets Carried at Amortised Cost (continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include: (continued)

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  - adverse changes in the payment status of customers in the portfolio; and

  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Income Statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Income Statement.

(ii) Assets Classified as Available-for-sale

In the case of equity and fixed income securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, the following criteria are also considered as indicators of impairment:

- significant financial difficulty of the issuer or obligor;

- the disappearance of an active market for that financial asset because of financial difficulties; or

- a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired.

If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the Income Statement, is reversed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement. Impairment losses recognised in the Income Statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the Income Statement at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the Income Statement within 'other gains or losses – net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the Income Statement within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the Income Statement over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within 'other gains or losses – net'.

Amounts accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects the Income Statement. The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'.

When a hedging instrument matures, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined on a weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and applicable variable selling expenses. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

(l) Non-current Assets Held for Sale

Non-current assets are classified as held for sale when their carrying amounts are to be recovered principally through sale transaction and the sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(m) Customer Acquisition Costs

Customer acquisition costs are incurred in activating new customers pursuant to a contract. Customer acquisition costs are capitalised and amortised over the contract period. In the event that a customer terminates the service within the contract period, any unamortised customer acquisition costs are written off to the Income Statement immediately.

(n) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of 3 months or less. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

(o) Share Capital

(i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is debited directly to equity.

(ii) Share Issue Costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Share Capital (continued)

(iii) Dividend to Shareholders of the Company

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

Dividend in specie of shares distributed to the Company's shareholders is recorded at the carrying value of net asset distributed. The distribution is recorded as a movement in equity.

(p) Financial Liabilities

Trade and other payables, customer deposits and borrowings are classified as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

(ii) Bonds, Notes, Debentures and Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Interests, dividends, gains and losses relating to a financial instrument, or a component part, classified as a liability are reported within finance cost in the Income Statement. Foreign exchange gains or losses arising from translation of foreign currency borrowings are reported within 'finance cost' in the Income Statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other borrowing costs are charged to the Income Statement.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases

(i) Finance Leases

Leases of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the leases at the lower of the present value of the minimum lease payments and the fair value of the leased assets. The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the reduction of the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Income Statement.

Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease terms.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(r) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the Income Statement over the financial period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to the Income Statement on a straight line basis over the estimated useful lives of the related assets.

(s) Income Taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries or associates on distributions of retained profits to companies in the Group, and real property gains taxes payable on disposal of properties.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income Taxes (continued)

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the future, against which the deductible temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised.

Deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group's share of income taxes of associates are included in the Group's share of results of associates.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118.

(v) Revenue Recognition

Operating revenue comprises the fair value of the consideration received or receivables for the sale of products and rendering of services net of returns, duties, sales discounts and sales taxes paid, after eliminating sales within the Group. Operating revenue is recognised or accrued at the time of the provision of products or services, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Advance rental billing comprises mainly billing in advance for data services, which is amortised on a straight line basis according to contractual terms.

Dividend income from investment in subsidiaries, associates and equity investments is recognised within 'other operating income (net)' when a right to receive payment is established.

Finance income includes income from deposits with licensed banks, other financial institutions, other deposits, available-for-sale receivables and staff loans, and is recognised using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the Income Statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(x) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the Income Statement within 'net finance cost'. All other foreign exchange gains and losses are presented in the Income Statement within 'operating costs'.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Foreign Currencies (continued)

(iii) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the reporting date;

- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the rates prevailing on the date of the transactions); and

- all resulting exchange differences are recognised as a separate component in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is disposed off or sold, such exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on disposal.

(y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions.

Further disclosures on Segment Reporting are set out in note 43 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are mentioned below.

3. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Critical Accounting Estimates and Assumptions (continued)

(a) Estimated Useful Lives of Property, Plant and Equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage, changes in technology, latest findings in research and development, updated practices to enhance performance of certain network assets and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A change in the estimated useful lives of property, plant and equipment would change the recorded depreciation and the carrying amount of property, plant and equipment.

(b) Impairment of Property, Plant and Equipment, Intangible Assets (other than goodwill) and Investment in Subsidiaries

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

(c) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 23 to the financial statements.

(d) Impairment of Trade Receivables

The Group assesses at each reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated periodically based on a review of the current status of existing receivables and historical collection trends to reflect the actual and anticipated experience.

(e) Taxation

(i) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

3. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Critical Accounting Estimates and Assumptions (continued)

(e) Taxation (continued)

(ii) Deferred Tax Assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves judgment regarding future taxable profits of a particular entity in which the deferred tax asset has been recognised.

Estimating the future taxable profits involved significant assumptions, especially in respect of demand on existing and new services, competition and regulatory changes that may impact the pricing of services. These assumptions were derived based on past performance and adjusted for non-recurring circumstances.

During the current financial year, the Company has recognised deferred tax assets arising from unutilised tax incentive as disclosed in note 19 to the financial statements.

(f) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on Directors' view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Details of the legal proceedings in which the Group is involved as at 31 December 2013 is disclosed in note 48 to the financial statements.

(g) Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group exercises its judgment in selecting a variety of valuation methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The fair value of derivatives is the present value of their future cash flows. The Group estimated the fair values at the reporting date, of certain available-for-sale financial assets that are not traded in an active market by using the net tangible assets and the discounted cash flow methods. Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The summary of financial instruments by category is disclosed in note 44 to the financial statements. The valuation of such financial instruments is further discussed in note 45 to the financial statements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Factor

The main risks arising from the Group's financial assets and liabilities are market risk (comprises foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Group has established risk management policies, guidelines and procedures in order to manage its exposure to these financial risks. Hedging strategies are determined in light of commercial commitments to mitigate the relevant risks exposures. Derivative financial instruments are used to hedge the underlying commercial exposures and are not held for speculative purposes.

(i) Market Risk

- Foreign Exchange Risk

  The Group's foreign exchange risk refers to adverse exchange rate movements on foreign currency positions originating from trade receivables and payables, deposits and borrowings denominated in foreign currencies, and from retained profits in overseas subsidiaries, where the functional currencies are not in Ringgit Malaysia.

  The Group's objective is to mitigate foreign exchange exposure to an acceptable level against pre-determined limits and impact to the Income Statement. The Group monitors its foreign currency denominated assets and liabilities and uses various hedging instruments such as forward contracts, Cross Currency Interest Rate Swaps (CCIRS) contracts and option structures as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flows requirement. The Group's policy requires all transactions for hedging foreign currency exchange risk exposure be executed within the parameters approved by the Board of Directors.

  The foreign exchange risk of the Group arises predominantly from borrowings denominated in foreign currencies, mainly the US Dollar and Japanese Yen. During the financial year, in addition to the existing US Dollar and Japanese Yen forward and CCIRS contracts, the Group entered into additional forward and CCIRS contracts to hedge selected USD borrowings in order to reduce foreign currency exposures. After hedging of the US Dollar and Japanese Yen borrowings, the foreign currency borrowings composition is reduced to 19.5% (2012: 20.8%) of the Group's total borrowings as at 31 December 2013. There was no repayment of these foreign currency borrowings during the financial year.

  Based on the borrowings position as at 31 December 2013, if the Ringgit Malaysia had weakened/strengthened by 5.0% against the US Dollar and Japanese Yen with all other variables held constant, the post-tax profit for the financial year for the Group would have been lower/higher by approximately RM153.9 million (before hedging) and RM63.1 million (after hedging) as a result of foreign exchange losses or gains on translation of US Dollar and Japanese Yen denominated borrowings.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Price Risk

The Group is exposed to equity and fixed income securities price risk arising from investments as reflected on the Statement of Financial Position, classified either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. Despite some disposals, the quoted equity securities portfolio has increased to RM17.2 million as at 31 December 2013 from RM16.5 million at the end of 2012 due to fair value gain recorded on the existing portfolio.

Based on the quoted equity securities portfolio as at 31 December 2013, if Bursa Malaysia equity index move by 5.0%, with all other variables remain constant, post-tax profit for the financial year would have been impacted by approximately RM1.1 million. Post-tax profit for the financial year would increase or decrease as a result of gain/losses on equity securities classified as fair value through profit or loss. Moving forward, the impact will further reduce to commensurate with efforts made towards the total closure of equity portfolio.

Other components of equity would increase/decrease as a result of gains/losses on equity and fixed income securities classified as available-for-sale.

- Interest Rate Risk

The Group has cash and short term deposits and fixed income securities that are exposed to interest rate movement. The Group manages its interest rate risk on cash and short term deposits through allocation in suitable tenure. While on fixed income securities, the Group applies suitable duration and basis point valuation analysis impact to manage its interest rate risk.

The Group's investments in money market and fixed income securities as at 31 December 2013 were RM1,759.5 million (2012: RM3,262.4 million) and RM624.3 million (2012: RM500.6 million) respectively. For an increase of 25 basis points in the Overnight Policy Rate (OPR) by Bank Negara Malaysia and assuming the overall yield curve also increases by the same percentage, the finance income from the money market portfolio would correspondingly move by approximately RM4.5 million while the net asset value of the fixed income portfolio would inversely move by approximately RM5.2 million.

The Group's debts include revolving credits, borrowings, bonds, notes and debentures. The Group's objective is to manage the interest rate risk to an acceptable level of exposure on the finance cost. The Group reviews its composition of fixed and floating rate debt based on assessment of its existing exposure and desirable interest rate profile acceptable to the Group. Hedging instruments such as interest rate swaps are used to manage these risks.

The Group's policy requires all transactions for hedging interest rate risk exposure be executed within the parameters approved by the Board of Directors.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Interest Rate Risk (continued)

The Group has entered into a few interest rate swap transactions with creditworthy financial institutions. Based on the hedging position as at 31 December 2013, if there were to be a hike in the OPR by 25 basis points, the finance cost would be higher by approximately RM2.5 million.

As at 31 December 2013, the Group's fixed-to-floating interest rate profile, after hedging, was 92:8 (2012: 71:29).

The interest rate exposure is mitigated, to some extent, by the offsetting effect between assets and liabilities.

(ii) Credit Risk

Financial assets that are primarily exposed to credit risks are receivables, cash and bank balances, marketable securities and financial instruments used in hedging activities.

Due to the nature of the Group's business, customers are mainly segregated according to business segments. The Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed through the application of stringent credit control assessment and approval, credit limit and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers to be held as collaterals.

The Group places its cash and cash equivalents with various creditworthy financial institutions. The Group's policy limits the concentration of credit exposure to any single financial institution based on its net tangible asset position and/or credit rating, which is subject to annual review.

The Group has appointed several fixed income and commercial papers fund managers to manage its investment portfolios. In managing the portfolios' credit risks, the investment parameter was established to restrict all fund managers to only invest in securities that carry at least A3/P1 credit ratings or equivalent. This is in accordance with the Group's Treasury Investment Policies and Guidelines. In the current financial year, the Group's investment portfolios were predominantly securities carrying AA/P1 credit ratings or above, as shown in note 27 to the financial statements.

All hedging instruments are executed with creditworthy financial institutions with a view to limiting the credit risk exposure of the Group. The Group, however, is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but does not expect any counterparties to fail to meet their obligations.

In complying with the risk management policies, all counterparties are required to maintain certain credit rating as defined by the international and local rating agencies.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(iii) Liquidity Risk

Group Treasury maintains cash and cash equivalents at a level that is deemed appropriate by the management to finance the Group's operations. It also actively monitors and controls liquidity risk exposures and funding needs across legal entities within the Group, business lines and currencies, taking into account legal, regulatory and operational limitations via a centralised Treasury operation.

Due to the dynamic nature of the underlying business, the Group also aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

Cash flow forecasts are performed in the operating entities of the Group on a rolling basis and are aggregated by Group Treasury to ensure sufficient cash is available to meet operational needs while maintaining adequate headroom on its undrawn committed credit facilities at all times. As at 31 December 2013, the Group held deposits with financial institutions of RM1,759.5 million (2012: RM3,262.4 million) and cash and bank balances of RM755.4 million (2012: RM476.3 million) that are expected to be readily available to meet any payment obligation when it falls due.

Refinancing risk is managed by limiting the amount of borrowings that mature within any specific period and by having appropriate strategies in place to manage refinancing needs as they arise. The Group has a USD465.1 million Guaranteed Notes maturing in September 2014. This obligation will be paid via a combination of internal cash flow and new borrowings. The Group has available funding with the establishment of the new Islamic Commercial Papers programme and Islamic Medium Term Notes programme with remaining combined limit of up to RM2.8 billion in nominal value to meet capital expenditure and business operating requirements. The analysis of the maturity profile of the Group's and the Company's financial liabilities are shown in note 47 to the financial statements.

There has been no significant change in the Group's financial risk management objectives and policies as well as its financial risk exposure in the current financial year as compared to the preceding financial year.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide long term return to shareholders and benefits for other stakeholders. The Group's capital management framework comprises of a dividend policy and strives to maintain an optimal capital structure that will improve its capital efficiency.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to the shareholders or may return capital to shareholders vis-à-vis its debt-to-equity ratio (gearing level). The gearing ratios as at 31 December were as follows:

	The Group	
	2013	2012
Borrowings (RM million) (note 16)	**6,455.2**	7,140.4
Total Shareholders' Equity (RM million)	**7,136.7**	6,894.8
Debt-to-equity Ratio	**0.9**	1.0

The decrease in the gearing ratio as at 31 December 2013 is primarily due to debt repayment during the financial year.

The Group also monitors its gearing level in comparison to its peers within the industry while maintaining the desired level of credit rating. During 2013, the Group's credit rating remained unchanged at AAA by RAM, A– by S&P and A3 by Moody's.

Furthermore, the Group complies with Bursa Malaysia Securities Berhad Main Market Listing Requirement Practice Note No. 17/2005 to maintain a consolidated shareholders' equity of more than 25 percent of the issued and paid up capital and maintain such shareholders' equity at not less than RM40.0 million.

5. OPERATING REVENUE

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Voice services	**3,617.7**	3,706.0	**3,607.6**	3,687.5
Data services	**2,512.3**	2,204.8	**2,203.3**	1,869.2
Internet and multimedia services	**2,676.4**	2,371.9	**2,680.9**	2,381.9
Other telecommunications related services	**1,478.3**	1,328.7	**993.7**	907.0
Non-telecommunications related services	**344.0**	382.1	**–**	–
TOTAL OPERATING REVENUE	**10,628.7**	9,993.5	**9,485.5**	8,845.6

6(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Depreciation of property, plant and equipment (PPE)	**2,134.4**	1,997.7	**1,913.4**	1,819.7
Depreciation of investment property	**–**	0.1	**2.2**	2.2
Impairment of PPE	**–**	0.3	**–**	–
Write-off/retirement of PPE	**9.3**	30.1	**7.6**	26.9
Amortisation of intangible assets	**16.0**	18.2	**–**	–
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**2,159.7**	2,046.4	**1,923.2**	1,848.8

6(b) OTHER OPERATING COSTS

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Agency commissions and charges	**72.3**	79.5	**108.3**	136.0
Domestic interconnect and international outpayment	**813.0**	829.7	**868.4**	877.7
Impairment of trade and other receivables (net of debt recoveries)	**89.9**	63.6	**96.6**	66.9
Impairment reversal for available-for-sale receivables	**–**	(1.2)	**–**	(1.2)
Maintenance	**763.4**	860.6	**795.9**	897.4
Marketing, advertising and promotion	**321.8**	342.7	**358.9**	368.0
Net loss/(gain) on foreign exchange on settlements and placements				
– realised	**2.7**	(4.7)	**0.8**	(5.8)
– unrealised	**(16.0)**	7.2	**(12.7)**	3.5
Outsourcing costs	**81.0**	84.5	**295.6**	325.7
Rental – equipment	**65.5**	76.7	**111.7**	120.2
Rental – land and buildings	**176.3**	160.5	**145.8**	126.8
Rental – leased lines	**238.6**	175.5	**–**	–
Rental – others	**27.9**	22.3	**12.0**	13.0
Research and development	**7.6**	5.1	**57.8**	67.2
Staff costs	**2,369.7**	2,129.1	**1,796.6**	1,657.6
Staff costs capitalised into PPE	**(109.4)**	(104.6)	**(109.4)**	(104.6)
Supplies and materials	**692.8**	644.6	**497.3**	500.7
Transportation and travelling	**69.0**	73.7	**53.0**	59.2
Universal Service Provision contribution	**312.2**	275.4	**295.4**	258.1
Utilities	**317.9**	324.2	**279.3**	287.2
Others	**922.4**	881.2	**895.2**	728.2
TOTAL OTHER OPERATING COSTS	**7,218.6**	6,925.6	**6,546.5**	6,381.8

6(b) OTHER OPERATING COSTS (CONTINUED)

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Staff costs include:				
– salaries, allowances, overtime and bonus	**1,935.5**	1,743.4	**1,457.5**	1,349.7
– contribution to Employees Provident Fund (EPF)	**283.0**	253.4	**217.0**	197.8
– termination benefit	**0.7**	–	**0.7**	–
– other staff benefits	**141.9**	126.0	**113.2**	104.2
– remuneration of Executive Directors of the Company				
– salaries, allowances and bonus	**4.6**	3.1	**4.6**	3.1
– contribution to EPF	**0.9**	0.6	**0.9**	0.6
– remuneration of Non-Executive Directors of the Company				
– fees	**2.0**	2.2	**1.6**	1.9
– allowances and bonus	**0.8**	0.4	**0.8**	0.3
– remuneration of former Non-Executive Directors of the Company				
– fees	**0.2**	–	**0.2**	–
– allowances and bonus	**0.1**	–	**0.1**	–
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	**3.0**	2.9	**2.1**	1.9
– member firms of PricewaterhouseCoopers International Limited	**0.2**	0.2	**–**	–
– audit related fees	**0.8**	0.8	**0.4**	0.4
– tax and other non-audit services	**1.2**	0.2	**1.1**	0.2

Estimated money value of benefits of Directors amounted to RM877,966 (2012: RM582,686) for the Group and RM876,260 (2012: RM582,686) for the Company.

In ensuring independence of the external auditors, the Board Audit Committee has policies governing the engagement of the external auditors for non-audit services and the related approval process that has to be adhered before any such non-audit services commence. Non-audit services can be offered by the external auditors if there are efficiencies and value-added benefits to the Group.

7. OTHER OPERATING INCOME (net)

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Dividend income from subsidiaries	–	–	116.2	116.3
Dividend income from equity securities – quoted	1.3	1.2	1.3	1.2
– unquoted	11.4	0.1	11.4	0.1
Income from sales of scraps	10.1	12.7	10.1	12.7
Income from subsidiaries – interest	–	–	7.5	10.8
– others	–	–	4.3	4.8
Insurance claims	0.5	1.0	0.4	1.0
Loss on disposal of staff loans	(0.5)	(0.6)	(0.5)	(0.6)
Profit on disposal of PPE	1.9	5.5	2.3	5.7
Profit on disposal of non-current asset held for sale	8.3	13.6	8.3	13.6
Penalty on breach of contract	4.6	15.8	4.6	15.8
Rental income from land and buildings	40.8	44.1	65.2	63.2
Rental income from vehicles	–	–	0.9	1.2
Revenue from training and related activities	0.2	1.5	1.0	2.2
Others	42.9	70.5	47.8	44.0
TOTAL OTHER OPERATING INCOME (net)	**121.5**	165.4	**280.8**	292.0

8. OTHER GAINS (net)

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Financial assets at fair value through profit or loss				
– fair value profit/(loss)	1.5	(3.0)	1.5	(3.0)
Available-for-sale investments				
– reclassification from fair value reserves	0.2	3.3	0.2	3.3
TOTAL OTHER GAINS (net)	**1.7**	0.3	**1.7**	0.3

9. NET FINANCE COST

The Group	2013 Foreign RM	2013 Domestic RM	2013 Islamic Principles RM	2013 Total RM	2012 Foreign RM	2012 Domestic RM	2012 Islamic Principles RM	2012 Total RM
Finance income from								
– short term bank deposits	**0.4**	**63.3**	**68.2**	**131.9**	0.6	65.5	66.7	132.8
– other deposits	**–**	**2.4**	**1.6**	**4.0**	–	0.8	1.5	2.3
– staff loans	**–**	**0.9**	**2.2**	**3.1**	–	1.0	1.9	2.9
– accretion of finance income	**–**	**3.0**	**–**	**3.0**	–	–	–	–
– available-for-sale receivables	**–**	**2.9**	**–**	**2.9**	-	1.6	-	1.6
TOTAL FINANCE INCOME	**0.4**	**72.5**	**72.0**	**144.9**	0.6	68.9	70.1	139.6
Finance cost on								
– borrowings	**(166.0)**	**(2.0)**	**–**	**(168.0)**	(147.0)	–	–	(147.0)
– TM Islamic Stapled Income Securities (note 16(a))	**–**	**–**	**(162.6)**	**(162.6)**	–	–	(162.3)	(162.3)
– fair value gain on interest rate swaps – realised (note 16(b))	**–**	**–**	**7.4**	**7.4**	–	–	7.1	7.1
– Islamic Commercial Papers (note 16(c))	**–**	**–**	**(0.8)**	**(0.8)**	–	–	(1.9)	(1.9)
– Islamic Medium Term Notes (note 16(c))	**–**	**–**	**(70.5)**	**(70.5)**	–	–	(40.4)	(40.4)
– accretion of finance cost (note 16(d))	**–**	**(8.0)**	**–**	**(8.0)**	–	(7.7)	–	(7.7)
– finance lease (note 16(e))	**–**	**(3.2)**	**–**	**(3.2)**	–	(3.5)	–	(3.5)
– amortisation of interest subsidy on staff loan	**–**	**(0.3)**	**(0.7)**	**(1.0)**	–	–	(0.5)	(0.5)
Borrowing costs capitalised	**4.4**	**8.0**	**23.1**	**35.5**	–	7.7	17.0	24.7
TOTAL FINANCE COST	**(161.6)**	**(5.5)**	**(204.1)**	**(371.2)**	(147.0)	(3.5)	(181.0)	(331.5)
Foreign exchange (loss)/gain on borrowings								
– unrealised	**(147.5)**	**–**	**–**	**(147.5)**	109.5	–	–	109.5
– reclassification from hedging reserve	**0.9**	**–**	**–**	**0.9**	(29.7)	–	–	(29.7)
Fair value gain/(loss) on forward foreign currency contracts								
– unrealised (note 18)	**41.4**	**–**	**–**	**41.4**	(6.4)	–	–	(6.4)
TOTAL FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	**(105.2)**	**–**	**–**	**(105.2)**	73.4	–	–	73.4
NET FINANCE COST	**(266.4)**	**67.0**	**(132.1)**	**(331.5)**	(73.0)	65.4	(110.9)	(118.5)

9. NET FINANCE COST (CONTINUED)

The Company	2013 Foreign RM	2013 Domestic RM	2013 Islamic Principles RM	2013 Total RM	2012 Foreign RM	2012 Domestic RM	2012 Islamic Principles RM	2012 Total RM
Finance income from								
– short term bank deposits	**0.1**	**61.3**	**64.8**	**126.2**	0.1	62.6	63.2	125.9
– other deposits	**–**	**1.9**	**1.5**	**3.4**	–	0.8	1.5	2.3
– staff loans	**–**	**0.9**	**2.2**	**3.1**	–	1.0	1.9	2.9
– available-for-sale receivables	**–**	**2.9**	**–**	**2.9**	–	1.6	–	1.6
TOTAL FINANCE INCOME	**0.1**	**67.0**	**68.5**	**135.6**	0.1	66.0	66.6	132.7
Finance cost on								
– borrowings	**(166.0)**	**(1.6)**	**–**	**(167.6)**	(147.0)	(0.2)	–	(147.2)
– TM Islamic Stapled Income Securities (note 16(a))	**–**	**–**	**(162.6)**	**(162.6)**	–	–	(162.3)	(162.3)
– fair value gain on interest rate swaps								
– realised (note 16(b))	**–**	**–**	**7.4**	**7.4**	–	–	7.1	7.1
– Islamic Commercial Papers (note 16(c))	**–**	**–**	**(0.8)**	**(0.8)**	–	–	(1.9)	(1.9)
– Islamic Medium Term Notes (note 16(c))	**–**	**–**	**(70.5)**	**(70.5)**	–	–	(40.4)	(40.4)
– accretion of finance cost (note 16(d))	**–**	**(8.0)**	**–**	**(8.0)**	–	(7.7)	–	(7.7)
– finance lease (note 16(e))	**–**	**(3.2)**	**–**	**(3.2)**	–	(3.5)	–	(3.5)
– Inter-Company Fund Optimisation (note 41(b))	**–**	**(7.8)**	**–**	**(7.8)**	–	(8.6)	–	(8.6)
– amortisation of interest subsidy on staff loan	**–**	**(0.3)**	**(0.7)**	**(1.0)**	–	–	(0.5)	(0.5)
Borrowing costs capitalised	**4.4**	**8.0**	**23.1**	**35.5**	–	7.7	17.0	24.7
TOTAL FINANCE COST	**(161.6)**	**(12.9)**	**(204.1)**	**(378.6)**	(147.0)	(12.3)	(181.0)	(340.3)
Foreign exchange (loss)/gain on borrowings								
– unrealised	**(147.5)**	**–**	**–**	**(147.5)**	109.5	–	–	109.5
– reclassification from hedging reserve	**0.9**	**–**	**–**	**0.9**	(29.7)	–	–	(29.7)
Fair value gain/(loss) on forward foreign currency contracts								
– unrealised (note 18)	**41.4**	**–**	**–**	**41.4**	(6.4)	–	–	(6.4)
TOTAL FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	**(105.2)**	**–**	**–**	**(105.2)**	73.4	–	–	73.4
NET FINANCE COST	**(266.7)**	**54.1**	**(135.6)**	**(348.2)**	(73.5)	53.7	(114.4)	(134.2)

10. TAXATION AND ZAKAT

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**59.0**	72.8	**25.5**	25.2
Prior year	**(12.1)**	19.3	**(5.9)**	26.7
Deferred Tax (net)	**(54.7)**	(341.3)	**(45.8)**	(362.1)
	(7.8)	(249.2)	**(26.2)**	(310.2)
Overseas				
Income Tax				
Current year	**0.3**	4.8	**–**	–
Prior year	**(1.3)**	0.3	**–**	–
Deferred Tax (net)	**2.7**	5.5	**–**	–
	1.7	10.6	**–**	–
TOTAL TAXATION	**(6.1)**	(238.6)	**(26.2)**	(310.2)
Zakat	**4.3**	2.3	**3.5**	2.2
TAXATION AND ZAKAT	**(1.8)**	(236.3)	**(22.7)**	(308.0)
Current taxation				
Current year	**59.3**	77.6	**25.5**	25.2
(Over)/Under accrual in prior years (net)	**(13.4)**	19.6	**(5.9)**	26.7
Deferred taxation				
Origination and reversal of temporary differences	**186.1**	150.4	**177.1**	119.1
Change in tax rate	**(35.0)**	–	**(31.8)**	–
Tax incentive (note 19)	**(191.1)**	(481.2)	**(191.1)**	(481.2)
Benefit from previously unrecognised tax losses and deductible temporary differences	**(12.0)**	(5.0)	**–**	–
	(6.1)	(238.6)	**(26.2)**	(310.2)

10. TAXATION AND ZAKAT (CONTINUED)

The relationship between taxation and profit before taxation and zakat can be explained by the numerical reconciliation between taxation expense and the product of accounting profit multiplied by the Malaysian tax rate as follows:

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Profit Before Taxation and Zakat	**1,046.0**	1,069.6	**950.1**	773.1
Taxation calculated at the applicable Malaysian taxation rate of 25.0%	**261.5**	267.4	**237.5**	193.3
Tax effects of:				
– share of results of associates	**(0.8)**	(0.2)	**–**	–
– different taxation rates in other countries	**1.7**	(0.5)	**–**	–
– expenses not deductible for taxation purposes	**84.4**	24.6	**66.0**	14.5
– income not subject to taxation	**(97.7)**	(56.7)	**(90.3)**	(52.2)
– expenses allowed for double deduction	**(14.5)**	(16.8)	**(14.5)**	(16.8)
– tax incentive	**(191.1)**	(481.2)	**(191.1)**	(481.2)
– benefit from previously unrecognised tax losses and deductible temporary differences	**(12.0)**	(5.0)	**–**	–
– change in tax rate	**(35.0)**	–	**(31.8)**	–
– current year tax losses not recognised	**2.1**	–	**–**	–
– (over)/under accrual of income tax (net)	**(13.4)**	19.6	**(5.9)**	26.7
– previously unrecognised temporary differences	**8.7**	10.2	**3.9**	5.5
TOTAL TAXATION	**(6.1)**	(238.6)	**(26.2)**	(310.2)

11. EARNINGS PER SHARE

Basic earnings per share of the Group was calculated by dividing the net profit attributable to equity holders by the weighted average number of issued and paid-up ordinary shares of the Company in issue during the financial year. There is no dilutive potential ordinary shares as at 31 December 2013. Thus, diluted earnings per share equals basic earnings per share.

	The Group	
	2013	2012
Profit attributable to equity holders of the Company (RM million)	**1,012.2**	1,263.7
Weighted average number of ordinary shares (million)	**3,577.4**	3,577.4
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	**28.3**	35.3

12. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

	2013		2012	
The Company	**Dividend per share Sen**	**Amount of single-tier dividend RM**	Dividend per share Sen	Amount of single-tier dividend RM
Final dividends paid in respect of the financial years ended:				
– 31 December 2012	**12.2**	**436.4**	–	–
– 31 December 2011	**–**	**–**	9.8	350.6
Interim dividends paid in respect of the financial years ended:				
– 31 December 2013	**9.8**	**350.6**	–	–
– 31 December 2012	**–**	**–**	9.8	350.6
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**22.0**	**787.0**	19.6	701.2

In respect of the financial year ended 31 December 2013, the Directors now recommend a final single-tier dividend of 16.3 sen per share amounting to RM583.1 million (2012: a final single-tier dividend of 12.2 sen per share amounting to RM436.4 million) for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

13. SHARE CAPITAL

The Group and Company	2013 Number of shares	2013 RM	2012 Number of shares	2012 RM
Authorised:				
Ordinary shares of RM0.70 each (sub-note (c))	**5,040.0**	**3,528.0**	5,040.0	3,528.0
Special Share of RM1.00 (sub-note (a))	**#**	**#**	#	#
2,000 Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
1,000 Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
TOTAL AUTHORISED SHARE CAPITAL	**5,040.0**	**3,528.0**	5,040.0	3,528.0

The Group and Company	2013 Number of shares	2013 RM	2012 Number of shares	2012 RM
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	**3,577.4**	**2,504.2**	3,577.4	3,577.4
Capital repayment (sub-note (c))	**–**	**–**	–	(1,073.2)
At 31 December	**3,577.4**	**2,504.2**	3,577.4	2,504.2
Special Share of RM1.00 (sub-note (a))				
At 1 January and 31 December	**#**	**#**	#	#
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,577.4**	**2,504.2**	3,577.4	2,504.2

\# Amount less than RM0.1 million

(a) Special Rights Redeemable Preference Share (Special Share)

The Special Share of RM1.00 would enable the Government through the Minister of Finance to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policy. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but does not carry any right to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

13. SHARE CAPITAL (CONTINUED)

(a) Special Rights Redeemable Preference Share (Special Share) (continued)

Certain matters, in particular, the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, the dissolution of the Company, any substantial acquisitions and disposal of assets, amalgamation, merger and takeover, require the prior consent of the Special Shareholder.

The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time. In a distribution of capital in a winding up of the Company, the Special Shareholder is entitled to the repayment of the capital paid-up on the Special Share in priority to any repayment of capital to any other member. The Special Share does not confer any right to participate in the capital or profits of the Company.

(b) Non-Convertible Redeemable Preference Shares (NCRPS)

These comprise 2,000 Class C NCRPS of RM1.00 each and 1,000 Class D NCRPS of RM1.00 each. On 20 July 2007, the Company issued 2,000 Class C NCRPS (TM NCRPS C) and 925 Class D NCRPS (TM NCRPS D) at a premium of RM999.00 each over the par value of RM1.00 each. TM NCRPS C and TM NCRPS D rank pari passu amongst themselves but below the Special Share and ahead of the ordinary shares of the Company in a distribution of capital in the event of the winding up or liquidation of the Company. TM NCRPS C and TM NCRPS D have been classified as liabilities.

The details of TM NCRPS C and TM NCRPS D are set out in note 16(a)(I) to the financial statements.

(c) Capital Repayment

On 24 February 2012, the Company announced a proposed capital repayment to its shareholders of approximately RM1,073.2 million or RM0.30 for each ordinary share of RM1.00 each in the Company (Capital Repayment).

The proposal was approved by its shareholders at an Extraordinary General Meeting (EGM) held on 8 May 2012. To facilitate the implementation of the Capital Repayment, the Company had, at the EGM, amended the Memorandum and Articles of Association to reflect the reduction in the par value of each ordinary share from RM1.00 to RM0.70 per share.

Consequently, on 13 July 2012 the High Court of Malaya had granted an order confirming the proposed Capital Repayment to be carried out based on the special resolution approved by the shareholders at the EGM. The Capital Repayment was implemented by way of a reduction of the issued and paid-up share capital of the Company under Section 64 of the Companies Act, 1965, whereby on 1 August 2012, the par value of each ordinary share of the Company was reduced from RM1.00 to RM0.70 per share. The total number of ordinary shares of the Company in issue remained unchanged at 3,577.4 million shares.

On 16 July 2012, the Company had announced the Entitlement Date of 31 July 2012 for the Capital Repayment. The Capital Repayment was completed upon cash payment to eligible shareholders on 15 August 2012.

14. OTHER RESERVES

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Fair value reserves (note 2(h)(iii))	**56.3**	62.6	**56.3**	62.6
Hedging reserve (note 2(j))	**46.5**	26.9	**46.5**	26.9
Capital redemption reserve	**71.6**	71.6	**71.6**	71.6
Currency translation differences arising from translation of:				
- subsidiaries	**(0.8)**	(3.9)	**–**	–
- associate	**0.3**	–	**–**	–
TOTAL OTHER RESERVES	**173.9**	157.2	**174.4**	161.1

15. RETAINED PROFITS

Pursuant to the Finance Act, 2007, the single-tier system was introduced with effect from the year of assessment 2008. Under the single-tier system, the tax on a company's profit is a final tax and the dividends distributed to its shareholders would be exempted from tax. With the implementation of the single-tier system, companies with unutilised Section 108 balances are allowed to either elect for the irrevocable option to switch over to the single-tier system or continue utilising the available Section 108 balances as at 31 December 2007 until such time the tax credit is fully utilised or upon expiry of the 6 years transitional period on 31 December 2013, whichever is earlier.

The Company has elected for the irrevocable option to disregard the remaining Section 108 balance of RM0.7 million on 13 September 2011 and thus, had, on the same day, switched over to the single-tier system and allowed to distribute single-tier dividend.

As at 31 December 2013, the Company has tax exempt profits of RM100.5 million (2012: RM100.5 million) subject to the agreement by the Inland Revenue Board.

16. BORROWINGS

The Group	2013 Weighted Average Rate of Finance	2013 Non-current RM	2013 Current RM	2013 Total RM	2012 Weighted Average Rate of Finance	2012 Non-current RM	2012 Current RM	2012 Total RM
DOMESTIC								
Unsecured								
Borrowings from financial institutions	**4.16%**	**–**	**13.0**	**13.0**	4.19%	–	3.0	3.0
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (a) and (b))	**4.87%**	**925.0**	**–**	**925.0**	5.57%	925.0	2,000.0	2,925.0
– Fair value of hedged risk (sub-note (b))	**–**	**7.5**	**–**	**7.5**	–	16.0	2.6	18.6
– Islamic Medium Term Notes (sub-note (c))	**4.12%**	**2,200.0**	**–**	**2,200.0**	4.19%	1,350.0	–	1,350.0
Other borrowings (sub-note (d))	**4.71%**	**132.2**	**48.2**	**180.4**	4.70%	172.5	0.6	173.1
Finance lease (sub-note (e))	**6.23%**	**46.7**	**4.1**	**50.8**	6.23%	50.7	3.8	54.5
Total Domestic	**4.37%**	**3,311.4**	**65.3**	**3,376.7**	5.10%	2,514.2	2,010.0	4,524.2
FOREIGN								
Unsecured								
Borrowings from financial institutions	**1.06%**	**568.7**	**–**	**568.7**	0.91%	275.0	–	275.0
Notes and Debentures (sub-note (f))	**6.28%**	**981.7**	**1,524.7**	**2,506.4**	6.28%	2,337.7	–	2,337.7
Other borrowings	**–**	**3.2**	**0.2**	**3.4**	–	3.3	0.2	3.5
Total Foreign	**5.31%**	**1,553.6**	**1,524.9**	**3,078.5**	5.71%	2,616.0	0.2	2,616.2
TOTAL BORROWINGS	**4.82%**	**4,865.0**	**1,590.2**	**6,455.2**	5.33%	5,130.2	2,010.2	7,140.4

	2013 Domestic RM	2013 Foreign RM	2013 Total RM	2012 Domestic RM	2012 Foreign RM	2012 Total RM
The Group's non-current borrowings are repayable as follows:						
After one year and up to five years	**1,083.4**	**243.2**	**1,326.6**	205.9	1,697.7	1,903.6
After five years and up to ten years	**2,227.9**	**326.8**	**2,554.7**	2,305.3	0.8	2,306.1
After ten years and up to fifteen years	**0.1**	**982.5**	**982.6**	3.0	916.4	919.4
After fifteen years	**–**	**1.1**	**1.1**	–	1.1	1.1
	3,311.4	**1,553.6**	**4,865.0**	2,514.2	2,616.0	5,130.2

16. BORROWINGS (CONTINUED)

The Company	2013 Weighted Average Rate of Finance	2013 Non-current RM	2013 Current RM	2013 Total RM	2012 Weighted Average Rate of Finance	2012 Non-current RM	2012 Current RM	2012 Total RM
DOMESTIC								
Unsecured								
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (a) and (b))	**4.87%**	**925.0**	**–**	**925.0**	5.57%	925.0	2,000.0	2,925.0
– Fair value of hedged risk (sub-note (b))	**–**	**7.5**	**–**	**7.5**	–	16.0	2.6	18.6
– Islamic Medium Term Notes (sub-note (c))	**4.12%**	**2,200.0**	**–**	**2,200.0**	4.19%	1,350.0	–	1,350.0
Other borrowings (sub-note (d))	**4.71%**	**132.2**	**48.2**	**180.4**	4.70%	172.5	0.6	173.1
Finance lease (sub-note (e))	**6.23%**	**46.7**	**4.1**	**50.8**	6.23%	50.7	3.8	54.5
Total Domestic	**4.38%**	**3,311.4**	**52.3**	**3,363.7**	5.10%	2,514.2	2,007.0	4,521.2
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (f))	**7.88%**	**981.7**	**–**	**981.7**	7.88%	915.6	–	915.6
Other borrowings	**–**	**3.2**	**0.2**	**3.4**	–	3.3	0.2	3.5
Total Foreign	**7.85%**	**984.9**	**0.2**	**985.1**	7.85%	918.9	0.2	919.1
TOTAL BORROWINGS	**5.17%**	**4,296.3**	**52.5**	**4,348.8**	5.57%	3,433.1	2,007.2	5,440.3

	2013 Domestic RM	2013 Foreign RM	2013 Total RM	2012 Domestic RM	2012 Foreign RM	2012 Total RM
The Company's non-current borrowings are repayable as follows:						
After one year and up to five years	**1,083.4**	**0.5**	**1,083.9**	205.9	0.6	206.5
After five years and up to ten years	**2,227.9**	**0.8**	**2,228.7**	2,305.3	0.8	2,306.1
After ten years and up to fifteen years	**0.1**	**982.5**	**982.6**	3.0	916.4	919.4
After fifteen years	**–**	**1.1**	**1.1**	–	1.1	1.1
	3,311.4	**984.9**	**4,296.3**	2,514.2	918.9	3,433.1

16. BORROWINGS (CONTINUED)

The currency exposure profile of borrowings is as follows:

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Ringgit Malaysia	**3,376.7**	4,524.2	**3,363.7**	4,521.2
US Dollar	**2,832.4**	2,337.7	**981.7**	915.6
Other currencies	**246.1**	278.5	**3.4**	3.5
	6,455.2	7,140.4	**4,348.8**	5,440.3

(a) On 20 July 2007, the Company had, through itself and its wholly owned subsidiary, Hijrah Pertama Berhad (HPB), issued the TM Islamic Stapled Income Securities (TM ISIS) consisting of:

(i) (a) RM2.0 million Class C Non-Convertible Redeemable Preference Shares (NCRPS) (TM NCRPS C) consisting of 2,000 Class C NCRPS of RM1.00 each at a premium of RM999 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class A of nominal value RM1,998.0 million issued by HPB; and

(ii) (a) RM925,000 Class D NCRPS (TM NCRPS D) consisting of 925 Class D NCRPS of RM1.00 each at a premium of RM999 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class B of nominal value RM924,075,000 issued by HPB.

Sukuk Ijarah Class A and B are collectively referred to as 'Sukuk'.

The TM NCRPS (which comprises Class C and Class D NCRPS respectively) are effectively linked to the Sukuk in that the TM NCRPS and the Sukuk are issued simultaneously to the same parties and the periodic distribution obligations under the Sukuk are dependent on the payments made under the TM NCRPS. The outstanding amount of Sukuk are treated as borrowing by the Company as the Sukuk are effectively obligations of the Company.

The TM ISIS are classified as debt instruments and hence are reported as liabilities. Consequently, dividend payable under TM NCRPS and rental payable under Sukuk are reported as finance cost.

On 30 December 2013, the Company repaid the RM2.0 million Class C NCRPS and RM1,998.0 million Class A Sukuk in nominal value.

16. BORROWINGS (CONTINUED)

(a) Salient terms of the above transactions are:

(I) TM NCRPS

The principle features of the TM NCRPS are summarised as follows:

(i) The NCRPS will not be convertible to ordinary shares of the Company.

(ii) The NCRPS are not transferable/tradable and will be held by Primary Subscribers. The NCRPS will be mandatorily redeemed by the Company upon maturity of the Sukuk.

(iii) There will be no voting rights except with regards to the proposal to reduce the capital of the Company, sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NCRPS holders or as provided for in the Companies Act, 1965.

(iv) The NCRPS will not be listed on any of the boards of Bursa Malaysia Securities Berhad.

(v) The NCRPS shall rank pari passu amongst themselves but below the Special Share and ahead of the Company's ordinary shares in a distribution of capital in the event of the winding up or liquidation of the Company.

(II) Sukuk Ijarah

The Sukuk are issued in 4 classes and is for the purposes of financing the purchase by HPB of the beneficial ownership of certain assets. The Sukuk comprise the following classes:

(i) Class A Sukuk comprising Class A1 Sukuk and Class A2 Sukuk (collectively referred to as 'Class A Sukuk')

(ii) Class B Sukuk comprising Class B1 Sukuk and Class B2 Sukuk (collectively referred to as 'Class B Sukuk')

The Class A Sukuk and Class B Sukuk shall represent undivided beneficial ownership in the relevant assets and shall constitute direct, unconditional and unsecured trust obligations of HPB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves.

Features of the Sukuk are summarised as follows:

(i) The Sukuk shall constitute trust obligations of HPB in relation to, and represent undivided beneficial ownership in the assets.

(ii) Class A2 Sukuk and Class B2 Sukuk are not transferable/tradable and will be held by Primary Subscribers until maturity of the Sukuk.

(iii) The Sukuk will constitute, inter alia, the obligations of the Company.

16. BORROWINGS (CONTINUED)

(a) Salient terms of the above transactions are: (continued)

(II) Sukuk Ijarah (continued)

(iv) The obligations of the Company in respect of the Sukuk will constitute direct, unconditional and unsecured obligations of the Company and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Company, subject to those preferred by law or the transaction documents.

(v) The Sukuk carry a rating of AAA by RAM Rating Services Berhad at the date of issue.

The respective tenure of the Sukuk are as follows:

Class	Maturity Dates
A1	30 December 2013
A2	30 December 2013
B1	28 December 2018
B2	28 December 2018

During the tenure of the TM ISIS, the Company can elect to either:

(i) Pay gross dividends, comprising net dividend with the respective tax credits to investors and Nominal Rental payable to HPB; or

(ii) Pay full rental to HPB, which in turn distributes the same as periodic distribution to investors who are holding Class A2 Sukuk and Class B2 Sukuk.

Where the Company elects to pay dividend, HPB will only receive Nominal Rental under the lease agreement which it in turn would pay out to investors under Class A2 Sukuk and Class B2 Sukuk as nominal periodic distribution. The nominal periodic distribution rate is 0.01% per annum.

Where the Company elects to pay full rental, the Periodic Distribution Rate as in the TM ISIS of Class C NCRPS and Class D NCRPS which is linked to Class A Sukuk and Class B Sukuk is 6.20% and 5.25% per annum respectively, payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset on 31 December 2008 to 4.193% per annum payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset again on 31 December 2013 to 4.87% per annum payable semi-annually in arrears. There will be no resetting of the Periodic Distribution Rate for Class B Sukuk up to the maturity dates of the Sukuk.

Pursuant to Finance Act, 2007, tax credits can no longer be passed on to the investors who are not ordinary shareholders effective from 1 January 2008.

16. BORROWINGS (CONTINUED)

(b) A portion of the security as described in sub-note (a) above, has been hedged with interest rate swaps which are accounted for using hedge accounting. Hence, fair value attributable to the changes in interest rate risk that has been hedged, is included in borrowings.

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

On 5 April 2011, the Company also established an ICP and IMTN programmes with a combined limit of up to RM2.0 billion in nominal value, which has been fully issued during the current financial year.

The proceeds from the issuance of the ICP and/or IMTN are used by the Company to meet its capital expenditure and business operating requirements. The IMTN in issue comprise the following:

	The Group and Company	
	2013 RM	2012 RM
IMTN due in 2021 (4.20% – 4.50%)	**800.0**	800.0
IMTN due in 2022 (3.95% – 4.00%)	**550.0**	550.0
IMTN due in 2023 (3.93% – 3.95%)	**650.0**	–
IMTN due in 2020 (4.30%)	**200.0**	–
	2,200.0	1,350.0

(d) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company.

16. BORROWINGS (CONTINUED)

(e) Minimum lease payments at the reporting date are as follows:

	The Group and Company	
	2013 RM	2012 RM
Not later than one year	**7.1**	7.1
Later than one year and not later than five years	**28.4**	28.4
Later than five years and not later than ten years	**31.3**	35.5
Later than ten years and not later than fifteen years	**–**	2.9
	66.8	73.9
Future finance charges	**(16.0)**	(19.4)
Present value of finance lease liabilities	**50.8**	54.5
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**4.1**	3.8
Later than one year and not later than five years	**19.1**	18.0
Later than five years and not later than ten years	**27.6**	29.8
Later than ten years and not later than fifteen years	**–**	2.9
	50.8	54.5

The finance lease refers to a leasing arrangement for an office building of the Company in Melaka.

(f) Notes and Debentures consist of the following:

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
USD465.1 million 5.25% Guaranteed Notes due in 2014	**1,524.7**	1,422.1	**–**	–
USD300.0 million 7.875% Debentures due in 2025	**981.7**	915.6	**981.7**	915.6
	2,506.4	2,337.7	**981.7**	915.6

None of the Notes and Debentures was redeemed, purchased or cancelled during the current financial year.

17. PAYABLE TO A SUBSIDIARY

(a) (i) On 20 November 2012, the Company's wholly owned subsidiary, TM Global Incorporated, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, obtained a 5-year JPY7.8 billion loan from a financial institution which will mature on 20 November 2017. The loan carries a fixed JPY interest rate of 0.91375% per annum payable semi-annually on 20 May and 20 November of each financial year. The loan was utilised to repay the two Islamic Commercial Papers issued by the Company of RM150.0 million each matured on 21 November 2012. The loan is unconditionally and irrevocably guaranteed by the Company.

(ii) On 12 November 2013, the Company's wholly owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from another financial institution which will mature on 30 October 2020. The loan carries a floating USD interest rate of 3 months London Interbank Offer Rate (LIBOR) plus 0.91% per annum payable quarterly on 12 February, May, August and November of each financial year including 30 October 2020. The loan is unconditionally and irrevocably guaranteed by the Company.

(b) On 22 September 2004, the Company's wholly owned subsidiary, TM Global Incorporated, issued a 10-year USD500.0 million Guaranteed Notes due in 2014 (Notes). The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 22 March and 22 September in each financial year commencing in March 2005. The Notes will mature on 22 September 2014. Proceeds from the transaction were utilised to refinance the Company's maturing debt and general working capital. The Notes are unconditional and irrevocably guaranteed by the Company.

On 4 December 2009, the Company repurchased USD34.9 million in nominal value of the Notes. None of the remaining Notes was redeemed, purchased or cancelled during the current financial year.

The Notes and term loans are reflected as borrowings of the Group (note 16 to the financial statements).

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Group and Company	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2013				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– less than 1 year	**910.5**	**27.1**	**11.0**	**41.4**
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– more than 3 years (sub-note (d))	**500.0**	**7.5**	**–**	**(11.1)**
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (e) & (f))	**926.2**	**72.8**	**51.4**	**20.5**
TOTAL	**2,336.7**	**107.4**	**62.4**	**50.8**
2012				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– 1 year to 3 years	593.6	0.3	25.6	(6.4)
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– less than 1 year (sub-note (c))	1,500.0	2.6	–	(7.4)
– more than 3 years (sub-note (d))	500.0	16.0	–	(4.4)
	2,000.0	18.6	–	(11.8)
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a) & (e))	609.4	26.8	25.9	(34.9)
TOTAL	3,203.0	45.7	51.5	(53.1)

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

(i) The cumulative gains or losses on the hedged items attributable to the hedged risk is disclosed in note 16 to the financial statements.

(ii) Hedge accounting has been applied for these cash flow hedges where the underlying hedged items are as follows:

(a) the hedged portion of the recurring semi-annual coupon payment and final settlement of the USD300.0 million 7.875% Debentures due in 2025.

(b) semi-annual interest payment and final settlement of the JPY7.8 billion loan due in 2017.

(c) quarterly interest payment and final settlement of the USD100.0 million loan due in 2020.

There is no ineffectiveness to be recorded from fair value and cash flow hedges accounted for under hedge accounting.

Fair values of financial derivative instruments are the present values of their future cash flows. Favourable fair value indicates amount receivable by the Group and the Company if the contracts are terminated or vice versa. The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination.

The maximum exposure to credit risk at the reporting date is the carrying amount of the derivative assets as presented on the Statements of Financial Position.

Summarised below are the derivative hedging transactions entered into by the Company:

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts

Underlying Liability

USD300.0 million 7.875% Debentures due in 2025

In 1995, the Company issued USD300.0 million 7.875% Debentures due in 2025.

Hedging Instruments

On 17 October 2011, the Company entered into a CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM154.0 million.

On 2 December 2011, the Company entered into another CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM156.5 million.

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

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(b) Forward Foreign Currency Contracts

Underlying Liability

USD465.1 million 5.25% Guaranteed Notes due in 2014

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

Hedging Instruments

On 10 March 2009 and 28 May 2009, the Company entered into two forward foreign currency contracts which will mature on 22 September 2014. On the maturity date, the Company would receive USD50.0 million each from the counterparties in return for a payment of RM174.5 million and RM169.8 million respectively.

On 12 September 2012, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment to be determined later. If the exchange rate at maturity date is below the pre-determined rate, the Company will buy USD for RM for the notional amount at the minimum rate. If the exchange rate at maturity date is above the pre-determined rate, the Company will buy USD for RM for the notional amount based on the exchange rate adjusted for the difference between the pre-determined rate and the minimum rate. Subsequently, on 17 October 2012, the Company entered into another forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million from the counterparty in return for a payment of RM94.9 million.

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

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

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

(c) Interest Rate Swap (IRS) Contracts

Underlying Liability

RM2,000.0 million 6.20% TM Islamic Stapled Income Securities (TM ISIS) due in 2013

In 2007, the Company issued RM2,000.0 million 6.20% TM ISIS due in 2013.

Hedging Instruments

On 9 July 2009, the Company entered into an IRS agreement with a notional principal of RM1,000.0 million that entitles it to receive interest at a fixed rate of 6.20% per annum and obliges it to pay interest at a floating rate of 6 months Kuala Lumpur Interbank Offer Rate (KLIBOR) plus 2.80% per annum. The swap has matured on 30 December 2013.

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(c) Interest Rate Swap (IRS) Contracts (continued)

Hedging Instruments (continued)

On 17 December 2009, the Company entered into another two IRS agreements with a notional principal of RM300.0 million and RM200.0 million respectively. Both structures entitle the Company to receive interest at a fixed rate of 6.20% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR plus 2.76% per annum. The swaps have matured on 30 December 2013.

(d) Interest Rate Swap (IRS) Contract

Underlying Liability

RM925.0 million 4.193% TM ISIS due in 2018

In 2007, the Company issued RM925.0 million 5.25% TM ISIS due in 2018. The coupon was reset to 4.193% per annum payable semi-annually in arrears on 31 December 2008 and was reset again on 31 December 2013 to 4.87% per annum.

Hedging Instrument

On 2 November 2009, the Company entered into an IRS agreement with a notional principal of RM500.0 million that entitles it to receive interest at a fixed rate of 4.193% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR minus 0.035% per annum. The swap will mature on 30 December 2016.

(e) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability

JPY7.8 billion 0.91375% Loan due in 2017

In 2012, the Company, through its wholly owned subsidiary, TM Global Incorporated, obtained a 5-year JPY7.8 billion loan from a financial institution.

Hedging Instrument

On 20 November 2012, the Company entered into a CCIRS agreement with a notional amount of JPY7.8 billion that entitles it to receive interest at a fixed rate of 0.91375% per annum on JPY notional amount and obliges it to pay interest at a fixed rate of 3.62% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 20 November 2017. On the maturity date, the Company would receive the JPY notional amount and pay the counterparty an equivalent RM amount of RM298.9 million.

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

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(f) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability

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

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

Hedging Instrument

On 12 November 2013, the Company entered into two CCIRS agreements with notional amount of USD70.0 million and USD30.0 million respectively. The former CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.02% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The latter CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.00% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The swaps will mature on 30 October 2020. On the maturity date, the Company would receive the USD notional amount and pay the counterparties an equivalent combined RM amount of RM316.8 million.

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

19. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are presented on the Statements of Financial Position:

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Subject to income tax:				
Deferred tax assets	**19.3**	18.6	**–**	–
Deferred tax liabilities	**1,151.0**	1,202.6	**1,030.9**	1,076.7
TOTAL DEFERRED TAX	**1,131.7**	1,184.0	**1,030.9**	1,076.7

19. DEFERRED TAX (CONTINUED)

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
At 1 January	**1,184.0**	1,520.1	**1,076.7**	1,438.8
Current year charged/(credited) to the Income Statement arising from:				
– property, plant and equipment	**128.5**	191.8	**97.2**	156.0
– tax incentive	**(161.8)**	(481.2)	**(161.8)**	(481.2)
– tax losses	**(6.3)**	0.5	**–**	–
– provisions and others	**(12.4)**	(46.9)	**18.8**	(36.9)
	(52.0)	(335.8)	**(45.8)**	(362.1)
– currency translation differences	**(0.3)**	(0.3)	**–**	–
At 31 December	**1,131.7**	1,184.0	**1,030.9**	1,076.7

Breakdown of cumulative balances by each type of temporary difference:

		The Group		The Company	
		2013 RM	2012 RM	**2013 RM**	2012 RM
(a)	**Deferred tax assets**				
	Property, plant and equipment	**36.3**	53.3	**5.5**	37.5
	Tax incentive	**978.6**	816.8	**978.6**	816.8
	Tax losses	**7.7**	1.4	**–**	–
	Provisions and others	**437.8**	451.0	**414.3**	433.1
		1,460.4	1,322.5	**1,398.4**	1,287.4
	Offsetting	**(1,441.1)**	(1,303.9)	**(1,398.4)**	(1,287.4)
	Total deferred tax assets after offsetting	**19.3**	18.6	**–**	–
(b)	**Deferred tax liabilities**				
	Property, plant and equipment	**2,592.1**	2,480.9	**2,429.3**	2,364.1
	Provisions and others	**–**	25.6	**–**	–
		2,592.1	2,506.5	**2,429.3**	2,364.1
	Offsetting	**(1,441.1)**	(1,303.9)	**(1,398.4)**	(1,287.4)
	Total deferred tax liabilities after offsetting	**1,151.0**	1,202.6	**1,030.9**	1,076.7

19. DEFERRED TAX (CONTINUED)

The Company was granted approval under Section 127 of the Income Tax Act, 1967 for income tax exemption in the form of the following Investment Allowance (IA):

(i) 100% on qualifying last mile broadband assets acquired within a period of 5 years commencing 8 September 2007 to 7 September 2012 to be set off against 70% of statutory income for each year of assessment.

(ii) 60% on qualifying high speed broadband assets acquired within a period of 5 years commencing 16 September 2008 to 15 September 2013 to be set off against 70% of statutory income for each year of assessment.

Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

The deferred tax assets on unutilised IA have been recognised on the basis of the Company's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

The tax effects of unutilised tax losses and unabsorbed capital/other tax allowances of subsidiaries for which no deferred tax asset has been recognised on the Statement of Financial Position are as follows:

	The Group	
	2013 RM	2012 RM
Unutilised tax losses	**126.3**	132.6
Unabsorbed capital/other tax allowances	**301.5**	301.9
	427.8	434.5

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

20. DEFERRED INCOME

	The Group and Company	
	2013 RM	2012 RM
At 1 January	**2,129.4**	2,072.7
Additions	**123.1**	249.8
Credited to the Income Statement	**(253.0)**	(193.1)
At 31 December	**1,999.5**	2,129.4

20. DEFERRED INCOME (CONTINUED)

Deferred income includes government funding for Universal Service Provision (USP), High Speed Broadband (HSBB) and Broadband to the General Population (BBGP) project which is amortised on a straight line basis over the estimated useful lives of the related assets.

21. PROPERTY, PLANT AND EQUIPMENT

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2013	9,423.4	396.0	797.3	844.7	1,959.8	1,300.5	14,721.7
Additions (sub-note (a))	300.1	93.8	11.8	–	19.5	1,766.8	2,192.0
Assetisation	1,648.8	77.7	299.2	–	80.6	(2,106.3)	–
Disposals	(0.7)	(3.2)	–	–	–	–	(3.9)
Charged to Income Statement	–	–	–	–	–	(175.7)	(175.7)
Write-off (note 6(a))	(3.2)	(0.1)	(0.7)	–	(0.9)	(4.4)	(9.3)
Depreciation (note 6(a))	(1,540.1)	(144.9)	(330.0)	(0.9)	(118.5)	–	(2,134.4)
Transfer to non-current assets held for sale (note 30)	–	–	–	(15.7)	(5.5)	–	(21.2)
Currency translation differences	(0.4)	1.3	–	–	2.1	(0.2)	2.8
Reclassification	0.1	(0.3)	0.1	0.9	(0.8)	–	–
At 31 December 2013	9,828.0	420.3	777.7	829.0	1,936.3	780.7	14,572.0
At 31 December 2013							
Cost (sub-note (b))	39,315.8	2,273.2	4,513.0	845.0	3,932.5	780.7	51,660.2
Accumulated depreciation	(29,255.8)	(1,852.0)	(3,729.8)	(13.3)	(1,996.0)	–	(36,846.9)
Accumulated impairment	(232.0)	(0.9)	(5.5)	(2.7)	(0.2)	–	(241.3)
Net Book Value	9,828.0	420.3	777.7	829.0	1,936.3	780.7	14,572.0

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group	Telecommunications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2012							
As previously reported	8,711.5	374.5	934.0	876.9	1,934.3	1,290.5	14,121.7
Adjustments arising from the amendments to MFRS 116 (note 50)	–	–	–	–	–	105.0	105.0
At 1 January 2012, as restated	8,711.5	374.5	934.0	876.9	1,934.3	1,395.5	14,226.7
Additions (sub-note (a))	274.5	121.9	11.7	–	9.3	2,269.6	2,687.0
Assetisation	1,812.7	19.5	252.1	–	135.3	(2,219.6)	–
Disposals	(0.5)	(3.3)	–	(1.2)	(0.4)	–	(5.4)
Charged to Income Statement	–	–	–	–	–	(143.3)	(143.3)
Write-off (note 6(a))	(16.9)	(1.3)	(0.3)	–	(9.9)	(1.7)	(30.1)
Depreciation (note 6(a))	(1,383.9)	(116.8)	(360.7)	(0.9)	(135.4)	–	(1,997.7)
Impairment (note 6(a))	–	(0.1)	(0.1)	–	(0.1)	–	(0.3)
Currency translation differences	(1.3)	–	–	–	(0.3)	(0.4)	(2.0)
Transfer to non-current assets held for sale (note 30)	–	–	–	(10.3)	(2.9)	–	(13.2)
Reclassification	27.3	1.6	(39.4)	(19.8)	29.9	0.4	–
At 31 December 2012	9,423.4	396.0	797.3	844.7	1,959.8	1,300.5	14,721.7
At 31 December 2012							
Cost (sub-note (b))	37,557.8	2,193.0	4,291.7	859.8	3,846.2	1,300.5	50,049.0
Accumulated depreciation	(27,902.4)	(1,796.1)	(3,488.9)	(12.4)	(1,886.2)	–	(35,086.0)
Accumulated impairment	(232.0)	(0.9)	(5.5)	(2.7)	(0.2)	–	(241.3)
Net Book Value	9,423.4	396.0	797.3	844.7	1,959.8	1,300.5	14,721.7
At 1 January 2012							
Cost (sub-note (b))	36,156.9	2,175.8	4,187.3	891.5	3,723.8	1,395.5	48,530.8
Accumulated depreciation	(27,211.4)	(1,800.5)	(3,247.9)	(11.9)	(1,789.4)	–	(34,061.1)
Accumulated impairment	(234.0)	(0.8)	(5.4)	(2.7)	(0.1)	–	(243.0)
Net Book Value	8,711.5	374.5	934.0	876.9	1,934.3	1,395.5	14,226.7

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Telecomm-unications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2013	8,894.5	323.6	633.3	365.2	1,382.2	1,291.6	12,890.4
Additions (sub-note (a))	274.5	65.6	11.8	–	10.9	1,705.2	2,068.0
Assetisation	1,578.5	76.8	274.4	–	80.5	(2,010.2)	–
Disposals#	(0.2)	(3.3)	(1.3)	–	(3.2)	(3.7)	(11.7)
Charged to Income Statement	–	–	–	–	–	(174.5)	(174.5)
Write-off (note 6(a))	(2.3)	–	–	–	(0.9)	(4.4)	(7.6)
Depreciation (note 6(a))	(1,433.6)	(94.3)	(284.8)	(0.8)	(99.9)	–	(1,913.4)
Transfer to non-current assets held for sale (note 30)	–	–	–	(15.7)	(5.5)	–	(21.2)
Reclassification	0.1	(0.3)	0.1	0.9	(0.8)	–	–
At 31 December 2013	9,311.5	368.1	633.5	349.6	1,363.3	804.0	12,830.0
At 31 December 2013							
Cost (sub-note (b))	38,032.5	1,845.3	3,972.5	363.3	3,122.1	804.0	48,139.7
Accumulated depreciation	(28,519.7)	(1,477.2)	(3,339.0)	(11.1)	(1,758.8)	–	(35,105.8)
Accumulated impairment	(201.3)	–	–	(2.6)	–	–	(203.9)
Net Book Value	9,311.5	368.1	633.5	349.6	1,363.3	804.0	12,830.0

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2012							
As previously reported	8,320.8	291.3	800.5	396.1	1,402.5	1,264.4	12,475.6
Adjustments arising from the amendments to MFRS 116 (note 50)	–	–	–	–	–	104.4	104.4
At 1 January 2012, as restated	8,320.8	291.3	800.5	396.1	1,402.5	1,368.8	12,580.0
Additions (sub-note (a))	244.0	102.9	3.6	–	4.6	2,011.0	2,366.1
Assetisation	1,642.7	15.4	162.5	–	124.0	(1,944.6)	–
Disposals*	(0.4)	(3.3)	–	–	(49.9)	–	(53.6)
Charged to Income Statement	–	–	–	–	–	(142.3)	(142.3)
Write-off (note 6(a))	(15.0)	(0.3)	–	–	(9.9)	(1.7)	(26.9)
Depreciation (note 6(a))	(1,297.6)	(78.7)	(328.4)	(0.8)	(114.2)	–	(1,819.7)
Transfer to non-current assets held for sale (note 30)	–	–	–	(10.3)	(2.9)	–	(13.2)
Reclassification	–	(3.7)	(4.9)	(19.8)	28.0	0.4	–
At 31 December 2012	8,894.5	323.6	633.3	365.2	1,382.2	1,291.6	12,890.4
At 31 December 2012							
Cost (sub–note (b))	36,353.0	1,736.1	3,753.8	378.1	3,050.0	1,291.6	46,562.6
Accumulated depreciation	(27,257.2)	(1,412.5)	(3,120.5)	(10.3)	(1,667.8)	–	(33,468.3)
Accumulated impairment	(201.3)	–	–	(2.6)	–	–	(203.9)
Net Book Value	8,894.5	323.6	633.3	365.2	1,382.2	1,291.6	12,890.4
At 1 January 2012							
Cost (sub-note (b))	35,179.9	1,720.9	3,690.1	408.6	2,993.9	1,368.8	45,362.2
Accumulated depreciation	(26,655.6)	(1,429.6)	(2,889.6)	(9.9)	(1,591.4)	–	(32,576.1)
Accumulated impairment	(203.5)	–	–	(2.6)	–	–	(206.1)
Net Book Value	8,320.8	291.3	800.5	396.1	1,402.5	1,368.8	12,580.0

\# Included RM8.4 million being computer support systems, movable plant, building and work-in-progress equipment disposed to subsidiaries.
* Included RM49.8 million being building disposed to a subsidiary.

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Included in additions of the Group and the Company are borrowing costs of RM35.5 million (31 December 2012: RM24.7 million; 1 January 2012: RM9.4 million) directly attributable to the construction of qualifying assets.

(b) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM24,102.6 million (31 December 2012: RM21,364.5 million; 1 January 2012: RM21,130.4 million) and RM23,637.6 million (31 December 2012: RM21,207.4 million; 1 January 2012: RM21,014.7 million) respectively.

(c) Included in property, plant and equipment of the Group and the Company is an office building with net book value of RM51.8 million (31 December 2012: RM54.9 million; 1 January 2012: RM58.0 million) which is under finance lease arrangement.

(d) Details of land are as follows:

The Group	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2013	**743.4**	**69.0**	**32.3**	**844.7**
Depreciation	**–**	**(0.9)**	**–**	**(0.9)**
Transfer to non-current assets held for sale (note 30)	**(15.7)**	**–**	**–**	**(15.7)**
Reclassification	**1.3**	**–**	**(0.4)**	**0.9**
At 31 December 2013	**729.0**	**68.1**	**31.9**	**829.0**
At 31 December 2013				
Cost	**731.7**	**81.0**	**32.3**	**845.0**
Accumulated depreciation	**–**	**(12.9)**	**(0.4)**	**(13.3)**
Accumulated impairment	**(2.7)**	**–**	**–**	**(2.7)**
Net Book Value	**729.0**	**68.1**	**31.9**	**829.0**

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Details of land are as follows: (continued)

The Group	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2012	735.0	79.9	62.0	876.9
Disposals	(1.2)	–	–	(1.2)
Depreciation	–	(0.9)	–	(0.9)
Transfer to non-current assets held for sale (note 30)	(0.3)	(10.0)	–	(10.3)
Reclassification	9.9	–	(29.7)	(19.8)
At 31 December 2012	743.4	69.0	32.3	844.7
At 31 December 2012				
Cost	746.1	81.0	32.7	859.8
Accumulated depreciation	–	(12.0)	(0.4)	(12.4)
Accumulated impairment	(2.7)	–	–	(2.7)
Net Book Value	743.4	69.0	32.3	844.7
At 1 January 2012				
Cost	737.7	91.2	62.6	891.5
Accumulated depreciation	–	(11.3)	(0.6)	(11.9)
Accumulated impairment	(2.7)	–	–	(2.7)
Net Book Value	735.0	79.9	62.0	876.9

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Details of land are as follows: (continued)

The Company	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2013	**274.5**	**58.4**	**32.3**	**365.2**
Depreciation	**–**	**(0.8)**	**–**	**(0.8)**
Transfer to non-current assets held for sale (note 30)	**(15.7)**	**–**	**–**	**(15.7)**
Reclassification	**1.3**	**–**	**(0.4)**	**0.9**
At 31 December 2013	**260.1**	**57.6**	**31.9**	**349.6**
At 31 December 2013				
Cost	**262.7**	**68.3**	**32.3**	**363.3**
Accumulated depreciation	**–**	**(10.7)**	**(0.4)**	**(11.1)**
Accumulated impairment	**(2.6)**	**–**	**–**	**(2.6)**
Net Book Value	**260.1**	**57.6**	**31.9**	**349.6**

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Details of land are as follows: (continued)

The Company	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2012	264.9	69.2	62.0	396.1
Depreciation	–	(0.8)	–	(0.8)
Transfer to non-current assets held for sale (note 30)	(0.3)	(10.0)	–	(10.3)
Reclassification	9.9	–	(29.7)	(19.8)
At 31 December 2012	274.5	58.4	32.3	365.2
At 31 December 2012				
Cost	277.1	68.3	32.7	378.1
Accumulated depreciation	–	(9.9)	(0.4)	(10.3)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	274.5	58.4	32.3	365.2
At 1 January 2012				
Cost	267.5	78.5	62.6	408.6
Accumulated depreciation	–	(9.3)	(0.6)	(9.9)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	264.9	69.2	62.0	396.1

(i) Leasehold land comprise the followings:

	The Group			The Company		
	31.12.2013 RM	31.12.2012 RM	1.1.2012 RM	**31.12.2013 RM**	31.12.2012 RM	1.1.2012 RM
Long term leasehold land	**48.6**	49.2	60.1	**47.6**	48.2	58.8
Short term leasehold land	**19.5**	19.8	19.8	**10.0**	10.2	10.4
Total	**68.1**	69.0	79.9	**57.6**	58.4	69.2

Long term leasehold land has an unexpired lease period of 50 years and above.

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Details of land are as follows: (continued)

(ii) The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, these lands have not been classified according to their tenures.

The other land will be reclassified accordingly as and when the title deeds pertaining to these lands have been registered.

22. INVESTMENT PROPERTY

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Net Book Value				
At 1 January	**5.6**	–	**119.1**	121.3
Reclassification from inventories (note 29)	**–**	5.7	**–**	–
Disposal	**(2.0)**	–	**–**	–
Depreciation (note 6(a))	**–**	(0.1)	**(2.2)**	(2.2)
Transfer to inventories (sub-note (a)) (note 29)	**(3.6)**	–	**–**	–
At 31 December	**–**	5.6	**116.9**	119.1
At 31 December				
Cost	**–**	6.9	**128.0**	128.0
Accumulated depreciation	**–**	(0.1)	**(11.1)**	(8.9)
Accumulated impairment	**–**	(1.2)	**–**	–
Net Book Value	**–**	5.6	**116.9**	119.1

(a) During the current financial year, the Group finalised and entered into Sales and Purchase Agreements to dispose land held by a wholly owned subsidiary.

The investment property of the Company comprise of an office building located on a freehold land which is rented and occupied by a wholly owned subsidiary.

The fair value of the property of the Company at 31 December 2013 was RM124.0 million (2012: RM122.0 million) whilst, for the Group the fair value was RM12.6 million at 31 December 2012 based on a valuation performed by an independent professional valuer. The valuation was based on current price in an active market.

23. INTANGIBLE ASSETS

The Group	Goodwill RM	Other Intangibles* RM	Total RM
Net Book Value			
At 1 January 2013	**309.6**	**12.5**	**322.1**
Additions	**–**	**13.7**	**13.7**
Amortisation (note 6(a))	**–**	**(16.0)**	**(16.0)**
At 31 December 2013	**309.6**	**10.2**	**319.8**
Net Book Value			
At 1 January 2012	309.6	11.3	320.9
Additions	–	19.4	19.4
Amortisation (note 6(a))	–	(18.2)	(18.2)
At 31 December 2012	309.6	12.5	322.1
At 31 December 2013			
Cost	**314.6**	**39.1**	**353.7**
Accumulated amortisation	**–**	**(28.9)**	**(28.9)**
Accumulated impairment	**(5.0)**	**–**	**(5.0)**
Net Book Value	**309.6**	**10.2**	**319.8**
At 31 December 2012			
Cost	314.6	49.6	364.2
Accumulated amortisation	–	(37.1)	(37.1)
Accumulated impairment	(5.0)	–	(5.0)
Net Book Value	309.6	12.5	322.1

* Other intangibles comprise the software and programme rights of subsidiaries.

23. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. No impairment loss was required for the carrying amounts of goodwill assessed as at 31 December 2013 as their recoverable amounts were in excess of their carrying amounts.

The Group's total goodwill is attributable to the following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows:

	2013 RM	2012 RM
VADS Berhad	**308.4**	308.4
Others	**1.2**	1.2
	309.6	309.6

The amount of goodwill initially recognised is dependent upon the allocation of the purchase price to the fair value of identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment.

(i) Key assumptions used in the value-in-use calculation for VADS Berhad (VADS)

The recoverable amount of the cash-generating unit including goodwill in this test, is determined based on value-in-use calculation.

This value-in-use calculation applies a discounted cash flow model using cash flows projection based on forecast and projection approved by management covering a three-year period for VADS. The forecast and projection reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on past experience. Cash flows beyond the third year for VADS are extrapolated using estimated terminal growth rate. The rate has been determined with regards to projected growth rate for the market in which the cash-generating unit participates.

The discount rate applied to the cash flows forecast is benchmarked against local peers at the date of the assessment of the cash-generating unit.

The following assumptions have been applied in the value-in-use calculation:

	2013	2012
Pre-tax discount rate	**12.0%**	12.1%
Terminal growth rate	**1.5%**	1.5%

23. INTANGIBLE ASSETS (CONTINUED)

(ii) Impact of possible change in key assumptions used for VADS

Changing the assumptions selected by management, in particular the discount rate assumption used in the discounted cash flow model could significantly affect the result of the impairment test and consequently the Group's results. The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

If the following pre-tax discount rate is applied to the cash flows forecast and projection of the Group's cash-generating unit, the carrying amount of the cash-generating unit including goodwill will equal the corresponding recoverable value, assuming all other variables remain unchanged.

	2013	2012
Pre-tax discount rate	**21.4%**	33.5%

24. SUBSIDIARIES

	2013			2012		
The Company	**Malaysia RM**	**Overseas RM**	**Total RM**	Malaysia RM	Overseas RM	Total RM
Unquoted investments, at cost	**1,310.3**	**22.0**	**1,332.3**	1,310.3	22.0	1,332.3
Accumulated impairment	**(77.7)**	**(13.2)**	**(90.9)**	(77.7)	(13.2)	(90.9)
	1,232.6	**8.8**	**1,241.4**	1,232.6	8.8	1,241.4
Options granted to employees of subsidiaries	**24.3**	**–**	**24.3**	24.3	–	24.3
Unquoted investments, at written down value (sub-note (a))	**–**	**–**	**–**	–	–	–
NET INVESTMENTS IN SUBSIDIARIES	**1,256.9**	**8.8**	**1,265.7**	1,256.9	8.8	1,265.7

(a) Investments in certain subsidiaries have been written down to recoverable amount of RM1.00 each.

The Group's effective equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 51 to the financial statements. Other than Yayasan Telekom Malaysia, which is 100% consolidated in the Group's financial results, the proportion of the Group's voting rights in the subsidiaries held by the Group do not differ from the proportion of ordinary shares held or the Group's effective equity interests in the subsidiaries. The Group has de facto control over Yayasan Telekom Malaysia due to a combination of facts including source of funding and right to appoint the Board of Trustees.

24. SUBSIDIARIES (CONTINUED)

There are no significant restrictions on the ability of the subsidiaries to transfer funds in the form of dividends and other capital distributions or for loans or advances being made or repaid, to (or from) the Group.

Set out below are the summarised financial information for each subsidiary which has non-controlling interests that are material to the Group, before any inter-company eliminations:

	Fiberail Sdn Bhd		Fibrecomm Networks (M) Sdn Bhd	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Summarised Income Statement				
Revenue	**240.5**	213.3	**142.8**	147.0
Profit before income tax	**81.4**	96.8	**13.3**	29.4
Income tax expense	**(16.7)**	(26.4)	**(1.3)**	(9.3)
Profit after taxation and total comprehensive income	**64.7**	70.4	**12.0**	20.1
Total comprehensive income attributed to non-controlling interests	**29.7**	32.4	**5.9**	9.8
Dividends paid to non-controlling interests	**30.1**	29.0	**8.1**	10.3
Summarised Statement of Financial Position				
Current assets	**131.7**	125.7	**77.4**	75.0
Current liabilities	**(54.5)**	(54.0)	**(105.7)**	(103.1)
Total Current Net Assets	**77.2**	71.7	**(28.3)**	(28.1)
Non-current assets	**181.7**	189.0	**194.4**	198.2
Non-current liabilities	**(38.5)**	(39.5)	**(40.2)**	(39.6)
Total Non-current Net Assets	**143.2**	149.5	**154.2**	158.6
Net Assets	**220.4**	221.2	**125.9**	130.5
Cumulative Non-controlling Interests	**101.4**	101.8	**61.7**	63.9

24. SUBSIDIARIES (CONTINUED)

Set out below are the summarised financial information for each subsidiary which has non-controlling interests that are material to the Group, before any inter-company eliminations: (continued)

	Fiberail Sdn Bhd		Fibrecomm Networks (M) Sdn Bhd	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Summarised Statement of Cash Flows				
Cash generated from operations	**60.6**	99.3	**31.4**	79.1
Interest paid	**-**	-	**(0.3)**	(0.7)
Income tax (paid)/refunded	**(24.7)**	(22.0)	**0.3**	(2.1)
Cash flows from operating activities	**35.9**	77.3	**31.4**	76.3
Cash flows used in investing activities	**(17.7)**	(8.3)	**(25.2)**	(50.5)
Cash flows used in financing activities	**(65.5)**	(63.1)	**(6.5)**	(21.0)
Net (decrease)/increase in cash and cash equivalents	**(47.3)**	5.9	**(0.3)**	4.8
Effect of exchange rate changes	**-**	-	**(0.2)**	-
Cash and cash equivalents at beginning of the financial year	**63.8**	57.9	**9.6**	4.8
Cash and cash equivalents at end of the financial year	**16.5**	63.8	**9.1**	9.6

25. LOANS AND ADVANCES TO SUBSIDIARIES

Loans and advances to subsidiaries of RM166.9 million (2012: RM260.4 million) represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 2.40% to 4.41% (2012: 2.72% to 4.40%) and will mature between 3 to 5 years.

26. ASSOCIATES

The Group	2013 RM	2012 RM
Share of net assets of associates		
Unquoted investments	**10.7**	1.5
TOTAL	**10.7**	1.5
The Group's share of revenue and profit of associates is as follows:		
Revenue	**11.8**	9.1
Profit after taxation and total comprehensive income	**3.9**	0.9
The Group's share of assets and liabilities of associates is as follows:		
Non-current assets	**15.6**	0.1
Current assets	**9.1**	2.4
Non-current liabilities	**(13.7)**	-
Current liabilities	**(0.3)**	(1.0)
Net assets	**10.7**	1.5

The Group's associates are not material individually to the financial position, financial performance and cash flows of the Group.

The Group has not recognised the share of loss after taxation of an associate amounting to RM1.1 million (2012: RM1.1 million) in respect of the cumulative financial year. There is no additional share of loss not recognised in the current and comparative financial years.

The Group's effective equity interest in the associates, all of which are unquoted, their respective principal activities and countries of incorporation are listed in note 52 to the financial statements.

There are no contingent liabilities relating to the Group's interest in the associates and there are no significant restriction on the ability of the associates to transfer funds in the form of dividend to the Group.

27. AVAILABLE-FOR-SALE INVESTMENTS

The Group	Investment in Axiata Shares RM	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2013	**–**	**98.7**	**500.6**	**599.3**
Additions	**–**	**–**	**467.0**	**467.0**
Fair value changes transferred to other comprehensive income	**–**	**1.0**	**(7.5)**	**(6.5)**
Disposals	**–**	**–**	**(335.8)**	**(335.8)**
At 31 December 2013	**–**	**99.7**	**624.3**	**724.0**
Current portion	**–**	**–**	**624.3**	**624.3**
Non-current portion	**–**	**99.7**	**–**	**99.7**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**–**	**99.7**	**624.3**	**724.0**
At 1 January 2012	#	104.8	418.1	522.9
Additions	–	–	513.0	513.0
Fair value changes transferred to other comprehensive income	#	(6.1)	0.8	(5.3)
Disposals	(#)	–	(431.3)	(431.3)
At 31 December 2012	–	98.7	500.6	599.3
Current portion	–	–	500.6	500.6
Non-current portion	–	98.7	–	98.7
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	–	98.7	500.6	599.3

Amount less than RM0.1 million

27. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The Company	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2013	**98.6**	**500.6**	**599.2**
Additions	**–**	**467.0**	**467.0**
Fair value changes transferred to other comprehensive income	**1.0**	**(7.5)**	**(6.5)**
Disposals	**–**	**(335.8)**	**(335.8)**
At 31 December 2013	**99.6**	**624.3**	**723.9**
Current portion	**–**	**624.3**	**624.3**
Non-current portion	**99.6**	**–**	**99.6**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**99.6**	**624.3**	**723.9**
At 1 January 2012	104.7	418.1	522.8
Additions	–	513.0	513.0
Fair value changes transferred to other comprehensive income	(6.1)	0.8	(5.3)
Disposals	–	(431.3)	(431.3)
At 31 December 2012	98.6	500.6	599.2
Current portion	–	500.6	500.6
Non-current portion	98.6	–	98.6
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	98.6	500.6	599.2

27. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The currency exposure profile of available-for-sale investments is as follows:

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Ringgit Malaysia	**628.0**	504.3	**627.9**	504.2
US Dollar	**47.6**	45.7	**47.6**	45.7
Singapore Dollar	**48.4**	49.3	**48.4**	49.3
	724.0	599.3	**723.9**	599.2

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment in fixed income securities.

The credit quality of investment in fixed income securities is as follows:

	The Group and Company	
	2013 RM	2012 RM
AAA	**170.8**	101.2
AA	**361.8**	322.5
A	**34.8**	30.9
P1	**19.6**	29.2
MARC-1	**19.6**	9.9
Malaysian Government Securities	**17.7**	6.1
BB (sub-note (a))	**–**	0.8
	624.3	500.6

(a) The credit rating of the issuer was downgraded from AA to BB subsequent to the Company's investment.

28. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES

(a) Available-for-sale receivables

The Group and Company	2013 RM	2012 RM
At 1 January	**26.4**	31.1
Additions (including interest)	**2.9**	1.7
Repayments	**(3.3)**	(5.3)
Fair value changes transferred to other comprehensive income	**0.4**	(1.1)
At 31 December	**26.4**	26.4
Impairment	**(18.8)**	(18.8)
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	**7.6**	7.6

Movement in the impairment account is as follows:

At 1 January	**(18.8)**	(20.0)
Impairment reversal (note 6(b))	**–**	1.2
At 31 December	**(18.8)**	(18.8)

Available-for-sale receivables of the Company are in respect of education loans provided to undergraduates and are convertible to scholarships if certain performance criteria are met. The loans are contractually interest free and if not converted to scholarship will be repayable over a period of not more than 11 years.

As of 31 December 2013, all overdue amounts have been impaired.

In both the current and previous financial year, there was no conversion to scholarships.

The Company does not hold any collateral for security in respect of education loans.

28. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES (CONTINUED)

(b) Other non-current receivables

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Staff loans at amortised cost				
– under Islamic principles	**36.4**	29.8	**36.4**	29.8
– under conventional principles	**1.3**	1.8	**1.2**	1.6
Total staff loans (sub-note (i))	**37.7**	31.6	**37.6**	31.4
Other non-current receivables				
– other deposits (sub-note (ii))	**91.9**	72.4	**91.9**	72.4
– tax recoverable (sub-note (iii))	**113.8**	113.8	**113.8**	113.8
– others (sub-note (iv))	**72.6**	38.0	**–**	–
	316.0	255.8	**243.3**	217.6
Prepaid employee benefits	**3.4**	1.2	**3.4**	1.2
	319.4	257.0	**246.7**	218.8
Staff loans receivable within twelve months included under other receivables (note 32)	**(4.5)**	(4.7)	**(4.5)**	(4.6)
TOTAL OTHER NON-CURRENT RECEIVABLES	**314.9**	252.3	**242.2**	214.2

(i) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with contractual financing cost of 4.0% per annum on a reducing balance basis except for club membership loans which are free of financing cost. There is no single significant credit risk exposure as the amount is mainly receivable from individuals. Staff loans inclusive of financing cost, are repayable in equal monthly instalments as follows:

- Housing loans – 25 years or upon employees attaining 55 years of age, whichever is earlier
- Vehicle loans – maximum of 8 years for new cars and 6 years for second hand cars
- Computer loans – 3 years

Credit risk arising from staff loans is mitigated by the enforcement of salary deductions as a mode of repayment. In addition, collateral is obtained for the following:

- Housing loans – registered land charges and assignments over the properties financed
- Vehicle loans – ownership claims over the vehicles financed

28. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES (CONTINUED)

(b) Other non-current receivables (continued)

(i) During the current financial year, the Company disposed RM10.4 million (2012: RM11.9 million) of its employees housing loans for a total cash consideration of RM9.9 million (2012: RM11.3 million) pursuant to the Sale and Purchase (S&P) Agreement entered on 27 May 2009 with AmMortgage One Berhad (AmMortgage One), a wholly owned subsidiary of AmBank (M) Berhad (AmBank). In tandem with the S&P Agreement, a Servicing Agreement between the Company, AmMortgage One and AmBank was also executed. The arrangement reflects the outsourcing of the Company's mortgage servicing operations to AmBank.

The disposal in 2009 included loan portfolio of employees where the repayment terms go beyond the employees' retirement age. This loan portfolio was not derecognised as the credit risk in the event of default after the employees' retirement age, remains with the Company. The carrying amount of the loan portfolio and its fair value are as follows:

	The Group and Company			
	2013		2012	
	Carrying amount RM	**Fair value RM**	Carrying amount RM	Fair value RM
Staff loans at amortised cost	**1.6**	**1.2**	2.5	2.3
Other borrowings (note 16)	**(1.6)**	**(1.7)**	(2.5)	(2.5)
Net amount	**–**	**(0.5)**	–	(0.2)

(ii) Other deposits comprise deposit and accrued interest relating to the non-cancellable operating lease of four office buildings and a long term deposit.

The Company entered into two Ringgit Malaysia deposit agreements in 2011 with maturity on 1 August 2025, under which the Company will deposit RM4.1 million and RM4.2 million respectively every six months until the deposits' maturity date. On maturity, the Company will be entitled for deposits repayments of RM154.0 million and RM156.5 million respectively. The deposits are collateralised by Malaysian Government Bonds.

The deposits effectively build up a sinking fund with an assured value of RM154.0 million and RM156.5 million respectively on 1 August 2025 for the repayment of the Company's Debentures.

(iii) This comprise tax credit in respect of prior years arising from the last mile broadband tax incentive as explained in note 19 to the financial statements, to be offset against the tax payables for years of assessment 2015 to 2016.

(iv) This comprise the present value of receivables for land disposed by a wholly owned subsidiary, due over the remaining contractual period of the joint land development agreement.

29. INVENTORIES

	The Group			The Company		
	31.12.2013 RM	31.12.2012 RM	1.1.2012 RM	**31.12.2013 RM**	31.12.2012 RM	1.1.2012 RM
Telecommunications equipment	**14.5**	21.1	21.6	**14.2**	21.1	21.4
Capacity held for resale	**9.5**	18.6	12.8	**9.5**	18.6	12.8
Work-in-progress	**84.7**	37.2	27.1	**18.3**	–	–
Land held for sale (sub-note (a))	**4.4**	1.0	48.3	**–**	–	–
Land held for property development (sub-note (a))	**37.6**	69.7	108.4	**–**	–	–
Others	**3.3**	3.6	2.1	**3.1**	3.0	1.7
TOTAL INVENTORIES	**154.0**	151.2	220.3	**45.1**	42.7	35.9

(a) During the financial year, arising from an assessment of net realisable value of land held for sale and land held for property development, reversal of write-downs of RM0.8 million and RM8.1 million respectively were credited to the Income Statement.

30. NON-CURRENT ASSETS HELD FOR SALE

During the financial year, the Company had finalised a series of Sales and Purchase Agreements for the disposal of a number of freehold and leasehold land as well as buildings which have been reclassified as non-current assets held for sale. Total consideration for the remaining assets held for sale as at 31 December 2013 was RM54.7 million (2012: RM57.2 million).

The Group and Company	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 21) RM	Disposal RM	At 31 December RM
Carrying amount				
2013				
Land				
– Freehold	**0.3**	**15.7**	**#**	**16.0**
– Leasehold	**5.7**	**–**	**(4.8)**	**0.9**
Buildings	**2.0**	**5.5**	**(2.1)**	**5.4**
	8.0	**21.2**	**(6.9)**	**22.3**

30. NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

The Group and Company	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 21) RM	Disposal RM	At 31 December RM
Carrying amount				
2012				
Land				
– Freehold	–	0.3	–	0.3
– Leasehold	–	10.0	(4.3)	5.7
Buildings	–	2.9	(0.9)	2.0
	–	13.2	(5.2)	8.0

\# Amount less than RM0.1 million

The land and buildings are presented as part of the Shared Services/Others segment.

31. CUSTOMER ACQUISITION COSTS

The Group and Company	2013 RM	2012 RM
At 1 January	**100.1**	106.1
Additions	**80.1**	127.7
Amortised to the Income Statement	**(106.4)**	(133.7)
At 31 December	**73.8**	100.1

32. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Receivables from external customers	**2,824.5**	2,651.3	**2,063.6**	1,922.0
Receivables from subsidiaries	**–**	–	**180.6**	70.5
Receivables from associates	**30.8**	–	**30.8**	–
	2,855.3	2,651.3	**2,275.0**	1,992.5
Impairment of trade receivables	**(1,235.9)**	(1,387.7)	**(830.4)**	(975.2)
	1,619.4	1,263.6	**1,444.6**	1,017.3
Accrued earnings	**228.3**	477.3	**199.0**	395.4
Total trade receivables (net)	**1,847.7**	1,740.9	**1,643.6**	1,412.7
Prepayments	**200.2**	147.1	**172.2**	91.9
Tax recoverable	**100.0**	112.1	**85.2**	75.8
Staff loans (note 28(b))	**4.5**	4.7	**4.5**	4.6
Other receivables from subsidiaries	**–**	–	**83.0**	99.2
Other receivables from associates	**1.0**	1.0	**1.0**	1.0
Other receivables	**169.2**	244.1	**129.2**	205.7
Impairment of other receivables	**(34.0)**	(42.9)	**(45.3)**	(37.3)
Total other receivables (net)	**440.9**	466.1	**429.8**	440.9
TOTAL TRADE AND OTHER RECEIVABLES (net)	**2,288.6**	2,207.0	**2,073.4**	1,853.6

32. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the impairment accounts of trade and other receivables are as follows:

		The Group		The Company	
		2013 RM	2012 RM	**2013 RM**	2012 RM
(a)	**Trade receivables**				
	At 1 January	**1,387.7**	1,384.4	**975.2**	963.4
	Impairment	**109.9**	93.4	**110.3**	97.5
	Receivables written off as uncollectible	**(262.1)**	(89.7)	**(255.1)**	(85.7)
	Foreign exchange difference	**0.4**	(0.4)	**–**	–
	At 31 December	**1,235.9**	1,387.7	**830.4**	975.2
(b)	**Other receivables**				
	At 1 January	**42.9**	60.1	**37.3**	51.1
	Net (reversal)/impairment	**(7.7)**	(15.2)	**9.0**	(11.8)
	Receivables written off as uncollectible	**(1.2)**	(2.0)	**(1.0)**	(2.0)
	At 31 December	**34.0**	42.9	**45.3**	37.3

The creation and release of impaired receivables has been included in 'other operating costs' on the Income Statement (note 6(b) to the financial statements). Amounts charged to the impairment accounts are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

32. TRADE AND OTHER RECEIVABLES (CONTINUED)

Certain amount of trade receivables have been subjected to offsetting with trade payables where these balances are from transactions transacted with the same counterparties and are settled on net basis, summarised as follows:

	2013			2012		
	Gross amount of trade receivables RM	**Gross amount of trade payables and accruals set off against trade receivables (note 35) RM**	**Net amount of trade receivables RM**	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 35) RM	Net amount of trade receivables RM
The Group	**2,043.5**	**(195.8)**	**1,847.7**	1,912.3	(171.4)	1,740.9
The Company	**1,839.4**	**(195.8)**	**1,643.6**	1,584.1	(171.4)	1,412.7

For trade receivables and trade payables subject to netting arrangements above, each agreement between the Group and the counterparties is carried out on net settlement basis, including events of default.

Trade receivables of RM671.5 million (2012: RM466.6 million) and RM657.2 million (2012: RM387.0 million) for the Group and the Company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

		Past due but not impaired			
The Group	**Not past due RM**	**1 to 3 months RM**	**4 to 6 months RM**	**>6 months RM**	**Total RM**
2013					
Collectively assessed	**401.4**	**79.2**	**16.0**	**13.9**	**510.5**
Individually assessed	**546.5**	**328.6**	**127.3**	**106.5**	**1,108.9**
	947.9	**407.8**	**143.3**	**120.4**	**1,619.4**
2012					
Collectively assessed	384.2	109.2	25.0	17.0	535.4
Individually assessed	412.8	188.3	50.7	76.4	728.2
	797.0	297.5	75.7	93.4	1,263.6

32. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Company	Not past due RM	Past due but not impaired 1 to 3 months RM	4 to 6 months RM	>6 months RM	Total RM
2013					
Collectively assessed	**379.5**	**77.9**	**13.5**	**5.6**	**476.5**
Individually assessed	**376.5**	**257.5**	**91.9**	**62.1**	**788.0**
Amount due from subsidiaries	**31.4**	**60.3**	**10.7**	**77.7**	**180.1**
	787.4	**395.7**	**116.1**	**145.4**	**1,444.6**
2012					
Collectively assessed	346.3	108.0	22.9	15.6	492.8
Individually assessed	256.5	135.4	24.8	45.0	461.7
Amount due from subsidiaries	27.5	12.5	9.5	13.3	62.8
	630.3	255.9	57.2	73.9	1,017.3

An analysis of trade receivables that are neither past due nor impaired is as follows:

	The Group 2013 RM	The Group 2012 RM	The Company 2013 RM	The Company 2012 RM
Global & Wholesale	**120.6**	134.2	**99.3**	94.1
Retail – Consumer	**215.4**	180.7	**215.0**	180.3
Retail – SME	**164.5**	166.0	**164.5**	166.0
Retail – Enterprise	**28.5**	42.2	**28.5**	42.2
Retail – Government	**302.8**	161.4	**248.7**	120.2
Amount due from subsidiaries	**–**	–	**31.4**	27.5
Others*	**116.1**	112.5	**–**	–
	947.9	797.0	**787.4**	630.3

* Others mainly comprise student debtors and receivables for the provision of managed network services, information technology and system integration services of subsidiaries.

32. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group and the Company are not exposed to major concentrations of credit risk due to the diversed customer base. The analysis of trade receivables by lines of business is considered the most appropriate disclosure of credit concentration. In addition, credit risk is mitigated to a certain extent by cash deposits (note 36 to the financial statements) and bankers' guarantee obtained from customers amounting to RM14.3 million (2012: RM18.1 million). The Group and the Company consider the impairment at the reporting date to be adequate to cover the potential financial loss.

Trade receivables that are individually assessed for impairment are those under Global & Wholesale, Retail – Enterprise and Retail – Government lines of business.

Credit terms of trade receivables excluding accrued earnings range from 30 to 90 days (2012: 30 to 90 days).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

The currency exposure profile of trade and other receivables after impairment is as follows:

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Ringgit Malaysia	**1,742.4**	1,800.4	**1,600.9**	1,475.0
US Dollar	**523.7**	382.4	**470.2**	369.4
Special Drawing Rights	**2.3**	2.1	**2.3**	2.1
Other currencies	**20.2**	22.1	**–**	7.1
	2,288.6	2,207.0	**2,073.4**	1,853.6

33. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and Company	
	2013 RM	2012 RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	**17.2**	16.5
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**17.2**	16.5
Market value of quoted equity securities	**17.2**	16.5

34. CASH AND BANK BALANCES

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Deposits with:				
Licensed banks	**817.8**	525.1	**772.0**	488.1
Other financial institutions	**13.9**	42.0	**13.9**	13.3
Deposits under Islamic principles	**927.8**	2,695.3	**880.4**	2,532.6
Total deposits	**1,759.5**	3,262.4	**1,666.3**	3,034.0
Cash and bank balances	**699.3**	440.1	**390.0**	187.7
Cash and bank balances under Islamic principles	**56.1**	36.2	**36.6**	19.9
TOTAL CASH AND BANK BALANCES	**2,514.9**	3,738.7	**2,092.9**	3,241.6
Less:				
Deposits pledged	**(0.4)**	(0.4)	**–**	–
TOTAL CASH AND CASH EQUIVALENTS	**2,514.5**	3,738.3	**2,092.9**	3,241.6

The currency exposure profile of cash and bank balances is as follows:

	The Group 2013 RM	The Group 2012 RM	The Company 2013 RM	The Company 2012 RM
Ringgit Malaysia	**2,407.4**	3,595.2	**2,065.5**	3,200.3
US Dollar	**86.2**	117.2	**27.4**	41.3
Other currencies	**21.3**	26.3	**–**	–
	2,514.9	3,738.7	**2,092.9**	3,241.6

34. CASH AND BANK BALANCES (CONTINUED)

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. The credit quality of the financial institutions in which cash and deposits are placed is as follows:

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
AAA	**1,375.8**	953.1	**1,032.8**	707.5
AA	**631.7**	1,779.7	**585.2**	1,611.9
A	**481.5**	705.5	**459.2**	649.4
NR (sub-note (a))	**25.9**	300.4	**15.7**	272.8
	2,514.9	3,738.7	**2,092.9**	3,241.6

(a) Mainly comprise deposits with other financial institutions with sovereign equivalent rating.

Deposits have maturities ranging from overnight to 90 days (2012: from overnight to 90 days) for the Group and the Company. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits as at 31 December 2013 was 3.65% (2012: 3.48%) and 3.65% (2012: 3.51%) for the Group and the Company respectively.

35. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Trade payables and accruals	**1,797.0**	2,219.6	**1,582.1**	1,986.5
Payable for Universal Service Provision	**317.1**	297.9	**310.4**	270.0
Deferred revenue	**109.0**	115.3	**21.8**	38.6
Finance cost payable	**66.2**	58.9	**66.1**	58.9
Duties and other taxes payable	**51.3**	41.8	**35.8**	27.9
Deposits and trust monies	**66.9**	76.0	**51.7**	43.9
Payables to subsidiaries (sub-note (a))	**–**	–	**671.5**	496.8
Other payables and accruals	**775.1**	736.0	**597.6**	553.9
	3,182.6	3,545.5	**3,337.0**	3,476.5
Current portion	**3,172.8**	3,545.5	**3,327.2**	3,476.5
Non-current portion	**9.8**	–	**9.8**	–
TOTAL TRADE AND OTHER PAYABLES	**3,182.6**	3,545.5	**3,337.0**	3,476.5

(a) Include excess funds of subsidiaries managed and invested by the Company, which are interest bearing as disclosed in note 41(b) to the financial statements.

Certain amount of trade payables and accruals have been subjected to offsetting with trade receivables where these balances are from transactions transacted with the same counterparties and are settled on net basis, summarised as follows:

	2013			2012		
	Gross amount of trade payables and accruals RM	**Gross amount of trade receivables set off against trade payables and accruals (note 32) RM**	**Net amount of trade payables and accruals RM**	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 32) RM	Net amount of trade payables and accruals RM
The Group	**1,992.8**	**(195.8)**	**1,797.0**	2,391.0	(171.4)	2,219.6
The Company	**1,777.9**	**(195.8)**	**1,582.1**	2,157.9	(171.4)	1,986.5

Credit terms of trade and other payables excluding accruals vary from 30 to 90 days (31 December 2012: 30 to 90 days) depending on the terms of the contracts.

35. TRADE AND OTHER PAYABLES (CONTINUED)

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
The currency exposure profile of trade and other payables is as follows:				
Ringgit Malaysia	**2,842.3**	3,214.7	**2,999.7**	3,155.3
US Dollar	**313.7**	319.8	**320.1**	309.4
Special Drawing Rights	**1.1**	–	**1.1**	–
Other currencies	**25.5**	11.0	**16.1**	11.8
	3,182.6	3,545.5	**3,337.0**	3,476.5

36. CUSTOMER DEPOSITS

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Telephone services	**498.7**	513.8	**498.6**	513.8
Data services	**3.4**	4.4	**1.7**	4.0
TOTAL CUSTOMER DEPOSITS	**502.1**	518.2	**500.3**	517.8

Customer deposits for telephone services are subject to rebate at 2.5% per annum effective 1 April 2010 in accordance with the provisions of Communications and Multimedia (Rates) Rules 2002. Customer deposits are repayable on demand as and when the customers terminate their services.

37. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Receipts from customers	**10,063.6**	9,817.3	**8,991.5**	8,891.9
Payments to suppliers and employees	**(6,831.3)**	(6,569.1)	**(6,379.1)**	(6,262.0)
Payments of finance cost	**(363.7)**	(331.8)	**(363.4)**	(330.7)
Payments of income taxes and zakat (net)	**(72.9)**	(68.5)	**(26.6)**	(26.2)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**2,795.7**	2,847.9	**2,222.4**	2,273.0

38. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Contribution for purchase of property, plant and equipment	**47.1**	251.9	**47.1**	251.9
Disposal of property, plant and equipment	**5.8**	10.9	**14.0**	59.3
Purchase of property, plant and equipment	**(2,415.2)**	(2,672.1)	**(2,268.4)**	(2,355.5)
Acquisition of an associate	**(12.7)**	–	**–**	–
Disposal of available-for-sale investments	**337.8**	432.0	**337.8**	432.0
Purchase of available-for-sale investments	**(467.0)**	(513.0)	**(467.0)**	(513.0)
Disposal of financial assets at fair value through profit or loss	**0.8**	0.5	**0.8**	0.5
Disposal of non-current assets held for sale	**14.4**	10.4	**14.4**	10.4
Long term deposits	**(16.6)**	(16.6)	**(16.6)**	(16.6)
Repayments of capital contribution from a subsidiary	**–**	–	**–**	81.0
Repayments from subsidiaries – loans and advances	**–**	–	**93.5**	72.0
– other receivables	**–**	–	**80.0**	104.8
Advances to subsidiaries	**–**	–	**(37.7)**	(120.1)
Repayments to subsidiaries for Inter-Company Fund Optimisation (ICFO)	**–**	–	**(1,352.2)**	(1,009.6)
Receipts from subsidiaries for ICFO	**–**	–	**1,574.4**	928.1
Repayments of loans by employees	**8.4**	12.4	**8.4**	11.9
Loans to employees	**(26.0)**	(17.5)	**(26.0)**	(17.1)
Disposal of housing loan	**9.9**	11.3	**9.9**	11.3
Interests received	**137.6**	136.4	**130.7**	128.9
Dividends received	**13.3**	1.3	**119.4**	106.2
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(2,362.4)**	(2,352.1)	**(1,737.5)**	(1,833.6)

39. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Capital repayment (note 13(c))	**–**	(1,073.2)	**–**	(1,073.2)
Capital return to non-controlling interests on winding up of a subsidiary	**–**	(0.6)	**–**	–
Proceeds from borrowings	**1,553.5**	1,479.4	**1,543.5**	1,476.4
Repayments of borrowings	**(2,379.5)**	(632.0)	**(2,379.5)**	(629.1)
Repayments of finance lease	**(3.8)**	(3.6)	**(3.8)**	(3.6)
Dividends paid to shareholders	**(787.0)**	(701.2)	**(787.0)**	(701.2)
Dividends paid to non-controlling interests	**(38.2)**	(39.3)	**–**	–
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**(1,655.0)**	(970.5)	**(1,626.8)**	(930.7)

40. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	**–**	–	**2.2**	3.2
(b) Contra settlements with customers cum suppliers between trade receivables and trade payables	**162.9**	78.8	**162.9**	78.8
(c) Exchange building received as part consideration of the sale of land	**7.1**	–	**7.1**	–

41. SIGNIFICANT RELATED PARTY DISCLOSURES

Set out below are the significant related party transactions and balances, in addition to related party transactions and balances mentioned elsewhere in the financial statements:

(a) Significant transactions with subsidiaries and associates

The Company has significant related party transactions with its subsidiaries and associate, as listed below:

BlueTel Networks Pte Ltd
Fiberail Sdn Bhd
Fibrecomm Network (M) Sdn Bhd
GITN Sdn Berhad
Meganet Communications Sdn Bhd
Menara Kuala Lumpur Sdn Bhd
Telekom Applied Business Sdn Bhd
Telekom Malaysia (Hong Kong) Limited
Telekom Malaysia (S) Pte Ltd
Telekom Malaysia (UK) Limited
Telekom Malaysia (USA) Inc
Telekom Multi-Media Sdn Bhd
Telekom Research & Development Sdn Bhd
Telekom Sales and Services Sdn Bhd
TM ESOS Management Sdn Bhd
TM Facilities Sdn Bhd
TMF Autolease Sdn Bhd
TM Global Incorporated
TM Info-Media Sdn Bhd
TM Net Sdn Bhd
Universiti Telekom Sdn Bhd
VADS Berhad
VADS e-Services Sdn Bhd
VADS Solutions Sdn Bhd
VADS Business Process Sdn Bhd

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
(i) Sales of goods and rendering of services to subsidiaries and associates:				
– telecommunications related services	**22.4**	–	**590.5**	349.9
– lease/rental of buildings and vehicles	**–**	–	**26.3**	21.9
– other income*	**–**	–	**19.7**	27.5
(ii) Dividend and interest income from subsidiaries	**–**	–	**123.7**	127.1
(iii) Purchases of goods and services from subsidiaries and associates:				
– telecommunications related services	**15.1**	–	**860.4**	735.9
– lease/rental of buildings	**–**	–	**5.6**	5.7
– maintenance of vehicles and buildings	**–**	–	**48.5**	48.6
– other expenses	**–**	–	**102.5**	102.1
(iv) Finance cost paid/payable to a subsidiary	**–**	–	**78.7**	75.6

* Includes management fees, royalties, charges for security and other shared services, training and related activities.

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
(b) Year end balances arising from:				
(i) Sales/Purchases of goods/services				
– receivables from subsidiaries	**–**	–	**263.6**	169.7
– receivables from associates	**30.8**	–	**30.8**	–
– payables to subsidiaries	**–**	–	**249.9**	305.2
– payables to associates	**2.6**	–	**2.6**	–
(ii) Other payables				
– subsidiaries	**–**	–	**421.6**	191.6

The above receivables from/payables to related parties arise mainly from sale/purchase transactions with credit terms of 30 to 90 days. The receivables/payables are unsecured and interest free.

Other payables to subsidiaries mainly comprise excess funds of subsidiaries managed and invested by the Company under the fund optimisation arrangement. This amount is repayable on demand and the interest paid to subsidiaries during the financial year ranges from 3.19% to 3.55% (2012: 3.18% to 3.26%).

	The Company	
	2013 RM	2012 RM
(c) Loans and advances to subsidiaries		
At 1 January	**260.4**	219.7
Cash advanced	**–**	112.7
Repayments (note 38)	**(93.5)**	(72.0)
Interest charged (note 7)	**7.5**	10.8
Reclassified as other receivables	**(7.5)**	(10.8)
At 31 December (note 25)	**166.9**	260.4

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(d) Key management personnel

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Consistent with the previous financial year, key management personnel has been defined as the Directors (executive and non-executive) of the Company and heads or senior management officers who are members of the Management Committee for the Group and the Company respectively.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Key management personnel compensation[@]				
– short term employee benefits				
– fees	**2.2**	2.2	**1.8**	1.9
– salaries, allowances and bonus	**16.3**	9.8	**16.3**	9.8
– contribution to Employees Provident Fund	**2.3**	1.2	**2.3**	1.2
– estimated money value of benefits	**1.4**	1.1	**1.4**	1.1

[@] Includes the Directors' remuneration (whether executive or otherwise) as disclosed in note 6(b) to the financial statements.

In addition, certain key management personnel have family members who are officers of subsidiaries of the Company with total remuneration amounting to RM0.2 million (2012: RM0.4 million).

(e) Government-related entities

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.73% (2012: 28.73%) equity interest and is a related party of the Group and the Company. 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 and the Company.

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(e) Government-related entities (continued)

The individually significant transactions that the Group and the Company 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		Corresponding outstanding balances	
	2013 RM	2012 RM	**2013 RM**	2012 RM
The Group				
Sales and Receivables	**740.5**	670.9	**121.0**	102.3
The Company				
Sales and Receivables	**197.2**	320.4	**68.4**	64.7

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

In addition to the above, the Group and the Company have 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.

42. CAPITAL AND OTHER COMMITMENTS

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
(a) Property, plant and equipment				
Commitments in respect of expenditure approved and contracted for	**2,793.8**	3,156.7	**2,755.0**	3,084.2
Commitments in respect of expenditure approved but not contracted for	**1,119.7**	1,570.3	**1,029.7**	1,509.7

42. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

(b) High Speed Broadband (HSBB) Project

On 25 July 2008, the Company received the Letter of Award from the Government of Malaysia (GoM) for the implementation of the HSBB project under a public-private partnership (PPP) arrangement. The PPP agreement was executed by the GoM and the Company on 16 September 2008.

The objective of the HSBB project is to develop the country's broadband infrastructure to increase broadband penetration and the competitiveness of the country in attracting foreign investments. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The estimated roll-out cost, to be incurred over a 10 years period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Sponsor of the project, the GoM has agreed to fund RM2.4 billion of the project cost. The remaining RM8.9 billion will be borne by the Company. The HSBB roll out has covered 1.3 million premises in 2012.

Under the above arrangement, the Company shall claim from the GoM fifty percent (50.0%) of the capital expenditure incurred for the HSBB project on a quarterly basis over a projected 3.5 years period up to the maximum amount of RM2.4 billion.

In conjunction with the arrangement, the Company has to fulfill certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred in relation to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for the GoM, develop certain number of telecentres, formulate a broadband package with low cost internet access and provide promotion and public awareness on HSBB which would contribute towards achieving the objective of the project.

	The Group and Company	
	2013 RM	2012 RM
(c) Donation to Yayasan Telekom Malaysia		
Amount approved and committed	**21.7**	31.0

42. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

	The Group and Company	
	2013 RM	2012 RM
(d) Future minimum lease payments of non-cancellable operating lease commitments		
Not later than one year	**75.2**	75.2
Later than one year and not later than five years	**312.1**	300.8
Later than five years	**345.9**	432.4
	733.2	808.4

The above lease payments relate to the non-cancellable operating lease of four office buildings from Menara ABS Berhad.

43. SEGMENT REPORTING

By Business Segments

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

The Group organises its business into the following segments, summarised as follows:

- Retail Business comprises the Company's retail arm and its subsidiaries which complement the retail business. Retail Business is further segregated into four specific segments, i.e. Consumer, Small and Medium Enterprise (SME), Enterprise and Government to focus on different market segments and customers' needs. This line of business is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.

- Global and Wholesale Business comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of wholesale telecommunications services delivered over the Group's networks to domestic and international carriers.

- Shared Services/Others include all shared services divisions, all business functions divisions such as information technology and network, and subsidiaries that do not fall under the above lines of business.

43. SEGMENT REPORTING (CONTINUED)

By Business Segments (continued)

Segment profits represent segment operating revenue less segment expenses. Unallocated income/other gains comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, 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 are not allocated to a particular business segment. The accounting policies used to derive reportable segment profits are consistent with those as described in the Significant Accounting Policies.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables and inventories. 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 as well as cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to property, plant and equipment and intangibles, including additions resulting from acquisition of subsidiaries.

Significant non-cash expenses comprise mainly allowance for impairment of receivables and unrealised foreign exchange gains or losses on settlement as disclosed in note 6(b) to the financial statements.

43. SEGMENT REPORTING (CONTINUED)

	Retail Business							
	Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Global & Wholesale Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2013								
Operating revenue								
Total operating revenue	2,966.1	1,933.0	1,173.3	1,936.7	8,009.1	2,013.2	6,265.1	16,287.4
Inter-segment[@]	(37.2)	(1.1)	(6.1)	–	(44.4)	(307.3)	(5,307.0)	(5,658.7)
External operating revenue	2,928.9	1,931.9	1,167.2	1,936.7	7,964.7	1,705.9	958.1	10,628.7
Results								
Segment profits	150.6	357.8	234.2	580.9	1,323.5	305.7	3.0	1,632.2
Unallocated income/other gains								17.8
Unallocated costs								(276.4)
Operating profit before finance cost								1,373.6
Finance income								144.9
Finance cost								(371.2)
Foreign exchange loss on borrowings								(105.2)
Associates								
– share of results (net of tax)								3.9
Profit before taxation and zakat								1,046.0
Taxation and zakat								1.8
Profit for the financial year								1,047.8
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
Financial year ended 31 December 2013								
Other information								
Capital expenditure								
– additions during the financial year	1.6	0.2	9.5	150.4	161.7	39.8	2,004.2	2,205.7
Depreciation and amortisation	2.0	0.3	4.8	123.7	130.8	64.7	1,954.9	2,150.4
Write-off of property, plant and equipment	–	–	–	0.8	0.8	–	8.5	9.3
Significant non-cash expenses	98.2	52.3	(19.2)	(9.6)	121.7	(7.9)	(23.6)	90.2

43. SEGMENT REPORTING (CONTINUED)

	Retail Business							
	Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Global & Wholesale Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2012								
Operating revenue								
Total operating revenue	2,724.0	1,912.2	1,100.0	1,754.7	7,490.9	1,997.5	5,801.3	15,289.7
Inter-segment[@]	(31.7)	(1.7)	(3.7)	(0.1)	(37.2)	(348.1)	(4,910.9)	(5,296.2)
External operating revenue	2,692.3	1,910.5	1,096.3	1,754.6	7,453.7	1,649.4	890.4	9,993.5
Results								
Segment profits	94.7	353.4	210.6	364.5	1,023.2	310.0	73.2	1,406.4
Unallocated income/other gains								47.7
Unallocated costs								(266.9)
Operating profit before finance cost								1,187.2
Finance income								139.6
Finance cost								(331.5)
Foreign exchange gain on borrowings								73.4
Associates								
– share of results (net of tax)								0.9
Profit before taxation and zakat								1,069.6
Taxation and zakat								236.3
Profit for the financial year								1,305.9
At 31 December 2012								
Segment assets	461.7	224.5	88.9	894.7	1,669.8	1,073.0	15,276.7	18,019.5
Associates								1.5
Unallocated assets								4,174.9
Total assets								22,195.9
Segment liabilities	338.5	395.7	121.6	538.9	1,394.7	576.2	4,586.9	6,557.8
Borrowings								7,140.4
Unallocated liabilities								1,437.7
Total liabilities								15,135.9

43. SEGMENT REPORTING (CONTINUED)

	Retail Business							
	Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Global & Wholesale Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2012								
Other information								
Capital expenditure								
– additions during the financial year	0.1	0.3	0.6	197.1	198.1	132.6	2,375.7	2,706.4
Depreciation and amortisation	2.0	0.3	4.6	92.7	99.6	55.1	1,861.3	2,016.0
Write-off of property, plant and equipment	0.1	#	#	0.1	0.2	0.5	29.4	30.1
Impairment of property, plant and equipment	–	–	–	–	–	–	0.3	0.3
Significant non-cash expenses	79.7	52.6	(13.1)	(0.6)	118.6	11.1	(21.1)	108.6

@ 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 entered into in the normal course of business and are subject to periodic review.

Amount less than RM0.1 million

By Geographical Location

The Group operates in a few countries as disclosed in note 51 to the financial statements. Accordingly, the segmentisation of the Group's operations by geographical location is segmentised into Malaysia and overseas. The overseas operation is not further segregated as no individual overseas country contributed more than 10.0% of the consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

	Operating Revenue		Total Assets		Capital Expenditure	
	2013 RM	2012 RM	**2013 RM**	2012 RM	**2013 RM**	2012 RM
Malaysia	**9,724.4**	9,118.4	**17,103.9**	17,315.9	**2,089.7**	2,453.7
Other countries	**904.3**	875.1	**866.7**	705.1	**116.0**	252.7
Unallocated assets	**–**	–	**3,175.9**	4,174.9	**–**	–
	10,628.7	9,993.5	**21,146.5**	22,195.9	**2,205.7**	2,706.4

44. FINANCIAL INSTRUMENTS BY CATEGORY

The Group	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2013						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	**–**	**27.1**	**80.3**	**–**	**–**	**107.4**
Available-for-sale investments (note 27)	**–**	**–**	**–**	**724.0**	**–**	**724.0**
Available-for-sale receivables (note 28(a))	**–**	**–**	**–**	**7.6**	**–**	**7.6**
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 28(b))	**202.2**	**–**	**–**	**–**	**–**	**202.2**
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	**1,983.9**	**–**	**–**	**–**	**–**	**1,983.9**
Financial assets at fair value through profit or loss (note 33)	**–**	**17.2**	**–**	**–**	**–**	**17.2**
Cash and bank balances (note 34)	**2,514.9**	**–**	**–**	**–**	**–**	**2,514.9**
Total	**4,701.0**	**44.3**	**80.3**	**731.6**	**–**	**5,557.2**
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	**–**	**–**	**–**	**–**	**6,404.4**	**6,404.4**
Finance lease liabilities (note 16)	**–**	**–**	**–**	**–**	**50.8**	**50.8**
Derivative financial instruments (note 18)	**–**	**11.0**	**51.4**	**–**	**–**	**62.4**
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	**–**	**–**	**–**	**–**	**2,705.2**	**2,705.2**
Customer deposits (note 36)	**–**	**–**	**–**	**–**	**502.1**	**502.1**
Total	**–**	**11.0**	**51.4**	**–**	**9,662.5**	**9,724.9**
2012						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	–	0.3	45.4	–	–	45.7
Available-for-sale investments (note 27)	–	–	–	599.3	–	599.3
Available-for-sale receivables (note 28(a))	–	–	–	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 28(b))	142.0	–	–	–	–	142.0
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	1,943.1	–	–	–	–	1,943.1
Financial assets at fair value through profit or loss (note 33)	–	16.5	–	–	–	16.5
Cash and bank balances (note 34)	3,738.7	–	–	–	–	3,738.7
Total	5,823.8	16.8	45.4	606.9	–	6,492.9
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	–	–	–	–	7,085.9	7,085.9
Finance lease liabilities (note 16)	–	–	–	–	54.5	54.5
Derivative financial instruments (note 18)	–	25.6	25.9	–	–	51.5
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	–	–	–	–	3,090.5	3,090.5
Customer deposits (note 36)	–	–	–	–	518.2	518.2
Total	–	25.6	25.9	–	10,749.1	10,800.6

44. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Company	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2013						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	**–**	**27.1**	**80.3**	**–**	**–**	**107.4**
Loans and advances to subsidiaries (note 25)	**166.9**	**–**	**–**	**–**	**–**	**166.9**
Available-for-sale investments (note 27)	**–**	**–**	**–**	**723.9**	**–**	**723.9**
Available-for-sale receivables (note 28(a))	**–**	**–**	**–**	**7.6**	**–**	**7.6**
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 28(b))	**129.5**	**–**	**–**	**–**	**–**	**129.5**
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	**1,811.5**	**–**	**–**	**–**	**–**	**1,811.5**
Financial assets at fair value through profit or loss (note 33)	**–**	**17.2**	**–**	**–**	**–**	**17.2**
Cash and bank balances (note 34)	**2,092.9**	**–**	**–**	**–**	**–**	**2,092.9**
Total	**4,200.8**	**44.3**	**80.3**	**731.5**	**–**	**5,056.9**
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	**–**	**–**	**–**	**–**	**4,298.0**	**4,298.0**
Finance lease liabilities (note 16)	**–**	**–**	**–**	**–**	**50.8**	**50.8**
Derivative financial instruments (note 18)	**–**	**11.0**	**51.4**	**–**	**–**	**62.4**
Payable to a subsidiary (note 17)	**–**	**–**	**–**	**–**	**2,093.4**	**2,093.4**
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	**–**	**–**	**–**	**–**	**2,969.0**	**2,969.0**
Customer deposits (note 36)	**–**	**–**	**–**	**–**	**500.3**	**500.3**
Total	**–**	**11.0**	**51.4**	**–**	**9,911.5**	**9,973.9**
2012						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 18)	–	0.3	45.4	–	–	45.7
Loans and advances to subsidiaries (note 25)	260.4	–	–	–	–	260.4
Available-for-sale investments (note 27)	–	–	–	599.2	–	599.2
Available-for-sale receivables (note 28(a))	–	–	–	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 28(b))	103.8	–	–	–	–	103.8
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 32)	1,681.3	–	–	–	–	1,681.3
Financial assets at fair value through profit or loss (note 33)	–	16.5	–	–	–	16.5
Cash and bank balances (note 34)	3,241.6	–	–	–	–	3,241.6
Total	5,287.1	16.8	45.4	606.8	–	5,956.1
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 16)	–	–	–	–	5,385.8	5,385.8
Finance lease liabilities (note 16)	–	–	–	–	54.5	54.5
Derivative financial instruments (note 18)	–	25.6	25.9	–	–	51.5
Payable to a subsidiary (note 17)	–	–	–	–	1,697.1	1,697.1
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 35)	–	–	–	–	3,140.0	3,140.0
Customer deposits (note 36)	–	–	–	–	517.8	517.8
Total	–	25.6	25.9	–	10,795.2	10,846.7

45. FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date.

(a) Financial Instruments Carried at Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels of valuations are:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December.

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

45. FAIR VALUES (CONTINUED)

(a) Financial Instruments Carried at Fair Value (continued)

The Company	2013 Level 1 RM	2013 Level 2 RM	2013 Level 3 RM	2013 Total RM	2012 Level 1 RM	2012 Level 2 RM	2012 Level 3 RM	2012 Total RM
Assets								
Financial assets at fair value through profit or loss								
– quoted securities	**17.2**	**–**	**–**	**17.2**	16.5	–	–	16.5
Derivatives at fair value through profit or loss	**–**	**27.1**	**–**	**27.1**	–	0.3	–	0.3
Derivatives accounted for under hedge accounting	**–**	**80.3**	**–**	**80.3**	–	45.4	–	45.4
Available-for-sale financial assets								
– investments	**–**	**675.5**	**48.4**	**723.9**	–	549.9	49.3	599.2
– receivables	**–**	**7.6**	**–**	**7.6**	–	7.6	–	7.6
Total	**17.2**	**790.5**	**48.4**	**856.1**	16.5	603.2	49.3	669.0
Liabilities								
Derivatives at fair value through profit or loss	**–**	**11.0**	**–**	**11.0**	–	25.6	–	25.6
Derivatives accounted for under hedge accounting	**–**	**51.4**	**–**	**51.4**	–	25.9	–	25.9
Total	**–**	**62.4**	**–**	**62.4**	–	51.5	–	51.5

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occuring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise equity securities quoted on the Bursa Malaysia Securities Berhad classified as fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

45. FAIR VALUES (CONTINUED)

(a) Financial Instruments Carried at Fair Value (continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in Level 2 except for an investment in non-traded equity security.

The following table shows a reconciliation from the opening balance to the closing balance for fair value measurements in Level 3 of the fair value hierarchy:

	The Group and Company	
	2013 RM	2012 RM
At 1 January	**49.3**	57.1
Fair value changes transferred to other comprehensive income	**(0.9)**	(7.8)
At 31 December	**48.4**	49.3

The financial asset included in Level 3 of the fair value hierarchy is a non-traded equity investment for which its valuation is based on discounted future cash flows derived from the budgets and forecasts of the investee entity, duly approved by its Board of Directors. The future cash flows are discounted based on discount factors of comparable entities which are publicly listed whenever available, as well as industry benchmarks, having considered historical ability of the investee in meeting its previous budgets and forecasts. The Group also has Board representation in the investee through which due understanding of actual and forecasted performance are used by the Group in assessing the appropriateness of the estimates and assumptions used in arriving to the valuation.

Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, if the discount rate used in the discounted cash flow analysis is to differ by 10% from management's estimates, the carrying amount of available-for-sale financial assets would be approximately RM1.0 million (2012: RM1.6 million) lower or RM1.3 million (2012: RM1.9 million) higher.

45. FAIR VALUES (CONTINUED)

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

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date reasonably approximate their fair values except as set out below:

	The Group				The Company			
	2013		2012		2013		2012	
	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM
Assets								
Staff loans	**37.7**	**35.1**	31.6	27.1	**37.6**	**35.0**	31.4	27.1
Other non-current receivables (excluding tax recoverable)	**164.5**	**148.7**	110.4	100.9	**91.9**	**76.1**	72.4	62.8
Liabilities								
Borrowings	**6,455.2**	**6,813.7**	7,140.4	7,784.9	**4,348.8**	**4,654.1**	5,440.3	5,976.0
Payable to a subsidiary	**-**	**-**	-	-	**2,093.4**	**2,146.6**	1,697.1	1,805.9

Assets

In assessing the fair value of non-traded financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Where impairment is made in respect of any investment, the carrying amount net of impairment made is deemed to be a close approximation of its fair value.

The fair values of staff loans and other non-current receivables were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

Collaterals are taken for staff loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

Liabilities

The fair value of quoted bonds was estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity.

The financial liabilities will be realised at their carrying amounts and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term financial instruments maturing within 1 year or are repayable on demand, the carrying amounts reasonably approximate their fair values at the reporting date.

46. LIQUIDITY RISK

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows:

The Group	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2013							
Borrowings	**(1,595.4)**	**(57.7)**	**(1,297.5)**	**(3,544.3)**	**(6,494.9)**	**39.7**	**(6,455.2)**
Unfavourable forward contracts	**(11.1)**	**–**	**–**	**–**	**(11.1)**	**0.1**	**(11.0)**
Unfavourable cross currency interest rate swaps	**(8.6)**	**(8.5)**	**(38.9)**	**–**	**(56.0)**	**4.6**	**(51.4)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(2,705.2)**	**–**	**–**	**–**	**(2,705.2)**	**–**	**(2,705.2)**
Customer deposits	**(502.1)**	**–**	**–**	**–**	**(502.1)**	**–**	**(502.1)**
Total	**(4,822.4)**	**(66.2)**	**(1,336.4)**	**(3,544.3)**	**(9,769.3)**	**44.4**	**(9,724.9)**
Interest	**(289.4)**	**(226.4)**	**(662.7)**	**(822.9)**	**(2,001.4)**		
2012							
Borrowings	(2,015.4)	(1,481.6)	(447.7)	(3,226.5)	(7,171.2)	30.8	(7,140.4)
Unfavourable forward contracts	–	(26.9)	–	–	(26.9)	1.3	(25.6)
Unfavourable cross currency interest rate swaps	(8.2)	(8.2)	(10.3)	–	(26.7)	0.8	(25.9)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,090.5)	–	–	–	(3,090.5)	–	(3,090.5)
Customer deposits	(518.2)	–	–	–	(518.2)	–	(518.2)
Total	(5,632.3)	(1,516.7)	(458.0)	(3,226.5)	(10,833.5)	32.9	(10,800.6)
Interest	(371.7)	(228.7)	(516.3)	(821.4)	(1,938.1)		

46. LIQUIDITY RISK (CONTINUED)

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows: (continued)

The Company	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2013							
Borrowings	**(57.7)**	**(57.7)**	**(1,054.8)**	**(3,218.3)**	**(4,388.5)**	**39.7**	**(4,348.8)**
Payable to a subsidiary	**(1,524.7)**	**–**	**(242.7)**	**(326.0)**	**(2,093.4)**	**–**	**(2,093.4)**
Unfavourable forward contracts	**(11.1)**	**–**	**–**	**–**	**(11.1)**	**0.1**	**(11.0)**
Unfavourable cross currency interest rate swaps	**(8.6)**	**(8.5)**	**(38.9)**	**–**	**(56.0)**	**4.6**	**(51.4)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(2,969.0)**	**–**	**–**	**–**	**(2,969.0)**	**–**	**(2,969.0)**
Customer deposits	**(500.3)**	**–**	**–**	**–**	**(500.3)**	**–**	**(500.3)**
Total	**(5,071.4)**	**(66.2)**	**(1,336.4)**	**(3,544.3)**	**(10,018.3)**	**44.4**	**(9,973.9)**
Interest	**(288.9)**	**(226.4)**	**(662.7)**	**(822.9)**	**(2,000.9)**		
2012							
Borrowings	(2,012.4)	(59.5)	(172.7)	(3,226.5)	(5,471.1)	30.8	(5,440.3)
Payable to a subsidiary	–	(1,422.1)	(275.0)	–	(1,697.1)	–	(1,697.1)
Unfavourable forward contracts	–	(26.9)	–	–	(26.9)	1.3	(25.6)
Unfavourable cross currency interest rate swaps	(8.2)	(8.2)	(10.3)	–	(26.7)	0.8	(25.9)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,140.0)	–	–	–	(3,140.0)	–	(3,140.0)
Customer deposits	(517.8)	–	–	–	(517.8)	–	(517.8)
Total	(5,678.4)	(1,516.7)	(458.0)	(3,226.5)	(10,879.6)	32.9	(10,846.7)
Interest	(371.7)	(228.7)	(516.3)	(821.4)	(1,938.1)		

47. INTEREST RATE RISK/MATURITY ANALYSIS

The table below summarises the Group's and the Company's exposure to interest rate risk. Included in the tables are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of repricing or contractual maturity dates. As such the spread of balances between the ageing brackets in the table below may not necessarily coincide with those shown in the liquidity risk schedule in note 46 or the repayment schedules in note 16 to the financial statements. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

		Maturing or repriced (whichever is earlier)								
The Group	WARF*	1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2013										
Financial assets										
Derivative financial instruments	–	107.4	–	–	–	–	–	107.4	–	107.4
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	99.7	99.7
– fixed interest rate	4.53%	624.3	–	–	–	–	–	624.3	–	624.3
Available-for-sale receivables	7.78%	0.7	0.7	1.0	1.2	1.5	2.5	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.60%	0.2	0.2	0.2	0.1	0.1	44.1	44.9	72.6	117.5
– balances under Islamic principles	3.56%	48.7	1.2	1.8	2.4	3.1	27.5	84.7	–	84.7
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,983.9	1,983.9
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	17.2	17.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	755.4	755.4
– fixed interest rate										
– conventional	3.67%	831.7	–	–	–	–	–	831.7	–	831.7
– balances under Islamic principles	3.63%	927.8	–	–	–	–	–	927.8	–	927.8
Total		2,540.8	2.1	3.0	3.7	4.7	74.1	2,628.4	2,928.8	5,557.2
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.4	3.4
– floating interest rate	1.20%	326.0	–	–	–	–	–	326.0	–	326.0
– fixed interest rate										
– conventional	5.74%	1,586.2	45.8	43.6	284.6	0.1	1,032.9	2,993.2	–	2,993.2
– balances under Islamic principles	4.13%	–	–	–	–	932.6	2,200.0	3,132.6	–	3,132.6
Derivative financial instruments	–	62.4	–	–	–	–	–	62.4	–	62.4
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	–	–	–	–	–	–	2,705.2	2,705.2
Customer deposits	–	–	–	–	–	–	–	–	502.1	502.1
Total		1,974.6	45.8	43.6	284.6	932.7	3,232.9	6,514.2	3,210.7	9,724.9
Interest sensitivity gap		566.2	(43.7)	(40.6)	(280.9)	(928.0)	(3,158.8)			

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Group	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2012										
Financial assets										
Derivative financial instruments	–	45.7	–	–	–	–	–	45.7	–	45.7
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	98.7	98.7
– fixed interest rate	4.76%	500.6	–	–	–	–	–	500.6	–	500.6
Available-for-sale receivables	7.78%	1.0	0.7	0.9	1.0	0.9	3.1	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.93%	25.9	0.4	0.5	0.3	0.1	0.3	27.5	38.0	65.5
– balances under Islamic principles	4.35%	47.3	1.2	1.6	2.1	2.3	22.0	76.5	–	76.5
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,943.1	1,943.1
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	16.5	16.5
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	476.3	476.3
– fixed interest rate										
– conventional	3.63%	567.1	–	–	–	–	–	567.1	–	567.1
– balances under Islamic principles	3.45%	2,695.3	–	–	–	–	–	2,695.3	–	2,695.3
Total		3,882.9	2.3	3.0	3.4	3.3	25.4	3,920.3	2,572.6	6,492.9
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.5	3.5
– fixed interest rate										
– conventional	5.66%	3.1	1,467.9	43.8	42.1	315.0	971.4	2,843.3	–	2,843.3
– balances under Islamic principles	5.10%	2,943.6	–	–	–	–	1,350.0	4,293.6	–	4,293.6
Derivative financial instruments	–	51.5	–	–	–	–	–	51.5	–	51.5
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	–	–	–	–	–	–	3,090.5	3,090.5
Customer deposits	–	–	–	–	–	–	–	–	518.2	518.2
Total		2,998.2	1,467.9	43.8	42.1	315.0	2,321.4	7,188.4	3,612.2	10,800.6
Interest sensitivity gap		884.7	(1,465.6)	(40.8)	(38.7)	(311.7)	(2,296.0)			

* WARF – Weighted Average Rate of Finance as at 31 December

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

	2013		2012	
The Group	**USD**	**RM**	USD	RM
Financial assets				
Available-for-sale investments	**–**	**4.53%**	–	4.76%
Available-for-sale receivables	**–**	**7.78%**	–	7.78%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**–**	**3.59%**	–	4.24%
Cash and bank balances	**0.59%**	**3.66%**	0.60%	3.53%
Financial liabilities				
Borrowings	**5.69%**	**4.37%**	6.28%	5.10%

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2013										
Financial assets										
Derivative financial instruments	–	107.4	–	–	–	–	–	107.4	–	107.4
Loans and advances to subsidiaries (net)										
– floating interest rate	3.69%	166.9	–	–	–	–	–	166.9	–	166.9
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	99.6	99.6
– fixed interest rate	4.53%	624.3	–	–	–	–	–	624.3	–	624.3
Available-for-sale receivables	7.78%	0.7	0.7	1.0	1.2	1.5	2.5	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.60%	0.1	0.2	0.2	0.1	0.1	44.1	44.8	–	44.8
– balances under Islamic principles	3.56%	48.7	1.2	1.8	2.4	3.1	27.5	84.7	–	84.7
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,811.5	1,811.5
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	17.2	17.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	426.6	426.6
– fixed interest rate										
– conventional	3.67%	785.9	–	–	–	–	–	785.9	–	785.9
– balances under Islamic principles	3.63%	880.4	–	–	–	–	–	880.4	–	880.4
Total		2,614.4	2.1	3.0	3.7	4.7	74.1	2,702.0	2,354.9	5,056.9
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.4	3.4
– fixed interest rate										
– conventional	7.34%	48.5	45.8	43.6	41.9	0.1	1,032.9	1,212.8	–	1,212.8
– balances under Islamic principles	4.13%	–	–	–	–	932.6	2,200.0	3,132.6	–	3,132.6
Payable to a subsidiary										
– fixed interest rate	4.65%	1,524.7	–	–	242.7	–	–	1,767.4	–	1,767.4
– floating interest rate	1.16%	326.0	–	–	–	–	–	326.0	–	326.0
Derivative financial instruments	–	62.4	–	–	–	–	–	62.4	–	62.4
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	2,547.4	2,547.4
– floating interest rate	3.55%	421.6	–	–	–	–	–	421.6	–	421.6
Customer deposits	–	–	–	–	–	–	–	–	500.3	500.3
Total		2,383.2	45.8	43.6	284.6	932.7	3,232.9	6,922.8	3,051.1	9,973.9
Interest sensitivity gap		231.2	(43.7)	(40.6)	(280.9)	(928.0)	(3,158.8)			

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier)						Total interest sensitive RM	Non-interest sensitive RM	Total RM
		1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM			
2012										
Financial assets										
Derivative financial instruments	–	45.7	–	–	–	–	–	45.7	–	45.7
Loans and advances to subsidiaries (net)										
– floating interest rate	3.80%	260.4	–	–	–	–	–	260.4	–	260.4
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	98.6	98.6
– fixed interest rate	4.76%	500.6	–	–	–	–	–	500.6	–	500.6
Available-for-sale receivables	7.78%	1.0	0.7	0.9	1.0	0.9	3.1	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.93%	25.7	0.4	0.5	0.3	0.1	0.3	27.3	–	27.3
– balances under Islamic principles	4.35%	47.3	1.2	1.6	2.1	2.3	22.0	76.5	–	76.5
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,681.3	1,681.3
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	16.5	16.5
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	207.6	207.6
– fixed interest rate										
– conventional	3.83%	501.4	–	–	–	–	–	501.4	–	501.4
– balances under Islamic principles	3.45%	2,532.6	–	–	–	–	–	2,532.6	–	2,532.6
Total		3,914.7	2.3	3.0	3.4	3.3	25.4	3,952.1	2,004.0	5,956.1
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.5	3.5
– fixed interest rate										
– conventional	6.17%	0.1	45.8	43.8	42.1	40.0	971.4	1,143.2	–	1,143.2
– balances under Islamic principles	5.10%	2,943.6	–	–	–	–	1,350.0	4,293.6	–	4,293.6
Payable to a subsidiary										
– fixed interest rate	4.55%	–	1,422.1	–	–	275.0	–	1,697.1	–	1,697.1
Derivative financial instruments	–	51.5	–	–	–	–	–	51.5	–	51.5
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	2,948.4	2,948.4
– floating interest rate	3.26%	191.6	–	–	–	–	–	191.6	–	191.6
Customer deposits	–	–	–	–	–	–	–	–	517.8	517.8
Total		3,186.8	1,467.9	43.8	42.1	315.0	2,321.4	7,377.0	3,469.7	10,846.7
Interest sensitivity gap		727.9	(1,465.6)	(40.8)	(38.7)	(311.7)	(2,296.0)			

47. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

	2013		2012	
The Company	**USD**	**RM**	USD	RM
Financial assets				
Loans and advances to subsidiaries (net)	**2.35%**	**4.50%**	2.72%	4.14%
Available-for-sale investments	**–**	**4.53%**	–	4.76%
Available-for-sale receivables	**–**	**7.78%**	–	7.78%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**–**	**3.59%**	–	4.24%
Cash and bank balances	**0.59%**	**3.66%**	0.38%	3.55%
Financial liabilities				
Borrowings	**7.88%**	**4.38%**	7.88%	5.10%
Payable to a subsidiary	**4.53%**	**–**	5.25%	–
Trade and other payables (excluding statutory liabilities and deferred revenue)	**–**	**3.55%**	–	3.26%

48. CONTINGENT LIABILITIES (UNSECURED)

(a) On 26 November 2007, the Company and TESB were served with a Writ of Summons and Statement of Claim in respect of a suit filed by Mohd Shuaib Ishak (MSI). MSI is seeking from the Company, TESB and 12 others (including the former and existing directors of the Company) jointly and/or severally, inter alia, the following:

(i) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

(ii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2003 issued by Commerce International Merchant Bankers Berhad (now known as CIMB) are illegal and void and of no effect;

(iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

(iv) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed demerger of the mobile and fixed line businesses of the Group; and

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(a) (v) various damages to be assessed.

On 30 November 2007, the Company and TESB obtained leave to enter conditional appearance and subsequently on 17 December 2007, the Company and TESB filed the relevant application to strike out the suit (Striking Out Application).

On 20 July 2012, the High Court found in favour of the Company and granted an order in terms of the Striking Out Application.

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

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

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

(b) On 11 August 2009, the Company and its wholly owned subsidiary, TM Net Sdn Bhd (TM Net) were served with a Writ of Summons and Statement of Claim by Network Guidance (M) Sdn Bhd (NGSB) in connection with a purported joint venture in regard to a project described in the statement of claim as "Fine TV Services".

On 17 September 2009, the Company and TM Net filed the Amended Statement of Defence in Court.

On 13 October 2009, NGSB filed and served an Amended Statement of Claim to TM Net wherein NGSB have quantified their claim for aggravated damages at RM200.0 million and exemplary damages at RM200.0 million. Pursuant thereto, the Company and TM Net filed a re-amended Statement of Defence in Court on 23 October 2009.

On 10 December 2009, the Company and TM Net filed an application to strike out NGSB's claim. On 15 July 2010, the High Court proceeded with the hearing of the striking out application and dismissed the same with cost on 9 August 2010. On 3 September 2010, the Company and TM Net filed an appeal to the Court of Appeal against the abovestated decision of the High Court. On 11 January 2011, the Court of Appeal has dismissed appeal.

Meanwhile, NGSB's application to re-amend its Amended Statement of Claim was allowed by the High Court on 12 January 2011. Pursuant thereto, on 11 February 2011, NGSB's solicitors served on the Company and TM Net's solicitors an Amended Writ and Re-amended Statement of Claim (Re-amended Claim).

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(b) The reliefs sought by NGSB against the Company and TM Net in the Re-amended Claim are as follows:

(a) a declaration that:

(i) NGSB and the Company entered into an agreement whereby it was agreed that NGSB and the Company will commence with the Fine TV project on a joint venture basis (the Agreement);

(ii) the Company breached the Agreement;

(iii) as a result of the breach of the Agreement, NGSB suffered loss and damages.

(b) an order that the Company and TM Net pay NGSB the following special damages:

(i) RM150,000 for the services of Fiberail Sdn Bhd;

(ii) RM300,000 for the services of "MYLOCA" and/or the rental space of TM Net;

(iii) RM1.0 million for the cost of the tests conducted;

(iv) RM5.0 million for equipment such as the server, the router, Digital Video Encoder, Set Top Box and Digital Video Editing;

(v) RM3.0 million for license fees for the use of software;

(vi) RM3.0 million for license fees for the use of content;

(vii) RM500,000 for legal fees;

(viii) RM4.0 million for overheads; and

(ix) loan of RM7.0 million from Eurofine Sdn Bhd.

(c) interest at the rate of 8% per annum on the special damages from the date of judgment to the date of full and final settlement of the special damages;

(d) an order that the Company and TM Net pay general damages;

(e) an order that the general damages be assessed by the court;

(f) interest of 8% per annum on the general damages from the date of judgment to the date of full and final settlement of the general damages;

(g) cost; and

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(b) (h) any other relief which the court deems fit.

In the Re-amended Claim, NGSB has also reflected the change of NGSB's name to Fine TV Network Sdn Bhd.

The case proceeded for trial on 25, 26 and 27 January 2012 and thereafter on 7 and 8 May 2012. On 2 July 2012, the High Court dismissed NGSB's legal suit with cost.

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

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

(c) A legal suit was commenced by One Visa Sdn Bhd (OVSB) against the Company on 21 September 2012.

In brief, the legal suit is premised on the allegation that the Company is a trespasser on 5 pieces of land belonging to OVSB known as HS(D) 23474 Lot 3181, HS(D) 23475 Lot 3182, HS(D) 23477 Lot 3183, HS(D) 23478 Lot 3184 and HS(D) 23479 Lot 3185 of Pekan Ulu Temiang, Negeri Sembilan (the Land) due to the existence of the Company's network infrastructures thereon. OVSB further alleges that it was prevented from developing the Land to its full potential as a result of the supply of telecommunication services by the Company to certain illegal occupiers (Squatters) on the Land.

OVSB is claiming the following sums from the Company:

(i) damages amounting to RM23,077,116.00 which is the total rental value of the Land allegedly payable by the Company to OVSB, based on current prevailing market value rate calculated with effect from 22 March 2011 and continuing until cessation of the telecommunication services and the date of removal of the Company's offending infrastructure from the Land;

(ii) damages amounting to RM198,110,908.00 which OVSB alleges as being its loss of opportunity and/or loss of profit by reason of the continued wrongful occupation of the Squatters on the Land which was caused, encouraged or facilitated by the Company resulting in OVSB being prevented from developing the Land to its full potential;

(iii) quit rent and assessment for the Land for the year 2012 amounting to RM234,677.00 and RM49,360.00 respectively; and

(iv) general damages, aggravated/exemplary damages, interest and costs.

On 28 September 2012, the Company filed its Memorandum of Appearance in the High Court. The Statement of Defence was later filed on 22 October 2012. The legal suit went on full trial from 17 to 19 February 2014. The High Court will deliver its decision on 8 May 2014.

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

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

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

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

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

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

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

(b) Damages in respect of works and expenses of RM86,298,078.60;

(c) Damages in respect of the value of a land measuring 28.49 acres of RM80,600,000.00;

(d) General damages;

(e) Interest; and

(f) Costs.

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

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

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

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

48. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

(d) 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.

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

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

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

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these, no material losses are anticipated.

49. SIGNIFICANT SUBSEQUENT EVENT

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

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

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

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

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

50. CHANGES TO COMPARATIVES

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

The Group	As previously reported RM	Reclassification RM	As restated RM
Consolidated Income Statement			
For the financial year ended 31 December 2012			
Operating Cost			
– depreciation, impairment and amortisation	(2,044.7)	(1.7)	(2,046.4)
– other operating costs	(6,927.3)	1.7	(6,925.6)
Consolidated Statement of Financial Position			
At 31 December 2012			
Non-current Assets			
Property, plant and equipment	14,637.6	84.1	14,721.7
Current Assets			
Inventories	235.3	(84.1)	151.2
At 1 January 2012			
Non-current Assets			
Property, plant and equipment	14,121.7	105.0	14,226.7
Current Assets			
Inventories	325.3	(105.0)	220.3
Consolidated Statement of Cash Flows			
For the financial year ended 31 December 2012			
Cash Flows From Operating Activities			
Payment to suppliers and employees	(6,693.3)	124.2	(6,569.1)
Cash Flows Used in Investing Activities			
Purchase of property, plant and equipment	(2,547.9)	(124.2)	(2,672.1)

50. CHANGES TO COMPARATIVES (CONTINUED)

The Company	As previously reported RM	Reclassification RM	As restated RM
Income Statement			
For the financial year ended 31 December 2012			
Operating Cost			
– depreciation, impairment and amortisation	(1,847.1)	(1.7)	(1,848.8)
– other operating costs	(6,383.5)	1.7	(6,381.8)
Statement of Financial Position			
At 31 December 2012			
Non-current Assets			
Property, plant and equipment	12,806.8	83.6	12,890.4
Current Assets			
Inventories	126.3	(83.6)	42.7
At 1 January 2012			
Non-current Assets			
Property, plant and equipment	12,475.6	104.4	12,580.0
Current Assets			
Inventories	140.3	(104.4)	35.9
Statement of Cash Flows			
For the financial year ended 31 December 2012			
Cash Flows From Operating Activities			
Payment to suppliers and employees	(6,385.3)	123.3	(6,262.0)
Cash Flows Used in Investing Activities			
Purchase of property, plant and equipment	(2,232.2)	(123.3)	(2,355.5)

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013

The subsidiaries are as follows:

Name of Company	Group's Effective Interest 2013 %	Group's Effective Interest 2012 %	Paid-up Capital 2013 Million	Paid-up Capital 2012 Million	Principal Activities
Fiberail Sdn Bhd	**54**	54	**RM15.8**	RM15.8	Provision of network connectivity and bandwidth services in Malaysia and project management services in relation to telecommunications
Fibrecomm Network (M) Sdn Bhd	**51**	51	**RM75.0**	RM75.0	Provision of fibre optic transmission network services
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunication and information technology services
Hijrah Pertama Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Intelsec Sdn Bhd	**100**	100	**RM3.0**	RM3.0	Ceased operations
Menara Kuala Lumpur Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Management and operation of Menara Kuala Lumpur
Mobikom Sdn Bhd	**100**	100	**RM260.0**	RM260.0	Provision of transmission of voice and data through the cellular system
Parkside Properties Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
Tekad Mercu Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	**100**	100	**RM1.6**	RM1.6	Provision of software development and sale of software products
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2013 %	2012 %	**2013 Million**	2012 Million	
Telekom Malaysia (Australia) Pty Ltd* (sub-note (a))	**100**	–	**AUD#**	–	Provision of international telecommunications services
Telekom Malaysia (Hong Kong) Limited*	**100**	100	**HKD18.5**	HKD18.5	Provision of international telecommunications services
Telekom Malaysia (S) Pte Ltd*	**100**	100	**SGD#**	SGD#	Provision of international telecommunications services
Telekom Malaysia (UK) Limited*	**100**	100	**GBP#**	GBP#	Provision of international telecommunications services
Telekom Malaysia (USA) Inc*	**100**	100	**USD3.5**	USD3.5	Provision of international telecommunications services
Telekom Multi-Media Sdn Bhd	**100**	100	**RM1.7**	RM1.7	Investment holding
Telekom Research & Development Sdn Bhd	**100**	100	**RM20.0**	RM20.0	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	**100**	100	**RM14.5**	RM14.5	Provision of management of customers care services and trading of customer premises telecommunication equipment
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operations
TM Broadcasting Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
TM ESOS Management Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Special purpose entity

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2013 %	Group's Effective Interest 2012 %	Paid-up Capital 2013 Million	Paid-up Capital 2012 Million	Principal Activities
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of property development activities
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding
TM Info-Media Sdn Bhd	**100**	100	**RM6.0**	RM6.0	Publication of printed and online telephone directories services as well as provision of multi platform solutions for advertising
TM International (Cayman) Ltd	**100**	100	**USD#**	USD#	Dormant
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	**100**	100	**RM5.0**	RM5.0	Provision of managed network services, network system integration services and network centric services
Subsidiaries held through Tekad Mercu Berhad					
Mediatel (Malaysia) Sdn Bhd (in liquidation)‹	**100**	100	**RM#**	RM#	Investment holding
Rebung Utama Sdn Bhd (in liquidation)~	**100**	100	**RM#**	RM#	Special purpose entity
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Ceased operations

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2013 %	2012 %	**2013 Million**	2012 Million	
Subsidiaries held through TM Facilities Sdn Bhd					
TMF Autolease Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of fleet management services
TMF Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Ceased operations
Subsidiaries held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of training and related services
Multimedia College Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Managing and administering a private college known as Multimedia College
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	**100**	100	**RM#**	RM#	Provision of digital video and film production and post production services
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	**100**	100	**RM11.0**	RM11.0	To develop, operate and provide Intelligent Building Systems, Intelligent Security, Integrated Telecommunications and Information Technology Solutions to both the Government and private sectors
VADS Business Process Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Provision of managed contact centre services

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2013 %	Group's Effective Interest 2012 %	Paid-up Capital 2013 Million	Paid-up Capital 2012 Million	Principal Activities
Subsidiaries held through VADS Berhad (continued)					
VADS e-Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of managed information technology services, managed application services and contact centre service
VADS Professional Services Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
VADS Solutions Sdn Bhd	**100**	100	**RM1.5**	RM1.5	Provision of system integration services
Subsidiary held through VADS Business Process Sdn Bhd					
PT VADS Indonesia (collectively with VADS Berhad)^	**100**	100	**IDR17,052.8**	IDR17,052.8	Provision of managed contact centre services in Indonesia
Subsidiary consolidated through effective control as defined by MFRS 10					
Yayasan Telekom Malaysia	**–**	–	**^^**	^^	A trust established under the provision of Trustees (Incorporation) Act, 1952, for promotion and advancement of education, research and dissemination of knowledge

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2013 (CONTINUED)

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
PT VADS Indonesia	– Indonesia
Telekom Malaysia (Australia) Pty Ltd	– Australia
Telekom Malaysia (Hong Kong) Limited	– Hong Kong
Telekom Malaysia (S) Pte Ltd	– Singapore
Telekom Malaysia (UK) Limited	– United Kingdom
Telekom Malaysia (USA) Inc	– USA
TM International (Cayman) Ltd	– British West Indies, USA

AUD	Australian Dollar
IDR	Indonesian Rupiah
HKD	Hong Kong Dollar
SGD	Singapore Dollar
GBP	Pound Sterling
USD	US Dollar

Amount less than 0.1 million in their respective currencies

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

‹ Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965, on 25 November 2011 including appointment of liquidator.

˜ Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965, on 15 December 2011 including appointment of liquidator.

^ VADS Berhad and VADS Business Process Sdn Bhd hold a direct interest of 10.0% and 90.0% respectively in PT VADS Indonesia.

^^ As an entity established under the Trustees (Incorporation) Act, 1952, this entity has an initial contribution of RM13.0 million instead of paid-up capital.

(a) Telekom Malaysia (Australia) Pty Ltd was incorporated on 18 December 2013 under the Australian Corporations Act 2001.

52. LIST OF ASSOCIATES AS AT 31 DECEMBER 2013

The associates are as follows:

Name of Company	Group's Effective Interest 2013 %	Group's Effective Interest 2012 %	Principal Activities
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd (in liquidation)	**49**	49	Granted Order for Creditors' winding up by the Kuala Lumpur High Court pursuant to Section 217 of the Companies Act, 1965
Mutiara.Com Sdn Bhd	**30**	30	Provision and promotion of Internet-based communications services
Associate held through Telekom Malaysia (S) Pte Ltd			
BlueTel Networks Pte Ltd (sub-note (a))	**29**	–	Provision of telecommunications and network solutions

All associates are incorporated in Malaysia, except BlueTel Networks Pte Ltd (BTN), which is incorporated in Singapore. All associates have co-terminous financial year end with the Company.

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

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

53. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM).

54. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 27 February 2014.

55. SUPPLEMENTARY INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

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

	The Group		The Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Retained profits:				
– realised	**3,051.2**	2,801.1	**3,680.8**	3,422.2
– unrealised – in respect of deferred tax recognised in the Income Statements	**(1,131.7)**	(1,184.0)	**(1,030.9)**	(1,076.7)
– in respect of other items of income and expense	**860.8**	973.2	**576.2**	694.8
Share of accumulated profits of associates				
– realised	**3.9**	–	**–**	–
	2,784.2	2,590.3	**3,226.1**	3,040.3
Add: consolidation adjustments	**1,631.2**	1,599.9	**–**	–
TOTAL RETAINED PROFITS	**4,415.4**	4,190.2	**3,226.1**	3,040.3

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, as issued by the Malaysian Institute of Accountants on 20 December 2010.

INDEPENDENT AUDITORS' REPORT

to the members of Telekom Malaysia Berhad
(Company No. 128740-P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Telekom Malaysia Berhad on pages 274 to 282 which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 283 to 413.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of Companies Act, 1965, in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 51 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 55 on page 414 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965, in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
(AF: 1146)
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
(No. 2910/02/15 (J))
Chartered Accountant

Kuala Lumpur
27 February 2014

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