THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT ADVISER IMMEDIATELY.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this Statement.

TIME DOTCOM BERHAD

(Company No. 413292-P)
(Incorporated in Malaysia under the Companies Act, 1965)

STATEMENT TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED DISTRIBUTION OF UP TO 137,542,414 ORDINARY SHARES OF RM0.01 EACH IN DIGI.COM BERHAD BY WAY OF DIVIDEND-IN-SPECIE TO THE SHAREHOLDERS OF TIME DOTCOM BERHAD

Adviser

CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolution in respect of the Proposed TdC Dividend-in-specie (as defined herein) will be tabled at the 16th Annual General Meeting of TIME dotCom Berhad ("**TdC**"). The notice of the 16th AGM together with the Form of Proxy are enclosed in TdC's 2012 Annual Report which is despatched together with this Statement.

Date and time of the 16th AGM	:	Monday, 20 May 2013 at 10.00 a.m.
Venue of the 16th AGM	:	Saujana Ballroom, Ground Floor, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan
Last date and time for lodging the Form of Proxy	:	Saturday, 18 May 2013 at 10.00 a.m.

This Statement is dated 26 April 2013

DEFINITIONS

The following definitions shall apply throughout this Statement unless the context requires otherwise:

Act	:	Companies Act, 1965
AGM	:	Annual general meeting
Board	:	Board of Directors of TdC
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
CDS	:	Central Depository System
CDS Account	:	An account established by Bursa Depository for the recording of deposit and withdrawal of securities and dealings in such securities by the depositor
CIMB	:	CIMB Investment Bank Berhad
DiGi	:	DiGi.Com Berhad
DiGi Group	:	DiGi and its subsidiaries, collectively
DiGi Shares	:	Ordinary shares of RM0.01 each in DiGi
Director	:	A Director of TdC
Entitled Shareholders	:	Shareholders whose names appear on the Record of Depositors of TdC on the Entitlement Date in order to be entitled to participate in the Proposed TdC Dividend-in-specie
Entitlement Date	:	A date, to be determined and announced later, as at the close of business of which the names of shareholders of TdC must appear on the Record of Depositors of TdC in order to be entitled to participate in the Proposed TdC Dividend-in-specie
EPS	:	Earnings per share
FYE	:	Financial year ended / ending
Intercompany Settlement	:	Settlement by TTdC of RM175.80 million of intercompany balances owing to TdC with the transfer of 38.47 million DiGi Shares to TdC at a price of RM4.57 per DiGi Share
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	31 March 2013, being the latest practicable date prior to the printing of this Statement, unless otherwise stated
Main Market	:	Main Market of Bursa Securities
NA	:	Net assets
PAT	:	Profit after taxation
Proposed TdC Dividend-in-specie	:	Proposed distribution of up to 137,542,414 DiGi Shares by way of a dividend-in-specie to the Entitled Shareholders on a basis to be determined and announced later
Record of Depositors	:	A record consisting names of depositors provided by Bursa Depository
Reporting Accountants	:	Messrs KPMG, being the Reporting Accountants
RM and sen	:	Ringgit Malaysia and sen respectively
Statement	:	This Statement to Shareholders dated 26 April 2013

TdC	:	TIME dotCom Berhad
TdC Group or Group	:	TdC and its subsidiaries, collectively
TdC Shares or Shares	:	Ordinary shares of RM0.50 each in TdC
TTdC	:	TT dotCom Sdn Bhd
TTdC Capital Repayment	:	Capital repayment by way of reduction of the issued and paid-up share capital of TTdC by RM373.70 million which was settled by way of distribution-in-specie of 81.77 million DiGi Shares to TdC at a price of RM4.57 per DiGi Share pursuant to Section 64 of the Act
TTdC Disposal	:	Transfer of 143.82 million DiGi Shares by TTdC to TdC at a price of RM4.57 per DiGi Share
TTdC Dividend	:	Dividend of RM657.25 million by TTdC to TdC from the gains realised pursuant to the Intercompany Settlement, TTdC Dividend-in-specie, TTdC Capital Repayment and TTdC Disposal, which was set off against amounts owing by TdC pursuant to the TTdC Disposal
TTdC Dividend-in-specie	:	Dividend of RM50.0 million by TTdC to TdC by way of a distribution-in-specie of 10.94 million DiGi Shares at a price of RM4.57 per DiGi Share
TTdC Internal Restructuring	:	Collectively, the Intercompany Settlement, TTdC Dividend-in-specie, TTdC Capital Repayment, TTdC Disposal and TTdC Dividend. The TTdC Internal Restructuring was completed on 8 April 2013
VWAP	:	Volume-weighted average market price

All references to "**our Company**" and "**the Company**" in this Statement are to TdC. References to "**our Group**" are to our Company and our subsidiaries. References to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company and where the context requires, shall include our subsidiaries.

All references to "**you**" in this Statement are to the shareholders of our Company.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations.

Any reference to any enactment in this Statement is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this Statement is a reference to Malaysian time, unless otherwise stated.

Any reference to "**par value**" in this Statement shall also mean "**nominal value**", and vice versa.

Any discrepancy in the tables between the amounts listed and the totals in this Statement are due to rounding.

CONTENTS

LETTER TO OUR SHAREHOLDERS

APPENDICES

TIME DOTCOM BERHAD
(Company No. 413292-P)
(Incorporated in Malaysia under the Act)

Registered office:
Level 4, No. 14, Jalan Majistret U1/26
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan

26 April 2013

Board of Directors:

Abdul Kadir Bin Md Kassim *(Non-Independent, Non-Executive Director and Chairman)*
Elakumari a/p Kantilal *(Non-Independent, Non-Executive Director)*
Ronnie Kok Lai Huat *(Senior Independent, Non-Executive Director)*
Balasingham a/l A. Namasiwayam *(Independent, Non-Executive Director)*
Hong Kean Yong *(Independent, Non-Executive Director)*
Afzal Bin Abdul Rahim *(Non-Independent, Executive Director and Chief Executive Officer)*
Rossana Annizah Binti Ahmad Rashid @ Mohd Rashidi *(Non-Independent, Executive Director and Deputy Chief Executive Officer)*

To our Shareholders

Dear Sir/Madam

PROPOSED TdC DIVIDEND-IN-SPECIE

1. INTRODUCTION

On 7 December 2012, CIMB announced, on behalf of our Board, that we are proposing to undertake an internal restructuring of TTdC, our wholly-owned subsidiary, to consolidate all quoted investments of our Group at the TdC level.

The TTdC Internal Restructuring entails the implementation of the Intercompany Settlement, TTdC Dividend-in-specie, TTdC Capital Repayment, TTdC Disposal and TTdC Dividend which resulted in the transfer of 275 million DiGi Shares to our Company as follows:

Transaction	Number of DiGi Shares Transferred (million)
Intercompany Settlement	38.47
TTdC Dividend-in-specie	10.94
TTdC Capital Repayment	81.77
TTdC Disposal	143.82
Total	**275.00**

The price per DiGi Share for the TTdC Internal Restructuring was fixed at RM4.57, based on the reference price of DiGi Shares as at 3 April 2013, being the date of implementation of the TTdC Internal Restructuring. On 8 April 2013, CIMB announced, on behalf of our Board, that the TTdC Internal Restructuring has been completed. Pursuant thereto, the entire shareholdings of our Group in DiGi, comprising 275 million DiGi Shares, has been transferred from TTdC to our Company.

We now intend to undertake the Proposed TdC Dividend-in-specie to distribute up to 137,542,414 DiGi Shares, representing up to approximately 1.77%* equity interest in DiGi which is approximately 50% of our investment in DiGi, to our shareholders following the completion of the TTdC Internal Restructuring. The Proposed TdC Dividend-in-specie will be declared out of available distributable reserves of our Company.

Shareholders should take note that the quantum of DiGi Shares to be distributed pursuant to the Proposed TdC Dividend-in-specie will be at the absolute discretion of our Board in accordance with our Board's intention to distribute up to approximately 50% of our investment in DiGi and subject to the sufficiency of distributable reserves of our Company.

Further details of the Proposed TdC Dividend-in-specie are set out in the ensuing sections.

THE PURPOSE OF THIS STATEMENT IS TO PROVIDE YOU WITH THE DETAILS PERTAINING TO THE PROPOSED TdC DIVIDEND-IN-SPECIE AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED TdC DIVIDEND-IN-SPECIE TO BE TABLED AT THE FORTHCOMING 16TH AGM. THE NOTICE CONVENING THE 16TH AGM IS SET OUT IN TdC'S 2012 ANNUAL REPORT.

WE ADVISE YOU TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS STATEMENT TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED TdC DIVIDEND-IN-SPECIE TO BE TABLED AT OUR FORTHCOMING 16TH AGM.

2. DETAILS OF THE PROPOSED TdC DIVIDEND-IN-SPECIE

2.1 Number of DiGi Shares to be distributed and basis of entitlement

The Proposed TdC Dividend-in-specie entails the distribution of up to 137,542,414 DiGi Shares, representing up to approximately 1.77%* equity interest in DiGi to the shareholders of TdC whose names appear in the Record of Depositors of TdC on the Entitlement Date.

In any event, the aggregate value of DiGi Shares to be distributed pursuant to the Proposed TdC Dividend-in-specie shall not be higher than the distributable reserves at the TdC company level.

As such, the actual number of DiGi Shares to be distributed pursuant to the Proposed TdC Dividend-in-specie and the basis of distribution for the Proposed TdC Dividend-in-specie cannot be determined at this juncture as it would depend on the market price of DiGi Shares as at the date of declaration of the Proposed TdC Dividend-in-specie vis-à-vis the distributable reserves at the TdC company level.

The final entitlement basis for the Proposed TdC Dividend-in-specie will be at the absolute discretion of our Board in accordance with our Board's intention to distribute up to approximately 50% of our investment in DiGi and subject to the sufficiency of distributable reserves of our Company. The final entitlement basis for the Proposed TdC Dividend-in-specie shall be announced in due course.

As announced on 7 December 2012, it is our Company's intention to undertake an internal restructuring of TTdC to consolidate all quoted investments of our Group at the TdC level. The TTdC Internal Restructuring was completed on 8 April 2013. In addition, our Board has also proposed to distribute up to 137,542,414 DiGi Shares, representing up to approximately 50% of the DiGi Shares transferred from TTdC, to our shareholders, after taking into consideration the recent performance of our Group's existing business as well as the financial position of our Group. Our Board has further resolved to retain the balance of 137,457,586 DiGi Shares or any undistributed DiGi Shares as an investment.

Note:

* *Based on DiGi's issued and paid-up share capital of RM77.75 million comprising 7,775,000,000 DiGi Shares as at the LPD.*

On a proforma basis, based on our audited financial statements as at 31 December 2012 and after taking into consideration (i) the dividend income received pursuant to the TTdC Dividend-in-specie and the TTdC Dividend, (ii) estimated expenses; and (iii) assuming the Proposed TdC Dividend-in-specie is declared at the illustrative price per DiGi Share of RM4.57 (being the price per DiGi Share for the TTdC Internal Restructuring), the retained earnings of our Company following the Proposed TdC Dividend-in-specie shall be reduced to RM82.210 million. The actual amount of the retained earnings remaining at our Company after the Proposed TdC Dividend-in-specie would depend on the market price of DiGi Shares as at the date of declaration of the Proposed TdC Dividend-in-specie.

For illustrative purposes only, based on the Board's intention to distribute up to 137,542,414 DiGi Shares and based on the price per DiGi Share of RM4.57 (being the price per DiGi Share for the TTdC Internal Restructuring), the unaudited proforma retained earnings after incorporating the effects of the TTdC Internal Restructuring is in excess of the retained earnings required for the distribution of up to 137,542,414 DiGi Shares to the Entitled Shareholders pursuant to the Proposed TdC Dividend-in-specie on the basis of twenty four (24) DiGi Shares for every one hundred (100) TdC Shares held by the Entitled Shareholders.

Fractional entitlements to DiGi Shares to be distributed pursuant to the Proposed TdC Dividend-in-specie, if any, shall be disregarded and dealt with in such manner as our Board shall in their absolute discretion deems fit and in the best interest of the Company.

To avoid the incidence of odd lots of DiGi Shares, Entitled Shareholders will receive their entitlements under the Proposed TdC Dividend-in-specie as follows:

i) up to the nearest, rounded down board lot of DiGi Shares, by way of crediting of DiGi Shares into the CDS Accounts of the Entitled Shareholders; and thereafter

ii) in respect of any remaining odd lots of DiGi Shares after (i) above, if any, by way of cash, in lieu of their entitlement to DiGi Shares ("**Cash Settlement**").

For the avoidance of doubt, any remaining odd lot of DiGi Shares entitled after (i) above will not be credited into the CDS Accounts of the Entitled Shareholders.

For clarification, one (1) board lot of DiGi Shares comprises one hundred (100) DiGi Shares.

To facilitate the Cash Settlement, CIMB Bank Berhad ("**Odd Lot Agent**") will be appointed by us to dispose of the aggregate of the odd lot entitlements of DiGi Shares on Bursa Securities.

The Odd Lot Agent shall thereafter remit the proceeds from the disposal of such DiGi Shares (net of transaction costs including Odd Lot Agent fee, brokerage, stamp duty and clearing fee) for onward distribution to the Entitled Shareholders. Such proceeds shall be distributed on a pro-rata basis to the Entitled Shareholders in accordance with their entitlement to odd lots of DiGi Shares pursuant to the Proposed TdC Dividend-in-specie.

For avoidance of doubt, transaction costs in relation to the disposal of the DiGi Shares pursuant to the Cash Settlement, including Odd Lot Agent fee (an estimated 1.5% of gross proceeds), brokerage (an estimated 0.2% of gross proceeds), stamp duty (at the applicable rates imposed by the Stamp Duty (Remission) Order, 2003) and clearing fee (at the applicable rates imposed by the stock exchange) will be borne by the Entitled Shareholders who are entitled to odd lots of DiGi Shares. Such costs will be set off against proceeds receivable from the disposal of such DiGi Shares and no additional contribution from the Entitled Shareholders towards costs in relation to the Cash Settlement arrangement will be required.

Payments to the Entitled Shareholders in respect of the Cash Settlement will be made via cheques or the crediting of the payment to the nominated bank accounts of the Entitled Shareholders, as applicable, within 15 market days from the date of completion of the Proposed TdC Dividend-in-specie. The period of 15 market days is provided for the implementation of the disposal of the aggregate of the odd lot entitlements of DiGi Shares by the Odd Lot Agent as well as the administrative process required for the onward distribution of the proceeds to the Entitled Shareholders.

For illustrative purposes only, and assuming an entitlement basis of twenty four (24) DiGi Shares for every one hundred (100) TdC Shares held, an Entitled Shareholder holding 1,000 TdC Shares shall receive the following:

i) 200 DiGi Shares; and

ii) RM179.64, in lieu of the entitlement to the remaining 40 DiGi Shares, which is computed as follows:

	RM
Gross proceeds (40 DiGi Shares x RM4.57)[(1)]	182.80
Proportionate cost of: Fee payable to Odd Lot Agent (1.5% of gross proceeds)	(2.74)
Brokerage (0.2% of gross proceeds)	(0.37)
Stamp duty	[(2)]
Clearing fee (0.03% of gross proceeds)	(0.05)
Net cash proceeds receivable	**179.64**

Notes:

(1) For illustrative purposes only and based on the price per DiGi Share of RM4.57 (being the price per DiGi Share for the TTdC Internal Restructuring). Shareholders should take note that the actual transaction price may differ from the illustrative price of RM4.57 per DiGi Share.

(2) Based on the applicable stamp duty rates imposed by the Stamp Duty (Remission) Order, 2003, the proportionate stamp duty is expected to be negligible.

2.2 Retained earnings of TdC

Based on our Company's audited financial statements for the FYE 31 December 2012, our retained earnings at the company level stood at RM5.03 million. A further RM707.250 million of distributable reserves had been realised at the TdC company level pursuant to the TTdC Internal Restructuring respectively. As such, we have sufficient distributable reserves to declare a distribution of DiGi Shares with an aggregate value of up to RM712.279 million as at the date of declaration of the Proposed TdC Dividend-in-specie.

In respect of the above, our Board has prepared and compiled the proforma movements of share capital and reserves as at 31 December 2012 based on the Company's and the Group's accounting policies as set out in the Company's and the Group's latest available audited financial statements for the year ended 31 December 2012 and in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards. Based on the Company's proforma movements of share capital and reserves and the assessment of the availability of reserves as at 31 December 2012, the unaudited proforma retained earnings of the Company is RM712.279 million after the TTdC Internal Restructuring.

Our Board confirms that as of the date of this Statement, there have been no material adverse changes in the retained earnings of our Company or any unusual factors adversely affecting the profits of the Company save for the TTdC Dividend-in-specie and TTdC Dividend which form part of the TTdC Internal Restructuring, since the last audited financial statements of our Group.

In accordance with the Board's intention to distribute up to approximately 50% of our investment in DiGi and based on the illustrative price per DiGi Share of RM4.57 (being the price per DiGi Share for the TTdC Internal Restructuring), the unaudited proforma retained earnings after incorporating the effects of the TTdC Internal Restructuring is in excess of the retained earnings required for the distribution of up to 137,542,414 DiGi Shares to the Entitled Shareholders pursuant to the Proposed TdC Dividend-in-specie.

Set out below are the movements in our retained earnings after taking into consideration the receipt of the TTdC Dividend-in-specie and the receipt of the TTdC Dividend, both of which form part of the TTdC Internal Restructuring which was completed on 8 April 2013 and the distribution of 137,542,414 DiGi Shares to our shareholders pursuant to the Proposed TdC Dividend-in-specie, assuming the Proposed TdC Dividend-in-specie had been declared on the same date as the TTdC Internal Restructuring based on the price per DiGi Share of RM4.57 (being the price per DiGi Share for the TTdC Internal Restructuring):

Company level

Retained earnings

		RM 000
Audited as at 31 December 2012[(1)]		5,029
Add:	Dividend income received from TTdC Dividend-in-specie and TTdC Dividend (which form part of the TTdC Internal Restructuring)	707,250
Retained earnings after the TTdC Internal Restructuring		712,279
Less:	After the Proposed TdC Dividend-in-specie	(628,569)[(2)]
Less:	Estimated expenses[(3)]	(1,500)
Retained earnings after the Proposed TdC Dividend-in-specie		**82,210**

Notes:

(1) *Based on our audited financial statements for the FYE 31 December 2012.*

(2) *The effect of the Proposed TdC Dividend-in-specie on the retained earnings of our Company will depend on the market price per DiGi Share as at the date of declaration and the number of DiGi Shares distributed pursuant to the Proposed TdC Dividend-in-specie.*

For illustrative purposes only and based on the price per DiGi Share of RM4.57 (being the price per DiGi Share for the TTdC Internal Restructuring), and a total of 137,542,414 DiGi Shares distributed under the Proposed TdC Dividend-in-specie, RM628.57 million of retained earnings will be utilised for the Proposed TdC Dividend-in-specie. Any difference between the illustrative price per DiGi Share and the price per DiGi Share as at the date of declaration of the Proposed TdC Dividend-in-specie will have an effect on the amount of retained earnings utilised for the Proposed TdC Dividend-in-specie.

(3) *Estimated expenses comprise brokerage-related expenses in relation to the TTdC Internal Restructuring and professional fees.*

The Reporting Accountants vide its letter dated 26 April 2013, has noted that the unaudited proforma retained earnings after incorporating the effects of the TTdC Internal Restructuring is in excess of the Proposed TdC Dividend-in-specie assuming that a total of 137,542,414 DiGi Shares is distributed and based on an illustrative price of RM4.57 per DiGi Share. A copy of the Reporting Accountants' letter is set out in Appendix II of the Statement.

2.3 Original cost of investment

The recorded cost of investment in the DiGi Shares which were acquired in 2008 is RM2.49 per DiGi Share*.

Note:

* *After taking into consideration the subdivision of every one (1) existing ordinary share of RM0.10 each in DiGi into ten (10) ordinary shares of RM0.01 each in DiGi which was completed on 24 November 2011.*

2.4 Ranking of the DiGi Shares to be distributed pursuant to the Proposed TdC Dividend-in-specie

The DiGi Shares to be distributed to the Entitled Shareholders pursuant to the Proposed TdC Dividend-in-specie are existing issued and paid-up shares in DiGi which are already listed and quoted on the Main Market of Bursa Securities. The DiGi Shares will be distributed free from all encumbrances and will rank pari passu in all respects with the other then existing DiGi Shares, save and except that the said DiGi Shares shall not entitle their holders to any dividend, right, allotment and/or other distribution, that may be declared, made or paid prior to the date on which the said DiGi Shares are credited into the CDS Accounts of the Entitled Shareholders.

2.5 Tax implications to TdC and the entitled shareholders pursuant to the Proposed TdC Dividend-in-specie

The Proposed TdC Dividend-in-specie will be considered as a single-tier dividend. Subject to the availability of its retained earnings and obtaining relevant approvals, our Company is free to distribute single-tier dividends which are tax exempt in the hands of the Entitled Shareholders.

2.6 Information on DiGi

Information on DiGi is set out in Appendix I of this Statement.

3. RATIONALE FOR THE PROPOSED TdC DIVIDEND-IN-SPECIE

The Proposed TdC Dividend-in-specie is undertaken to provide a return to our shareholders and to enable our shareholders to hold DiGi Shares directly without any cash outlay, and to reward our shareholders for their continuous support to our Group. In view of the recent performance of our Group's existing business as well as the financial position of our Group, our Board believes that we are in a position to reward our shareholders by way of the Proposed TdC Dividend-in-specie.

For information purposes, the dividend income from our Group's entire shareholdings in DiGi (before the Proposed TdC Dividend-in-specie) for the FYE 31 December 2010, FYE 31 December 2011 and FYE 31 December 2012 was as follows:

	FYE 31 December 2010	FYE 31 December 2011	FYE 31 December 2012
		RM 000	
Dividend income	47,850	42,075	83,325

After the completion of the Proposed TdC Dividend-in-specie, Entitled Shareholders will be able to derive future dividend income from the DiGi Shares distributed directly as and when being declared and paid by DiGi. Our Company will thereafter no longer be able to derive any future dividend income which may be declared and paid from the DiGi Shares, which would be otherwise received by us.

The remaining 137,457,586 DiGi Shares held as an investment after the Proposed TdC Dividend-in-specie shall continue to provide our Group with future dividend income which may be declared and paid by DiGi, which can be utilised for the requirements of the existing business of our Group.

4. EFFECTS OF THE PROPOSED TdC DIVIDEND-IN-SPECIE

For purposes of illustrating the effects and/or implications of the Proposed TdC Dividend-in-specie, we have assumed that 137,542,414 DiGi Shares will be distributed pursuant to the Proposed TdC Dividend-in-specie ("**Assumption**").

The proforma effects in this section are presented purely for illustration purposes based on the Assumption and should not be regarded as an indication or reference to the final entitlement basis for the Proposed TdC Dividend-in-specie. The final entitlement basis for the Proposed TdC Dividend-in-specie will be at the absolute discretion of our Board in accordance with our Board's intention to distribute up to approximately 50% of our investment in DiGi and subject to the sufficiency of distributable reserves of TdC.

4.1 Share capital

The Proposed TdC Dividend-in-specie will not have any effect on our issued and paid-up share capital.

4.2 Substantial shareholders' shareholding

The Proposed TdC Dividend-in-specie will not have any effect on our substantial shareholders' shareholdings.

(The rest of this page has been intentionally left blank)

4.3 NA per Share and gearing

The TTdC Internal Restructuring does not have any effect on the audited consolidated financial statements of TdC for the FYE 31 December 2012.

For illustrative purposes only, the proforma effects of the Proposed TdC Dividend-in-specie on our consolidated NA and gearing based on our audited consolidated financial statements as at 31 December 2012 assuming the Proposed TdC Dividend-in-specie had been declared on the same date as the TTdC Internal Restructuring based on the price per DiGi Share of RM4.57 (being the price per DiGi Share for the TTdC Internal Restructuring), are as follows:

	Audited as at 31 December 2012	**After the Proposed TdC Dividend-in-specie**
	RM 000	**RM 000**
Share capital	286,547	286,547
Share premium	844,686	844,686
Available-for-sale reserve	855,250	328,524[(1)]
Foreign currency translation reserve	(1,005)	(1,005)
Capital reserves	8,760	8,760
Retained earnings	485,606	184,263[(2)]
Total equity / NA attributable to ordinary shareholders	**2,479,844**	**1,651,775**
Par value	0.50	0.50
No. of TdC Shares (000)	573,093	573,093
NA per TdC Share (RM)	4.33	2.88
Borrowings (RM 000)	154,532	154,532
Gearing (times)	0.06	0.09

Notes:

(1) The decrease in the Available-for-sale reserve is a result of:

i) movements in the share price of DiGi from 31 December 2012 up to the date of declaration of the Proposed TdC Dividend-in-specie, assuming it had been declared on the same date as the TTdC Internal Restructuring based on the price per DiGi Share of RM4.57; and

ii) the realisation of RM328.726 million pursuant to the distribution of 137,542,414 DiGi Shares under the Proposed TdC Dividend-in-specie.

(2) The decrease in the Retained earnings is a result of:

i) the distribution of 137,542,414 DiGi Shares pursuant to the Proposed TdC Dividend-in-specie;

ii) the realisation of RM328.726 million Available-for-sale reserves pursuant to the distribution of 137,542,414 DiGi Shares under the Proposed TdC Dividend-in-specie; and

iii) estimated expenses for the TTdC Internal Restructuring and Proposed TdC Dividend-in-specie amounting to approximately RM1.50 million.

4.4 Earnings and EPS

After the completion of the Proposed TdC Dividend-in-specie, we will no longer be able to derive any future dividend income which may be declared and paid from the DiGi Shares, which would be otherwise received by us.

For illustrative purposes only, based on our audited consolidated financial statements for the FYE 31 December 2012 and on the assumption that the Proposed TdC Dividend-in-specie had been declared on 1 January 2012, being the beginning of FYE 31 December 2012, the Proposed TdC Dividend-in-specie, would have the following proforma effect on our consolidated results and EPS:

	Proforma consolidated results	Proforma consolidated EPS[(1)]
	RM 000	**sen**
PAT attributable to the owners of our Company and EPS for the FYE 31 December 2012	193,729	35.39
Less: Reversal of dividend income from the DiGi Shares distributed pursuant to the Proposed TdC Dividend-in-specie	(41,663)	(7.61)
Add: Realisation of Available-for-sale reserve[(2)]	233,822	42.70
Less: Estimated expenses[(3)]	(1,500)	(0.27)
Proforma PAT attributable to the owners the Company and EPS for the FYE 31 December 2012	384,388	70.21

Notes:

(1) TdC had implemented a series of corporate proposals in 2012. For the purpose of the EPS computation, the weighted average number of TdC Shares in issue during the FYE 31 December 2012 of 547.445 million TdC Shares had been used.

(2) Based on the price of RM3.88 per DiGi Share as at 31 December 2011.

(3) Estimated expenses comprise brokerage-related expenses in relation to the TTdC Internal Restructuring and professional fees.

4.5 Convertible Securities

As at the LPD, we do not have any existing convertible securities.

5. APPROVALS REQUIRED

The Proposed TdC Dividend-in-specie is subject to and conditional upon the following approvals being obtained:

(i) our shareholders at the forthcoming AGM; and

(ii) any other relevant authorities and/or parties, if required.

The Proposed TdC Dividend-in-specie is not conditional upon any other corporate proposals of TdC.

6. OUTSTANDING CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed TdC Dividend-in-specie, we do not have any other corporate proposals which have been announced but are pending completion as at the LPD.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of our Directors, major shareholders and/or persons connected with them has any interest, direct or indirect, in the Proposed TdC Dividend-in-specie, save for their respective entitlement as shareholders of our Company, if any, under the Proposed TdC Dividend-in-specie, which is the same as all our shareholders.

8. DIRECTORS' RECOMMENDATION

Our Board, having considered all aspects of the Proposed TdC Dividend-in-specie, including the rationale for the Proposed TdC Dividend-in-specie, and after careful deliberation, is of the opinion that the Proposed TdC Dividend-in-specie is in the best interest of the Company.

Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed TdC Dividend-in-specie at our forthcoming AGM.

9. TIMEFRAME FOR IMPLEMENTATION OF THE PROPOSED TdC DIVIDEND-IN-SPECIE

Barring unforeseeable circumstances and subject to the approvals as stated in Section 5 above being obtained, the Proposed TdC Dividend-in-specie, is expected to be completed by the second (2nd) quarter of 2013. The tentative timeline of events in relation to the Proposed TdC Dividend-in-specie is as follows:

Event	Tentative timeline
Approval of our shareholders for the Proposed TdC Dividend-in-specie at the 16th AGM to be convened	20 May 2013
Completion of the Proposed TdC Dividend-in-specie	June 2013
Payment to the Entitled Shareholders pursuant to the Cash Settlement	July 2013

10. HISTORICAL SHARE PRICES

The monthly high and low transacted market prices of TdC Shares traded on the Main Market of Bursa Securities for the past twelve (12) months from April 2012 to March 2013 are as follows:

Month	High	Low
	RM	RM
2012		
April	3.63	3.35
May	3.63	2.70
June	3.65	3.05
July	3.57	3.27
August	3.48	3.30
September	3.42	3.10
October	3.56	3.10
November	3.52	3.32
December	4.03	3.40
2013		
January	4.11	3.67
February	3.87	3.50
March	4.02	3.66

Last transacted market price of TdC Shares on 6 December 2012, being the last trading day prior to the date of announcement on 7 December 2012	RM3.48
Last transacted price as at the LPD	RM4.00

(Source: Bloomberg)

11. 16th AGM

The ordinary resolution to approve the Proposed TdC-Dividend-in-specie has been incorporated in the agenda of special business as set out in TdC's 2012 Annual Report. TdC will convene its 16th AGM at Saujana Ballroom, Ground Floor, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 20 May 2013 at 10.00 a.m. or at any adjournment (as the case may be), of which the notice together with the Form of Proxy are enclosed in TdC's 2012 Annual Report, for you to consider and, if thought fit, to pass the resolution with or without modifications, to give effect to the Proposed TdC Dividend-in-specie.

If you are unable to attend and vote in person at the 16th AGM, please complete, sign and return the Form of Proxy to Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan so as to arrive not later than 48 hours before the time set for the 16th AGM or at any adjournment thereof. The Form of Proxy should be completed strictly in accordance with the instructions contained therein. The lodgement of the Form of Proxy will not preclude you from attending and voting in person should you subsequently wish to do so.

12. ADDITIONAL INFORMATION

You are advised to refer to the attached appendices for additional information.

Yours faithfully,
For and on behalf of the Board of
TIME dotCom Berhad

Afzal Bin Abdul Rahim
Non-Independent, Executive Director and Chief Executive Officer

INFORMATION ON DiGi

The information in this Appendix relating to DiGi has been obtained from published or other publicly available sources. The sole responsibility of the Directors of TdC with respect to the information pertaining to DiGi is limited to ensuring that such information is accurately extracted and reproduced in this Appendix. Neither we nor our advisers have independently verified any information pertaining to DiGi.

1. HISTORY AND BUSINESS

DiGi was incorporated on 28 March 1997 in Malaysia under the Companies Act,1965 as a private limited company under the name of Mutiara Swisscom Sdn Bhd. On 3 April 1997, the company was converted into a public limited company and assumed the name Mutiara Swisscom Berhad. On 16 December 1998, the company's name was changed to DiGi Swisscom Berhad and subsequently on 18 April 2000, the company's name was changed to DiGi.Com Berhad.

The official listing of DiGi's shares on the Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) was granted on 18 December 1997.

The immediate holding and ultimate holding companies of DiGi are Telenor Asia Pte Ltd and Telenor ASA, incorporated in Singapore and Norway respectively. The ultimate holding company is listed on the Oslo Stock Exchange, Norway.

The principal activity of DiGi is investment holding. The principal activities of its subsidiaries are as disclosed in Section 5 of this Appendix.

DiGi is part of the global telecommunications provider, Telenor Group. DiGi's mobile service operations are undertaken by its wholly-owned subsidiary, DiGi Telecommunications Sdn Bhd.

DiGi commenced operations in May 1995 when it launched its fully digital GSM 1800 services, the first digital mobile communications service in Malaysia.

DiGi is the newest 3G broadband provider, investing in the latest High Speed Packet Access (HSPA) technology to be the first in Malaysia to deploy a 14.4 Mbps network.

DiGi's presence as a leader in prepaid services resulted in a number of firsts that have set industry benchmarks for simplicity and innovation. These customised and flexible services are offered under the DiGi Prepaid brand name. DiGi's postpaid services under DiGi Postpaid and DiGi Business deliver quality voice as well as value-added mobile content and data services to individual and corporate customers.

2. SHARE CAPITAL

Based on the Annual Report 2012 of DiGi and the announcements made by DiGi on Bursa Securities up to the LPD, and a search conducted on DiGi at CCM ("**CCM Search**") on 4 April 2013, the authorised, issued and paid-up share capital of DiGi is as follows:

	RM
Authorised share capital:	
100,000,000,000 ordinary shares of RM0.01 each	1,000,000,000
Issued and fully paid up:	
7,775,000,000 ordinary shares of RM0.01 each	77,750,000

3. SUBSTANTIAL SHAREHOLDERS

Based on the Annual Report 2012 of DiGi and the announcements made by DiGi on Bursa Securities up to the LPD, the substantial shareholders of DiGi and their respective shareholdings in DiGi are as follows:

		Direct		Indirect	
Names	**Country of incorporation**	**No. of DiGi Shares held**	**%**	**No. of DiGi Shares held**	**%**
Telenor Asia Pte Ltd	Singapore	3,809,750,300	49.00	-	-
Telenor Mobile Communications AS	Norway	-	-	3,809,750,300[(a)]	49.00
Telenor Mobile Holding AS	Norway	-	-	3,809,750,300[(b)]	49.00
Telenor ASA	Norway	-	-	3,809,750,300[(c)]	49.00
Employees Provident Fund Board	Malaysia	1,226,310,940	15.77	-	-

Notes:

(a) Deemed interested by virtue of its 100% interest in Telenor Asia Pte Ltd.
(b) Deemed interested by virtue of its 100% interest in Telenor Mobile Communications AS.
(c) Deemed interested by virtue of its 100% interest in Telenor Mobile Holding AS.

4. DIRECTORS

Based on the Annual Report 2012 of DiGi, the announcements made by DiGi on Bursa Securities up to the LPD and a CCM Search on 4 April 2013, the particulars of the Directors of DiGi and their respective shareholdings in DiGi are as follows:

			Direct		Indirect	
Directors	**Nationality**	**Designation**	**No. of DiGi shares**	**%**	**No. of DiGi shares**	**%**
Sigve Brekke	Norwegian	Chairman and Non-Independent Non-Executive Director	-	-	-	-
Tan Sri Leo Moggie	Malaysian	Senior Independent Non-Executive Director	-	-	-	-
Dato' Ab. Halim Bin Mohyiddin	Malaysian	Independent Non-Executive Director	-	-	-	-
Dato' Saw Choo Boon	Malaysian	Independent Non-Executive Director	-	-	-	-
Tore Johnsen^	Norwegian	Non-Independent and Non-Executive Director	-	-	-	-
Hakon Bruaset Kjol	Norwegian	Non-Independent, Non-Executive Director	-	-	-	-
Morten Karlsen Sorby	Norwegian	Non-Independent, Non-Executive Director	-	-	-	-

Note:

^ *He is also the alternate director to Sigve Brekke*

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

Based on the Annual Report 2012 of DiGi, the announcements made by DiGi on Bursa Securities up to the LPD and a CCM Search on 4 April 2013, the subsidiaries of DiGi are as follows:

Subsidiary	Date / Place of incorporation	Equity interest held (%)	Issued and paid-up share capital (RM)	Principal activities
DiGi Telecommunications Sdn Bhd ("**DTSB**")	21 July 1990 / Malaysia	100	500,000,000	Establishment, maintenance and provision of telecommunications and related services
Pay By Mobile Sdn Bhd	10 February 2009 / Malaysia	100	2	Dormant
Subsidiaries of DTSB:				
DiGi Services Sdn Bhd	7 July 1992 / Malaysia	100	500,000	Renting of premises and other related services
Djuice.Com Sdn Bhd	19 December 2000 / Malaysia	100	2	Dormant

As at the LPD, DiGi does not have any interest in any associated company.

(The rest of this page has been intentionally left blank)

6. FINANCIAL INFORMATION

6.1 The table below sets out the financial information of DiGi based on its audited consolidated financial statements for the FYE 31 December 2010, FYE 31 December 2011 and FYE 31 December 2012:

	Audited		
	FYE 31 December 2010	FYE 31 December 2011	FYE 31 December 2012
	RM 000 (unless otherwise stated)		
Revenue	5,406,457	5,963,954	6,360,913
Profit before tax ("**PBT**")	1,597,248	1,560,262	1,590,949
Taxation	(419,244)	(305,878)	(385,234)
Profit for the year	1,178,004	1,254,384	1,205,715
Profit for the year attributable to:			
- Owners of DiGi	1,178,004	1,254,384	1,205,715
Issued and paid-up share capital	77,750	77,750	77,750
Number of DiGi Shares in issue (000) (6)	7,775,000	7,775,000	7,775,000
Weighted average number of DiGi Shares in issue (000)(6)	7,775,000	7,775,000	7,775,000
Shareholders' funds / NA	1,346,622	1,411,431	261,321
Borrowings	1,076,863	728,009	1,080,149
Gross EPS (sen)(1) (6)	20.54	20.07	20.46
Net EPS (sen)(2) (6)	15.15	16.13	15.51
NA per DiGi Share (sen)(3) (6)	17.32	18.15	3.36
Current ratio (times)(4)	0.59	0.63	0.52
Gearing (times)(5)	0.80	0.52	4.13

Notes:

(1) *Computed based on PBT over the corresponding weighted number of DiGi Shares in issue for the respective financial years*

(2) *Computed based on PAT attributable to owners of DiGi over the corresponding weighted number of DiGi Shares in issue for the respective financial years*

(3) *Computed as NA over the corresponding number of DiGi Shares in issue*

(4) *Computed based on current assets over current liabilities of DiGi*

(5) *Computed based on total borrowings over shareholders' funds*

(6) *On 24 November 2011, every one (1) existing ordinary share of RM0.10 each in DiGi was sub-divided into ten (10) ordinary shares of RM0.01 each in DiGi ("**DiGi Share Subdivision**"). Pursuant thereto, 777,500,000 ordinary shares of RM0.10 each in DiGi were sub-divided into 7,775,000,000 ordinary shares of RM0.01 each in DiGi.*

The number of DiGi Shares in issue as stated above had taken into consideration the effects of the DiGi Share Subdivision for ease of comparison.

There were no audit qualifications to the audited consolidated financial statements of DiGi for the FYE 31 December 2010, FYE 31 December 2011 and FYE 31 December 2012.

6.2 COMMENTARIES ON FINANCIAL PERFORMANCE

The commentaries on financial performance have been extracted from the annual reports of DiGi for the relevant financial years.

6.2.1 FYE 31 December 2012

Total revenues reached RM6,361 million in 2012 (2011: RM5,964 million), a growth of 6.7% over the previous year. This was driven by a combination of service revenue growth and higher handset sales in the year.

Service revenues grew by 4.8% in 2012, to RM5,891 million (2011: RM5,619 million), with positive contributions from both data and voice.

Data revenues grew by RM226 million for the year to RM1,841 million (2011: RM1,615 million). At end 2012, data revenues accounted for 31.3% (2011: 28.7%) of DiGi's service revenues, driven by strong mobile internet usage from higher take-up of smartphone plans and bundles, and as a result of the increase in smartphone users on DiGi's network, which rose to 26.4% in 2012 (2011: 22.0%).

Voice revenues increased by RM47 million to RM4,050 million (2011: RM4,003 million), from higher domestic and international voice traffic.

Handset revenues were significantly higher in the year, driven largely by the strong demand for popular smart devices.

DiGi reported slightly lower profit after tax of RM1,206 million in 2012 (2011: RM1,254 million), on the back of higher accelerated depreciation and amortisation charges, and higher tax expense.

DiGi accounted for higher accelerated depreciation and amortisation charges compared to the previous year. These charges were related to DiGi's ongoing network modernisation programme, which will be completed by Q3 2013. DiGi expects to book a balance of between RM150 million and RM160 million in accelerated depreciation and amortisation charges in 2013.

The higher tax expense in the year was a result of lower broadband tax incentives compared to 2011, and DiGi expects the effective tax rate in 2013 to be slightly below the statutory tax rate.

6.2.2 FYE 31 December 2011

Total revenue amounted to RM6.0 billion in 2011, up by 10.3% year-on-year (2010: RM5.4 billion) driven predominantly by the 8.1% year-on-year growth in service revenue as well as higher handset sales in the year.

Service revenue growth in the year came solely from data revenue which grew 37.8% year-on-year whilst voice revenue was slightly down, registering a marginal 0.6% year-on-year decline.

Voice revenue was under-pinned by stable domestic and international traffic. Smart-bundling and pricing continued to drive data growth in 2011. However, there was a slight slow-down in mobile broadband momentum towards the latter part of the year, and this was largely due to a conscious decision to control growth and reduce excessive usage on the network.

At end 2011, data revenue accounted for 28.7% (2010: 22.5%) of DiGi's service revenue and 22% of overall customers are smart-phone users, which augurs well for future data growth.

DiGi reported a substantial jump in net profit, rising from RM1.2 billion to RM1.3 billion (+5.9% year-on-year). The high net profit was a result of lower prior (dating back to 2009) and current year effective tax rates on approved tax incentives related to mobile broadband network facilities.

6.2.3 FYE 31 December 2010

The DiGi Group achieved total revenue surpassing RM5.4 billion, 10% higher than the RM4.9 billion achieved in the preceding financial year. Increased usage from an enlarged subscription base of 8.8 million (2009: 7.7 million), inclusion of handset bundles plus rising revenue contributions from data services were the key revenue drivers for the year.

Revenue from data services in particular, proved encouraging; registering a growth of more than 20% year-on-year to RM1.2 billion (2009: RM1.0 billion). This was mainly precipitated by high take-up of smart-phone bundles and attractive mobile broadband offerings launched in the year. However, average revenue per user ("**ARPU**") dipped to RM52 (2009: RM55); a cumulative result of increased competition on international traffic, a higher proportion of on-net traffic and reduced domestic interconnect revenue following the reduction in mobile termination rate ("**MTR**") that came into effect in early July 2010.

PBT and PAT for the current financial year stood at RM1.6 billion and RM1.2 billion respectively (2009: RM1.4 billion and RM1.0 billion respectively); resulting in an EPS of 151.5* sen for the year; a marked improvement from the 128.7* sen reported in the last financial year.

Note:

* *The EPS was computed based on the weighted average number of DiGi Shares then in issue*

(The rest of this page has been intentionally left blank)

7. HISTORICAL SHARE PRICES

The monthly high and low transacted market prices of DiGi Shares traded on the Main Market of Bursa Securities for the past twelve (12) months from April 2012 to March 2013 are as follows:

Month	High	Low
	RM	RM
2012		
April	4.09	3.90
May	4.09	3.82
June	4.29	3.94
July	4.54	4.19
August	5.04	4.41
September	5.35	4.73
October	5.57	5.23
November	5.37	4.51
December	5.36	4.80
2013		
January	5.33	4.81
February	4.98	4.52
March	4.79	4.38

Last transacted market price of DiGi Shares on 6 December 2012, being the last trading day prior to the date of announcement on 7 December 2012	RM4.85
Last transacted price as at the LPD	RM4.63

(Source: Bloomberg)

8. MATERIAL CONTRACTS

Based on the DiGi Circular dated 16 April 2013 to shareholders in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("**DiGi Circular dated 16 April 2013**") and the announcements made by DiGi on Bursa Securities up to the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the DiGi Group within the two (2) years preceding the LPD.

9. MATERIAL LITIGATION

Based on the DiGi Circular dated 16 April 2013 and the announcements made by DiGi on Bursa Securities up to the LPD, there is no material litigation, claims or arbitration and any proceeding pending or threatened against the DiGi Group or of any facts likely to give rise to any proceedings which involve the DiGi Group as at the LPD.

LETTER FROM THE REPORTING ACCOUNTANTS

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

The Board of Directors
TIME dotCom Berhad
Level 4, No. 14,
Jalan Majistret U1/26,
40150 Shah Alam,
Selangor Darul Ehsan

Date: 26 April 2013

Dear Sirs

TIME dotCom Berhad ("TdC" or "the Company")
Availability of reserves in connection with the TT dotCom Sdn. Bhd. Internal Restructuring and Proposed TdC Dividend-in-specie

We have performed the procedures agreed with you and enumerated below with respect to the internal restructuring of TdC's subsidiary, TT dotCom Sdn. Bhd. ("TTdC") (" TTdC Internal Restructuring") and the proposed dividend-in-specie of TdC ("Proposed TdC Dividend-in-specie") as set out and described in the Statement to Shareholders dated 26 April 2013.

Our engagement was undertaken in accordance with the Malaysian Standard on Related Services applicable to agreed-upon procedures engagements, ISRS 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information". The procedures as summarised below were performed solely to assist you in evaluating the availability of reserves based on the unaudited pro forma movements of share capital and reserves and the basis of preparation thereon for which the Directors are solely responsible (which we have stamped for the purpose of identification with this letter, and set forth in the accompanying Attachment):

A. We agreed the balance of the retained earnings prior to the TTdC Internal Restructuring and Proposed TdC Dividend-in-specie to the audited financial statements of TdC for the year ended 31 December 2012 for the Company level and noted no exception.

B. We compared the amount and/or recalculated the amount from the corresponding amount appearing on management schedule or computation prepared by TdC based on the announcement to Bursa Malaysia Securities Berhad dated 7 December 2012 and 3 April 2013 (as also set out in the attached unaudited pro forma movements of retained earnings as shown in Note 7 of the Attachment) and noted no exception.

C. Subsequent to procedures A and B above, we compared the unaudited pro forma retained earnings after incorporating the effects of the TTdC Internal Restructuring against the Proposed TdC Dividend-in-specie and noted that the unaudited pro forma retained earnings balance after incorporating the effects of the TTdC Internal Restructuring scheme is in excess of the Proposed TdC Dividend-In-Specie.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Because the above procedure does not constitute either an audit or a review made in accordance with Malaysian Standards on Auditing, we do not express any assurance on the attached unaudited pro forma movements of share capital and reserves and notes therein. Our engagement cannot be relied upon to disclose errors, irregularities or illegal acts, including fraud or defalcations may exist.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with Malaysian Standards on Auditing, other matters might have come to our attention that would have been reported to you. It should be understood that we make no representations as to questions of legal interpretation and the sufficiency of procedures enumerated above.

Our report is solely for the purpose set forth in the first paragraph of this report and as such, it should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to you or any other party in respect of this letter contrary to the purpose set out above. This report relates only to the account and item specified above and does not extend to any financial statements of the Company, taken as a whole.

Yours faithfully

KPMG
Firm Number: AF 0758
Chartered Accountants

UNAUDITED PRO FORMA MOVEMENTS OF SHARE CAPITAL AND RESERVES

The unaudited pro forma movements of share capital and reserves of TdC as at 31 December 2012 as set out below are provided for illustrative purposes only and incorporate the transactions referred to in the notes as if they were effected on 31 December 2012.

Unaudited Pro Forma Movements of Share Capital and Reserves (Company Level)

	Historical	Pro Forma 1		Pro Forma 2	
	Audited as at 31.12.2012 RM 000	**After the TTdC Internal Restructuring RM 000**		**RM 000**	
Share capital	286,547	286,547		286,547	
Share premium	844,686	844,686		844,686	
Capital reserve	8,760	8,760		8,760	
Retained earnings	5,029	712,279	(1)	82,210	(2)
	1,145,022	1,852,272		1,222,203	
Par value (sen)	0.50	0.50		0.50	
No. of TdC Shares ('000)	573,093	573,093		573,093	
NA per TdC Share (RM)	2.00	3.23		2.13	

(1) After taking into consideration the following:

(i) the recognition of the dividend-in-specie declared by TTdC to TdC (as part of the TTdC Internal Restructuring) amounting to RM50.0 million through transfer of 10.94 million DiGi Shares to TdC at the share price of RM4.57 per DiGi share; and

(ii) The declaration of a single-tier dividend amounting to RM657.25 million by TTdC to TdC. This is post TTdC Internal Restructuring, whereby TTdC has now realized its cumulative available for sale fair value reserve gains (for the entire 275.0 million DiGi shares) amounting to RM657.25 million to retained earnings.

(2) (i) After the Proposed TdC Dividend-in-specie of up to 137,542,414 DiGi Shares (amounting to RM628.57 million at the assumed price of RM4.57 per DiGi share) to the shareholders of TdC; and

(ii) After deducting the estimated expenses (comprising brokerage related expenses for the TTdC Internal Restructuring and professional fees) of approximately RM1.5 million relating to the corporate exercise.

KPMG Stamped For Identification Purpose Only PETALING JAYA

TIME dotCom BHD Reviewed P&IR DEPT

NOTES TO THE UNAUDITED PRO FORMA MOVEMENTS OF SHARE CAPITAL AND RESERVES

1. The unaudited pro forma movements of share capital and reserves of the Company as at 31 December 2012 together with the notes herein which have been prepared for illustrative purposes only and for which the Directors are solely responsible, have been prepared in connection with the TTdC Internal Restructuring and the Proposed TdC Dividend-in-specie.

2. The retained earnings of the Company as at 31 December 2012 amounting to RM5.029 million have been extracted from the audited financial statements of the Company for the financial year ended 31 December 2012, for which the Directors are solely responsible.

3. The Proposed TdC Dividend-in-specie is subject to the sufficiency of distributable reserves of TdC after the completion of the TTdC Internal Restructuring and after having obtained the necessary approvals required for the Proposed TdC Dividend-in-specie.

4. The retained earnings of RM82.21 million after the Proposed TdC Dividend-in-specie may be subject to further movements arising from the measurement requirements of IC Interpretation 17, *Distributions of Non-Cash to Owners*. At the end of each reporting period (subsequent to the dividend declaration date) and at the date of settlement, the Company shall review and adjust the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution.

5. The Directors estimate that the expenses (comprising brokerage related expenses for the TTdC Internal Restructuring and professional fees) to be incurred for the abovementioned corporate exercise will be approximately RM1.5 million.

6. The unaudited pro forma movements of share capital and reserves of the Company as at 31 December 2012 have been prepared on the assumption that at the date of the abovementioned transactions, nothing has occurred or will occur which will cause significant adverse changes to the share capital and reserves of the Company.

KPMG Stamped For Identification Purpose Only PETALING JAYA

TIME dotCom BHD Reviewed P&IR DEPT

7. The movements of the retained earnings of TdC is summarized as follows:

Retained earnings – Company level	**Note**	**RM 000**
Audited as at 31 December 2012		5,029
Arising from TTdC Restructuring:		
Add: Dividend income received from the TTdC Dividend-in-specie	1(i)	50,000
Dividend income received from the TTdC Dividend	1(ii)	657,250
Retained earnings as per Pro Forma 1		**712,279**
Less: After the Proposed TdC Dividend-in-specie	2 (i)	(628,569)
Less: Estimated expenses	2 (ii)	(1,500)
Retained earnings as per Pro Forma 2		**82,210**

Approved and adopted by the Board of Directors of Time dotCom Berhad in accordance with a resolution dated 17 April 2013.

On behalf of the Board

Afzal Abdul Rahim
Director / Chief Executive Officer

Rossana Annizah Rashidi
Director / Deputy Chief Executive Officer

Shah Alam, Selangor

KPMG
Stamped For Identification Purpose Only
PETALING JAYA

Extract from Notes to the Unaudited Pro Forma Movements of Share Capital and Reserves

7. The movements of the retained earnings of TdC is summarized as follows:

Retained earnings – Company level	**Note**	**RM 000**	
Audited as at 31 December 2012		5,029	A
Arising from TTdC Restructuring:			
Add: Dividend income received from the TTdC Dividend-in-specie	1(i)	50,000	C
Dividend income received from the TTdC Dividend	1(ii)	657,250	B
Retained earnings as per Pro Forma 1		**712,279**	C
Less: After the Proposed TdC Dividend-in-specie	2 (i)	(628,569)	B C
Less: Estimated expenses	2 (ii)	(1,500)	B
Retained earnings as per Pro Forma 2		**82,210**	

KPMG
Stamped For Identification Purpose Only
PETALING JAYA

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in Note 13 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year	1,205,715	1,889,956
Attributable to:		
Owners of the parent	1,205,715	1,889,956

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The dividends paid by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2011:	
- Fourth interim tax exempt (single-tier) dividend of 6.5 sen per ordinary share, declared on 19 January 2012 and paid on 9 March 2012	505,375

Dividends (cont'd.)

	RM'000
In respect of the financial year ended 31 December 2012:	
- First interim tax exempt (single-tier) dividend of 5.9 sen per ordinary share, declared on 25 April 2012 and paid on 8 June 2012	458,725
- Second interim tax exempt (single-tier) dividend of 5.9 sen per ordinary share, declared on 23 July 2012 and paid on 7 September 2012	458,725
- Third interim tax exempt (single-tier) dividend of 4.0 sen per ordinary share, declared on 23 October 2012 and paid on 7 December 2012	311,000
- Special interim tax exempt (single-tier) dividend of 8.0 sen per ordinary share, declared on 23 October 2012 and paid on 7 December 2012	622,000

The Board of Directors had on 6 February 2013, declared a fourth interim tax exempt (single-tier) dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2012. The financial statements for the current financial year do not reflect this fourth interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Sigve Brekke	
Tan Sri Leo Moggie	
Dato' Ab. Halim bin Mohyiddin	
Hakon Bruaset Kjol	
Dato' Saw Choo Boon	
Morten Karlsen Sørby	(Appointed as Director on 15 March 2013)
Tore Johnsen	(Appointed as Director and Alternate Director to Sigve Brekke on 15 March 2013)
Lars Erik Tellmann	(Resigned as Director on 15 March 2013)
Morten Tengs	(Resigned as Director and Alternate Director to Sigve Brekke on 15 March 2013)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 7 to the financial statements or the fixed salary of full-time employees of a related corporation) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' Report

Directors' interest

According to the Register of Directors' Shareholdings, the interest of Directors in office at the end of the financial year in the shares and options over shares of the Company or its related corporations during the financial year were as follows:

	Number of ordinary shares of NOK6 each			
	1 January 2012	Acquired	Sold	31 December 2012
Ultimate holding company				
Telenor ASA				
Direct Interest:				
- Sigve Brekke	62,824	17,753	–	80,577
- Hakon Bruaset Kjol	1,814	2,587	–	4,401
- Lars Erik Tellmann	3,897	108	–	4,005
- Morten Tengs	5,021	1,771	–	6,792

	Number of options over ordinary shares of NOK6 each			
	1 January 2012	Granted	Exercised	31 December 2012
Ultimate holding company				
Telenor ASA				
Direct Interest:				
- Sigve Brekke	40,000	–	(40,000)	–
- Hakon Bruaset Kjol	10,000	–	–	10,000

None of the other Directors in office at the end of the financial year had any interest in shares or options over shares of the Company or its related corporations during the financial year.

Issue of shares

There were no changes in the issued and paid-up capital of the Company during the financial year.

Issue of debentures

There was no issue of debentures of the Company during the financial year.

Directors' Report

Options granted over un-issued shares

No options were granted to any person to take up un-issued shares of the Company during the financial year.

Other statutory information

(a) Before the financial statements of the Group and of the Company were made-out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate provisions had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written-down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written-off for bad debts or the amount of the provision for doubtful debts, in the financial statements of the Group and of the Company, inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any material contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Directors' Report

Subsequent event

Details of an event occuring after the reporting date are disclosed in Note 32 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 15 March 2013.

Dato' Ab. Halim bin Mohyiddin
Director

Sigve Brekke
Director

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Ab. Halim bin Mohyiddin and Sigve Brekke, being two of the Directors of DiGi.Com Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 86 to 136 are drawn-up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then-ended.

The information set out in Note 34 to the financial statements on page 137 has been prepared in accordance with the 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, issued by the Malaysian Institute of Accountants and guidance on Amendments to Enhance the Financial Reporting and Continuing Disclosure Obligations of Listed Issuers.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 15 March 2013.

Dato' Ab. Halim bin Mohyiddin
Director

Sigve Brekke
Director

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Terje Borge, being the officer primarily responsible for the financial management of DiGi.Com Berhad, do solemnly and sincerely declare that the accompanying financial statements set-out on pages 86 to 137 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the above-named Terje Borge at
Kuala Lumpur in Wilayah Persekutuan
on 15 March 2013

Terje Borge

Before me,

Lee Chin Hin
License No. W493
Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

to the Members of DiGi.Com Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of DiGi.Com Berhad, which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, and 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 information, as set out on pages 86 to 136.

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 is 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 at 31 December 2012 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.

Independent Auditors' Report

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 have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 34 on page 137 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.

Ernst & Young
AF: 0039
Chartered Accountants

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No. 1759/02/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
15 March 2013

Statements of Comprehensive Income

for the financial year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	5	6,360,913	5,963,954	1,890,000	1,698,763
Other income		22,820	21,302	1,259	786
Cost of materials and traffic expenses		(1,829,615)	(1,574,277)	-	-
Sales and marketing expenses		(505,274)	(530,614)	-	-
Operations and maintenance expenses		(98,615)	(80,747)	-	-
Rental expenses		(196,609)	(209,387)	-	-
Staff expenses		(230,850)	(256,190)	-	-
Depreciation expenses		(1,157,143)	(1,011,854)	-	-
Amortisation expenses		(172,696)	(155,715)	-	-
Other expenses		(593,673)	(569,129)	(1,567)	(825)
Finance costs	6	(51,805)	(66,125)	-	-
Interest income		43,496	29,044	343	76
Profit before tax	7	1,590,949	1,560,262	1,890,035	1,698,800
Taxation	8	(385,234)	(305,878)	(79)	(30)
Profit for the year, representing total comprehensive income for the year		1,205,715	1,254,384	1,889,956	1,698,770
Attributable to:					
Owners of the parent		1,205,715	1,254,384	1,889,956	1,698,770

	Note	Group 2012	Group 2011
Earnings per share attributable to owners of the parent (sen per share)	9	15.5	16.1

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position as at 31 December 2012

	Note	Group 31 December 2012 RM'000	Group 31 December 2011 RM'000	Group 1 January 2011 RM'000	Company 31 December 2012 RM'000	Company 31 December 2011 RM'000	Company 1 January 2011 RM'000
Non-current assets							
Property, plant and equipment	11	2,007,816	2,508,633	2,959,894	–	–	–
Intangible assets	12	601,861	731,881	845,957	–	–	–
Investments in subsidiaries	13	–	–	–	772,751	772,751	772,751
		2,609,677	3,240,514	3,805,851	772,751	772,751	772,751
Current assets							
Inventories	14	69,289	67,797	43,099	–	–	–
Trade and other receivables	15	621,248	456,865	437,099	13	75	75
Dividend receivable from a subsidiary		–	–	–	42,000	–	–
Investment securities	16	–	–	–	–	509,001	–
Tax recoverable		4,848	–	–	–	–	–
Cash and cash equivalents	17	708,856	1,098,170	850,584	2,157	638	369
		1,404,241	1,622,832	1,330,782	44,170	509,714	444
TOTAL ASSETS		4,013,918	4,863,346	5,136,633	816,921	1,282,465	773,195
Non-current liabilities							
Loans and borrowings	18	894,276	578,031	1,076,863	–	–	–
Deferred tax liabilities	19	115,299	262,341	424,491	–	–	–
Provision for liabilities	20	20,102	18,286	17,068	–	–	–
		1,029,677	858,658	1,518,422	–	–	–

Statements of Financial Position

	Note	Group 31 December 2012 RM'000	Group 31 December 2011 RM'000	Group 1 January 2011 RM'000	Company 31 December 2012 RM'000	Company 31 December 2011 RM'000	Company 1 January 2011 RM'000
Current liabilities							
Trade and other payables	21	2,091,210	1,916,922	1,838,378	809	484	409
Derivative financial instruments	22	151	17	1,345	–	–	–
Provision for liabilities	20	40,450	46,036	42,217	–	–	–
Deferred revenue		405,236	410,977	343,187	–	–	–
Loans and borrowings	18	185,873	149,978	–	–	–	–
Taxation		–	69,327	46,462	–	–	–
		2,722,920	2,593,257	2,271,589	809	484	409
Total liabilities		3,752,597	3,451,915	3,790,011	809	484	409
Equity							
Share capital	23	77,750	77,750	77,750	77,750	77,750	77,750
Reserves		183,571	1,333,681	1,268,872	738,362	1,204,231	695,036
Total equity - attributable to owners of the parent		261,321	1,411,431	1,346,622	816,112	1,281,981	772,786
TOTAL EQUITY AND LIABILITIES		4,013,918	4,863,346	5,136,633	816,921	1,282,465	773,195

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2012

	Note	Share capital RM'000	Share premium RM'000	Retained earnings/ (deficit) RM'000	Total RM'000
Group					
At 1 January 2011		77,750	691,905	576,967	1,346,622
Total comprehensive income		–	–	1,254,384	1,254,384
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(1,189,575)	(1,189,575)
At 31 December 2011		77,750	691,905	641,776	1,411,431
Total comprehensive income		–	–	1,205,715	1,205,715
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(2,355,825)	(2,355,825)
At 31 December 2012		77,750	691,905	(508,334)[1]	261,321

Note: [1] As part of the Group's capital management initiatives, the Company received dividends in specie from its subsidiary, DiGi Telecommunications Sdn. Bhd. ("DTSB"), in the form of bonus issue of redeemable preference shares and capital repayment by DTSB amounting to RM509.0 million and RM495.0 million respectively. The Company has declared part of these as special dividend to its shareholders. The deficit arose from the elimination of these intra-group dividends at Group level.

	Note	Attributable to owners of the parent			
			Non-Distributable	Distributable	
		Share capital RM'000	Share premium RM'000	Retained earnings RM'000 (Note 25)	Total RM'000
Company					
At 1 January 2011		77,750	691,905	3,131	772,786
Total comprehensive income		–	–	1,698,770	1,698,770
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(1,189,575)	(1,189,575)
At 31 December 2011		77,750	691,905	512,326	1,281,981
Total comprehensive income		–	–	1,889,956	1,889,956
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(2,355,825)	(2,355,825)
At 31 December 2012		77,750	691,905	46,457	816,112

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from operating activities					
Profit before tax		1,590,949	1,560,262	1,890,035	1,698,800
Adjustments for:					
Amortisation of intangible assets	12	172,696	155,715	–	–
Allowance for impairment on trade receivables	15	37,831	44,559	–	–
Inventories written-down		1,937	2,714	–	–
Dividend income		–	–	(1,890,000)	(1,698,763)
Depreciation of property, plant and equipment	11	1,157,143	1,011,854	–	–
Finance costs	6	51,805	66,125	–	–
(Gain)/loss on disposal of property, plant and equipment		(25)	4,697	–	–
Interest income		(43,496)	(29,044)	(343)	(76)
Property, plant and equipment written-off		–	434	–	–
Intangible assets written-off		–	611	–	–
Provision for liabilities	20	186,435	199,255	–	–
Share-based payment		380	999	–	–
Fair value loss/(gain)on derivative financial instruments		134	(1,328)	–	–
Unrealised foreign exchange (gain)/loss		(5,229)	7,071	–	–
Operating profit/(loss) before working capital changes		3,150,560	3,023,924	(308)	(39)
Increase in inventories		(3,429)	(27,412)	–	–
(Increase)/decrease in trade and other receivables		(229,372)	(93,698)	62	–
Increase in trade and other payables		171,192	75,664	325	75
(Decrease)/increase in deferred revenue		(5,741)	67,790	–	–
Cash generated from operations		3,083,210	3,046,268	79	36
Interest paid		(40,868)	(68,936)	–	–
Proceeds from government grants		26,209	30,901	–	–
Payments for provisions	20	(192,115)	(195,714)	–	–
Taxes paid		(606,451)	(445,133)	(79)	(30)
Net cash generated from operating activities		2,269,985	2,367,386	–	6

Statements of Cash Flows

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets		(698,642)	(603,871)	–	–
Dividends received from a subsidiary		–	–	2,357,001	1,189,762
Interest received		44,254	28,694	343	76
Proceeds from disposal of property, plant and equipment		914	1,239	–	–
Net cash (used in)/generated from investing activities		(653,474)	(573,938)	2,357,344	1,189,838
Cash flows from financing activities					
Repayment of loan and borrowings	18	(150,000)	(550,000)	–	–
Repayment of obligations under finance lease		–	(6,287)	–	–
Draw-down of loan	18	500,000	200,000	–	–
Dividends paid	10	(2,355,825)	(1,189,575)	(2,355,825)	(1,189,575)
Net cash used in financing activities		(2,005,825)	(1,545,862)	(2,355,825)	(1,189,575)
Net (decrease)/increase in cash and cash equivalents		(389,314)	247,586	1,519	269
Cash and cash equivalents at beginning of financial year		1,098,170	850,584	638	369
Cash and cash equivalents at end of financial year	17	708,856	1,098,170	2,157	638

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements - 31 December 2012

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The principal place of business is located at Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan.

The immediate and ultimate holding companies are Telenor Asia Pte Ltd and Telenor ASA, incorporated in Singapore and Norway respectively. The ultimate holding company is listed on the Oslo Stock Exchange, Norway.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are stated in Note 13. There have been no significant changes in the nature of the principal activities during the financial year.

2. Significant Accounting Policies

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

For all periods up to and including period ended 31 December 2011, the Group and the Company prepared their financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia. These financial statements for the financial year ended 31 December 2012 are the first the Group and the Company have prepared in accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia. The effects of the first-time adoption of MFRS Framework are disclosed in Note 3.

The financial statements of the Group and of the Company have been prepared on the historical cost convention unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries at the reporting date.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. The subsidiaries' identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

2. Significant Accounting Policies (cont'd.)

(b) Basis of consolidation (cont'd.)

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair values of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary is recorded as goodwill on the consolidated statement of financial position. Any excess of the Group's share in the net fair values of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary over the cost of business combination is recognised as income in profit and loss on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Intra-group income and expenses, balances and resulting unrealised gains are eliminated in full upon consolidation, and the consolidated financial statements reflect only external transactions. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

(c) Investments in subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group has such power over another entity.

The Company's investments in subsidiaries are held for long-term purposes, and are accounted for at cost less accumulated impairment losses, if any, in the Company's separate financial statements. On the disposal of such investments, any gain or loss arising from the difference between net disposal proceeds and their carrying amounts is included in profit and loss.

(d) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment, except for freehold land and capital work-in-progress, are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item includes expenditure that is attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of the replaced part is then derecognised. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the asset as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred.

Notes to the Financial Statements

2. **Significant Accounting Policies (cont'd.)**

(d) **Property, plant and equipment (cont'd.)**

Freehold land has an unlimited useful life and is therefore not depreciated. Capital work-in-progress representing assets under construction, is also not depreciated as these assets are not yet available for intended use. Depreciation of other property, plant and equipment is computed on a straight-line basis to write-off the cost of each asset to its residual value over the estimated useful life, at the following annual rates or periods:

Freehold buildings	2.0%
Leasehold land and buildings	30 to 99 years
Motor vehicles	20.0%
Computer systems	20.0% - 33.3%
Furniture and fittings	20.0%
Telecommunications network	3.3% - 33.3%

The residual values, useful lives and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate, to ensure that the amount, method and period of depreciation are consistent with the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit and loss in the year the asset is derecognised.

(e) **Intangible assets**

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least during each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated prospectively as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit and loss.

Intangible assets not-yet-available for use are tested for impairment annually, or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit ("CGU") level. Such intangible assets are not amortised.

Any gain or loss arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit and loss when the asset is derecognised.

2. **Significant Accounting Policies (cont'd.)**

   (e) **Intangible assets (cont'd.)**

   (i) **3G spectrum**

   Expenditure for the acquisition of the 3G spectrum are capitalised under intangible assets. The amount is amortised using the straight-line method over the shorter of the asset's estimated useful life or remaining spectrum period up to 1 April 2018.

   (ii) **Computer software**

   Costs incurred to acquire computer software, that are not an integral part of the related hardware, are capitalised as intangible assets and amortised on a straight-line basis over the estimated useful life of three years.

   (iii) **License fee**

   License fees are capitalised and amortised over the period of the licenses. The license fees had been fully-amortised in the financial year ended 31 December 2009.

   (f) **Impairment of non-financial assets**

   At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying amounts of the assets with their recoverable amounts.

   For intangible assets not-yet-available for use, the recoverable amount is estimated at the end of each reporting period, or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the CGU level.

   An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, namely a CGU.

   In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written-down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units, if any and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

   An impairment is recognised whenever the carrying amount of an asset or CGU exceeds its recoverable amount, and the impairment loss is recognised as an expense in profit and loss in the period in which it arises.

   An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed if, and only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

Notes to the Financial Statements

2. **Significant Accounting Policies (cont'd.)**

(g) **Inventories**

Inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of trading merchandise comprises costs of purchases and other incidental costs incurred in bringing these merchandise to their present condition and location.

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

(h) **Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

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

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

Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular-way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group and the Company commit to purchase or sell the asset.

The Group and the Company classify their financial assets in the following categories - at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Management determines the classification of its financial assets at initial recognition.

(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 purposes or are designated as such upon initial recognition. 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 effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss.

Derivatives embedded in host contracts, if any, are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with any gain or loss arising from changes in fair value being recognised in profit and loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2. Significant Accounting Policies (cont'd.)

(h) Financial assets (cont'd.)

(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. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Held-to-maturity investments

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

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in profit and loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iv) 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 three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised in other comprehensive income, except impairment losses, if any, interest as calculated using the effective interest method, and dividends as recognised when the Group's right to receive payment is established; all of which are recognised in profit or loss.

(i) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment as a result of one or more events that has occured after the initial recognition of the assets, i.e. an incurred loss event, and that loss event has an impact on the estimated future cash flows of the financial assets of the Group and the Company, that can be reliably estimated.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables include the Group's past experience of collecting debts, and reduced collection rates for specific ageing buckets.

Notes to the Financial Statements

2. Significant Accounting Policies (cont'd.)

(i) Impairment of financial assets (cont'd.)

(i) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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

(ii) Available-for-sale financial assets

Significant or pro-longed decline in fair value below cost represents one of the considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

(j) Provision for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability to the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Customer loyalty programme

Customer loyalty programme-related costs are provided based on management's best estimate on the amount of incentives realisable by the customers based on the past trend of customers' usage and utilisation.

2. Significant Accounting Policies (cont'd.)

(j) Provision for liabilities (cont'd.)

(ii) Employee leave entitlements

Employees' entitlements to annual leave are recognised when the associated services performed by employees increase their entitlements to annual leave. A provision is made for the estimated liability for the annual leave as a result of services rendered by employees up to the end of the reporting period netted-off against annual leave utilised to-date.

(iii) Site decommissioning and restoration costs

Provision for site decommissioning and restoration costs is in respect of management's best estimate on the costs necessary to be incurred to decommission the Group's telecommunications network infrastructure and restore the previously-occupied sites.

The estimated amount is determined after taking into consideration the time value of money, and the initial estimated sum is capitalised as part of the cost of property, plant and equipment. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(iv) Defined benefit plan

Provision for defined benefit plan for eligible employees is as disclosed in Note 2(n)(iii).

(k) Financial liabilities

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Financial assets and financial liabilities are off-set and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to off-set the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial liabilities are classified as either financial liabilites at fair value through profit or loss, or other financial liabilities, as appropriate in the statement of financial position, according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Management determines the classification of financial liabilites of the Group and the Company upon initial recognition.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading purposes and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Notes to the Financial Statements

2. **Significant Accounting Policies (cont'd.)**

   (k) Financial liabilities (cont'd.)

   (i) Financial liabilities at fair value through profit or loss (cont'd.)

   Financial liabilites are classified as held for trading purposes if they are acquired for the purpose of selling in the near-term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss.

   (ii) Other financial liabilities

   The Group's other financial liabilities include trade and other payables, and loans and borrowings.

   Trade and other payables are initially measured at fair value plus directly attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

   Loans and borrowings are initially measured at fair value, and are subseqently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in profit and loss over the period of the borrowings using the effective interest method.

   Borrowing costs are recognised in profit and loss as an expense in the period in which they are incurred.

   Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

   For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

   (l) Share capital and share issuance expenses

   An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are an equity instrument.

   Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

   (m) Leases

   Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. All other leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases.

2. Significant Accounting Policies (cont'd.)

(m) Leases (cont'd.)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments, net of any incentives received from the lessor, are recognised as an expense in profit and loss on a straight-line basis over the lease term. 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.

(n) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short-term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences netted-off against annual leave utilised to-date, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Where payment or settlement is deferred and the effect would be material, these amounts are discounted to their present value.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state-defined contribution pension scheme known as the Employee Provident Fund, and will have no legal or constructive obligation to make further contributions in the future, over-and-above what is existingly legally-required. The contributions are recognised as an expense in profit and loss in the period which the related services are rendered by employees.

(iii) Defined benefit plan

The Group operates an unfunded defined benefit plan for its eligible employees. The benefits are calculated based on the length of service and the agreed percentages of eligible employees' salaries over the period of their employment and are payable upon resignation after completion of the minimum employment period of ten years or upon retirement age of 60 years. The Group's obligations under the retirement benefit scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised in profit or loss over the expected average remaining working lives of the eligible employees when the cumulative unrecognised actuarial gains or losses for the retirement benefit scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

Notes to the Financial Statements

2. **Significant Accounting Policies (cont'd.)**

   (n) **Employee benefits (cont'd.)**

   (iii) **Defined benefit plan (cont'd.)**

   Gains or losses on the curtailment of a defined benefit plan will be recognised when the curtailment occurs. The gains or losses would comprise any resulting change in the present value of the defined benefit obligation and any related actuarial gains and losses and past service costs that had not previously been recognised.

   The Group amended the defined benefit plan effective 1 January 2006 to restrict new entrants into the plan, and the benefits payable to be calculated based on the employees' length of service up to 31 December 2005.

   (iv) **Share-based payment**

   The Group operates a scheme to award its eligible employees with the Company's shares. The eligible employees, who have served for more than ten years, are entitled to a certain number of shares which are directly acquired under the employees' names in the open market. The maximum entitlement of this benefit is capped to a certain amount as determined by the Group. The transactions are recorded as share-based cash-settled transactions, and the expense recognised under this scheme is determined by-way of reference to the number of employees qualifying for the scheme, the number of shares entitled and the market price of the shares; the total of which is capped at the maximum entitlement during the financial year.

   (o) **Income taxes**

   (i) **Current tax**

   Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

   Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

   (ii) **Deferred tax**

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

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

   Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

2. **Significant Accounting Policies (cont'd.)**

(o) **Income taxes (cont'd.)**

(ii) **Deferred tax (cont'd.)**

Deferred tax assets and deferred tax liabilities are off-set, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(p) **Contingencies**

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

Contingent liabilities and assets are not recognised in the financial statements.

(q) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's business activities, net of discounts and service taxes. The Group recognises revenue when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) **Telecommunication revenue**

Revenue relating to provision of telecommunications and related services are recognised net of rebates and discounts upon the transfer of risks and rewards when goods are delivered and services are performed. Revenue from prepaid services that have been sold to customers but where services have not been rendered at the reporting date is deferred.

Revenue from sale of device is recognised when significant risks and rewards of ownership of the device have been passed to the customer, usually on delivery and acceptance of the device.

(ii) **Interest income**

Interest income is recognised on a time-proportion basis that reflects the effective yield on the asset.

(iii) **Dividend income**

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

Notes to the Financial Statements

2. Significant Accounting Policies (cont'd.)

(r) Government grants

As a universal service provider ("USP"), the Group is entitled to claim certain qualified expenses from the Malaysian Communications and Multimedia Commission ("SKMM") in relation to USP projects. These claims are treated as government grants and recognised at their fair values where there is reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

A grant relating to asset is recognised as income over the life of the depreciable assets by way of a reduced depreciation charge. Grant relating to income is recognised in profit and loss by crediting directly against the related expense.

(s) Foreign currency transactions

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements of the Group are presented in RM, which is also the functional currency of all entities in the Group.

(ii) Foreign currency transactions

Transactions in foreign currencies are initially converted into RM at exchange rates ruling at the date of transaction. At each reporting date, foreign currency monetary items are translated into RM at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

3. Changes in Accounting Policies

(a) First-time adoption of MFRS

The adoption of the MFRS Framework as issued by the Malaysian Accounting Standards Board ("MASB") as at 1 January 2012 by the Group and by the Company requires the Group's and the Company's financial statements to also be fully compliant with IFRS Framework. These financial statements of the Group and of the Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with MFRS and IFRS including the application of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards.

For periods up to and including the period ended 31 December 2011, the Group and the Company have prepared their financial statements in accordance with Financial Reporting Standards in Malaysia. The Group and the Company have prepared financial statements which comply with MFRS applicable for periods ending on or after 31 December 2012, together with the comparative period information as at and for the period ended 31 December 2011, as described in the Significant Accounting Policies section.

3. **Changes in Accounting Policies (cont'd.)**

(a) **First-time adoption of MFRS (cont'd.)**

There are no adjustments arising from the transition to MFRS. Accordingly, no disclosure notes related to the statements of financial position as at the date of transition to MFRS are presented.

(b) **Standards issued but not yet effective**

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10: Consolidated Financial Statements	1 January 2013
MFRS 11: Joint Arrangements	1 January 2013
MFRS 12: Disclosure of Interests in Other Entities	1 January 2013
MFRS 13: Fair Value Measurement	1 January 2013
MFRS 119: Employee Benefits	1 January 2013
MFRS 127: Separate Financial Statements	1 January 2013
MFRS 128: Investments in Associates and Joint Ventures	1 January 2013
MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

Notes to the Financial Statements

3. **Changes in Accounting Policies (cont'd.)**

   (b) **Standards issued but not yet effective (cont'd.)**

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9: Financial Instruments	1 January 2015

The directors expect that the adoption of the above standards, amendments and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

<u>MFRS 12: Disclosures of Interests in Other Entities</u>

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

<u>MFRS 127: Separate Financial Statements</u>

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

<u>Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)</u>

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

<u>MFRS 9: Financial Instruments</u>

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

4. Significant Accounting Estimates and Judgements and Key Sources of Estimation Uncertainty

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects on the amounts recognised in the financial statements.

Management makes key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The following represents a summary of the critical accounting estimates and the associated key sources of estimation uncertainty:

(a) Useful lives of property, plant and equipment and intangible assets

Depreciation and amortisation are based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, modernisation initiatives, expected level of usage, competition, market conditions and other factors, which could potentially impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. A 5.0% difference in the expected useful lives of these assets from management's estimates would result in approximately 4.9% (2011: 4.2%) variance in the Group's profit for the year.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment on all non-financial assets at each reporting date. Non-financial assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue-generating capacity of the assets and CGUs, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and change the recoverable amounts of assets and impairment losses needed.

(c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant reduction in collection rates.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's trade and other receivables at the reporting date are disclosed in Note 15. If the present value of estimated future cash flows varies by 5.0% from management's estimates, the Group's allowance for impairment will cause either a 0.1% (2011: 0.1%) increase or 0.2% (2011: 0.2%) decrease respectively in the Group's profit for the year.

Notes to the Financial Statements

4. **Significant Accounting Estimates and Judgements and Key Sources of Estimation Uncertainty (cont'd.)**

(d) **Deferred tax assets and liabilities**

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in profit and loss in the period in which actual realisation and settlement occurs.

5. **Revenue**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Telecommunication revenue	6,360,913	5,963,954	–	–
Dividend income from a subsidiary	–	–	1,890,000	1,698,763
	6,360,913	5,963,954	1,890,000	1,698,763

6. **Finance Costs**

	Group	
	2012 RM'000	2011 RM'000
Interest expense on:		
- Loans and borrowings	45,767	58,202
- Obligations under finance lease	5,377	5,025
- Others	661	2,898
	51,805	66,125

7. Profit Before Tax

Profit before tax is derived after deducting/(crediting):

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Allowance for impairment on trade receivables (Note 15)	37,831	44,559	–	–
Auditors' remuneration:				
- statutory audit	311	297	27	27
- other services	53	78	8	8
Non-Executive Directors' emoluments	544	427	54	43
Employee benefits:				
- defined contribution plan	23,533	21,160	–	–
- defined benefit plan (Note 20)	127	133	–	–
- share-based payment	380	999	–	–
Lease of transmission facilities	106,675	100,827	–	–
Provision for:				
- customer loyalty programme (Note 20)	185,567	198,784	–	–
- employee leave entitlements (Note 20)	741	338	–	–
- site decommissioning and restoration costs (Note 20)	661	595	–	–
Inventories written-down	1,937	2,714	–	–
Rental of equipment	1,445	2,599	–	–
Rental of land and buildings	184,258	195,352	–	–
Realised foreign exchange gain	(1,216)	(13,490)	–	–
Unrealised foreign exchange (gain)/loss	(5,229)	7,071	–	–
Fair value loss/(gain) on derivative financial instruments	134	(1,328)	–	–
Amortisation of intangible assets	172,696	155,715	–	–
Depreciation of property, plant and equipment	1,157,143	1,011,854	–	–
Property, plant and equipment written-off	–	434	–	–
Intangible asset written-off	–	611	–	–
(Gain)/loss on disposal of property, plant and equipment	(25)	4,697	–	–
Bad debts recovered	(7,718)	(9,697)	–	–

The number of Directors of the Company whose total remuneration during the financial year fell within the following band is analysed below:

	Number of Directors	
	2012	2011
Non-Executive Directors:		
- RM100,001 - RM150,000	–	3
- RM150,001 - RM200,000	3	–

Notes to the Financial Statements

8. Taxation

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income tax:				
- Current tax expense	555,932	560,189	79	30
- Overaccrual in prior years	(23,656)	(92,161)	–	–
	532,276	468,028	79	30
Deferred taxation (Note 19):				
- Relating to origination and reversal of temporary differences	(182,779)	(211,667)	–	–
- Underaccrual in prior years	35,737	49,517	–	–
	(147,042)	(162,150)	–	–
	385,234	305,878	79	30

Current tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated taxable profit for the year.

Reconciliations of income tax expense/rate applicable to profit before tax at the statutory income tax rate to income tax expense/rate at the effective income tax rate of the Group and of the Company are as follows:

	2012		2011	
	%	RM'000	%	RM'000
Group				
Profit before tax		1,590,949		1,560,262
Taxation at Malaysian statutory tax rate	25.0	397,737	25.0	390,065
Effect of expenses not deductible	1.3	20,552	1.5	23,200
Utilisation of tax incentives	(2.8)	(45,136)	(4.2)	(64,743)
Underaccrual of deferred tax in prior years	2.2	35,737	3.2	49,517
Overaccrual of income tax expense in prior years	(1.5)	(23,656)	(5.9)	(92,161)
Effective tax rate/income tax for the year	24.2	385,234	19.6	305,878

8. Taxation (cont'd.)

Reconciliations of income tax expense/rate applicable to profit before tax at the statutory income tax rate to income tax expense/rate at the effective income tax rate of the Group and of the Company are as follows (cont'd.):

	2012		2011	
	%	RM'000	%	RM'000
Company				
Profit before tax		1,890,035		1,698,800
Taxation at Malaysian statutory tax rate	25.0	472,509	25.0	424,700
Effect of expenses not deductible	0.0	70	0.0	21
Income not subjected to tax	(25.0)	(472,500)	(25.0)	(424,691)
Effective tax rate/income tax for the year	0.0	79	0.0	30

9. Earnings Per Ordinary Share

Earnings per ordinary share is calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2012	2011
Profit attributable to owners of the parent (RM'000)	1,205,715	1,254,384
Weighted average number of ordinary shares in issue ('000) [1]	7,775,000	7,775,000
Basic earnings per share (sen)	15.5	16.1

Note: [1] On 24 November 2011, every exisiting ordinary share of the Company of RM0.10 each was sub-divided into ten ordinary shares of RM0.01 each.

Notes to the Financial Statements

10. Dividends

	Group/Company 2012 RM'000	Group/Company 2011 RM'000
Recognised during the financial year:		
Dividends on ordinary shares[1]:		
- Fourth interim tax exempt (single-tier) dividend (2011: 6.5 sen; 2010: 43.0 sen)	505,375	334,325
- First interim tax exempt (single-tier) dividend (2012: 5.9 sen; 2011: 43.0 sen)	458,725	334,325
- Second interim tax exempt (single-tier) dividend (2012: 5.9 sen; 2011: 30.0 sen)	458,725	233,250
- Third interim tax exempt (single-tier) dividend (2012: 4.0 sen; 2011: 37.0 sen)	311,000	287,675
- Special interim tax exempt (single-tier) dividend (2012: 8.0 sen)	622,000	-
	2,355,825	1,189,575
Interim dividend declared subsequent to the reporting date (not recognised as a liability as at 31 December):		
Dividends on ordinary shares[1]:		
- Fourth interim tax exempt (single-tier) dividend (2012: 2.5 sen; 2011: 6.5 sen)	194,375	505,375

The Board of Directors had on 6 February 2013, declared a fourth interim tax exempt (single-tier) dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2012. The financial statements for the current financial year do not reflect this fourth interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

Note: [1] On 24 November 2011, every exisiting ordinary share of the Company of RM0.10 each was sub-divided into ten ordinary shares of RM0.01 each.

11. Property, Plant and Equipment

Group	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Freehold buildings RM'000	Long-term leasehold buildings RM'000	Short-term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost												
At 1 January 2012:	29,638	7,502	7,578	145,993	7,365	6,866	25,291	345,910	130,741	7,250,828	292,057	8,249,769
Additions	-	-	-	-	-	-	-	-	502	64,234	579,865	644,601
Reclassification from intangible assets	-	-	-	-	-	-	-	6,549	-	-	6,065	12,614
Disposals	-	-	-	-	-	-	(3,513)	(1,298)	(7)	(3,265)	(753)	(8,836)
Transfers	-	-	-	-	-	-	1,348	21,674	11,861	473,714	(508,597)	-
At 31 December 2012	29,638	7,502	7,578	145,993	7,365	6,866	23,126	372,835	143,097	7,785,511	368,637	8,898,148
Accumulated Depreciation and Impairment Losses												
At 1 January 2012:												
Accumulated depreciation	-	1,153	2,319	10,194	408	2,510	18,438	260,291	102,511	5,329,443	-	5,727,267
Accumulated impairment losses	-	-	-	-	-	-	-	-	398	13,471	-	13,869
	-	1,153	2,319	10,194	408	2,510	18,438	260,291	102,909	5,342,914	-	5,741,136

Notes to the Financial Statements

11. Property, Plant and Equipment (cont'd.)

Group	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Freehold buildings RM'000	Long-term leasehold buildings RM'000	Short-term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated Depreciation and Impairment Losses (cont'd.)												
Depreciation expenses for the year	-	63	128	2,999	67	108	936	28,546	12,286	1,112,010	-	1,157,143
Disposals	-	-	-	-	-	-	(3,377)	(1,298)	(7)	(3,265)	-	(7,947)
At 31 December 2012	-	1,216	2,447	13,193	475	2,618	15,997	287,539	115,188	6,451,659	-	6,890,332
Analysed as:												
Accumulated depreciation	-	1,216	2,447	13,193	475	2,618	15,997	287,539	114,790	6,438,188	-	6,876,463
Accumulated impairment losses	-	-	-	-	-	-	-	-	398	13,471	-	13,869
	-	1,216	2,447	13,193	475	2,618	15,997	287,539	115,188	6,451,659	-	6,890,332
Carrying Amount												
At 31 December 2012	29,638	6,286	5,131	132,800	6,890	4,248	7,129	85,296	27,909	1,333,852	368,637	2,007,816

11. Property, Plant and Equipment (cont'd.)

Group	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Freehold buildings RM'000	Long-term leasehold buildings RM'000	Short-term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost												
At 1 January 2011:	29,638	7,502	7,578	145,993	7,365	6,866	24,205	336,794	121,632	6,855,772	153,346	7,696,691
Additions	-	-	-	-	-	-	-	-	247	43,694	523,022	566,963
Reclassification to intangible assets	-	-	-	-	-	-	-	(382)	-	-	-	(382)
Disposals	-	-	-	-	-	-	(1,911)	-	-	(9,683)	(945)	(12,539)
Write-offs	-	-	-	-	-	-	-	-	(9)	(955)	-	(964)
Transfers	-	-	-	-	-	-	2,997	9,498	8,871	362,000	(383,366)	-
At 31 December 2011	29,638	7,502	7,578	145,993	7,365	6,866	25,291	345,910	130,741	7,250,828	292,057	8,249,769
Accumulated Depreciation and Impairment Losses												
At 1 January 2011:												
Accumulated depreciation	-	1,077	2,172	7,322	328	2,357	18,935	234,368	89,740	4,366,629	-	4,722,928
Accumulated impairment losses	-	-	-	-	-	-	-	-	398	13,471	-	13,869
	-	1,077	2,172	7,322	328	2,357	18,935	234,368	90,138	4,380,100	-	4,736,797

Notes to the Financial Statements

11. Property, Plant and Equipment (cont'd.)

Group	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Freehold buildings RM'000	Long-term leasehold buildings RM'000	Short-term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated Depreciation and Impairment Losses (cont'd.)												
Depreciation expenses for the year	-	76	147	2,872	80	153	890	26,305	12,778	968,553	-	1,011,854
Reclassification to intangible assets	-	-	-	-	-	-	-	(382)	-	-	-	(382)
Disposals	-	-	-	-	-	-	(1,387)	-	-	(5,216)	-	(6,603)
Write offs	-	-	-	-	-	-	-	-	(7)	(523)	-	(530)
At 31 December 2011	-	1,153	2,319	10,194	408	2,510	18,438	260,291	102,909	5,342,914	-	5,741,136
Analysed as:												
Accumulated depreciation	-	1,153	2,319	10,194	408	2,510	18,438	260,291	102,511	5,329,443	-	5,727,267
Accumulated impairment losses	-	-	-	-	-	-	-	-	398	13,471	-	13,869
	-	1,153	2,319	10,194	408	2,510	18,438	260,291	102,909	5,342,914	-	5,741,136
Carrying Amount												
At 31 December 2011	29,638	6,349	5,259	135,799	6,957	4,356	6,853	85,619	27,832	1,907,914	292,057	2,508,633

11. **Property, Plant and Equipment (cont'd.)**

(a) The Group acquired property, plant and equipment with an aggregate cost of RM644.6 million (2011: RM567.0 million) of which RM1,249,000 (2011: RM901,000) relating to the provision for site decommissioning and restoration costs.

(b) Government grants of RM43.0 million (2011: RM12.8 million) relating to assets, were deducted before arriving at the carrying amount of property, plant and equipment as at 31 December 2012.

12. **Intangible Assets**

Group	3G spectrum RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Cost				
At 1 January 2012	695,066	792,940	1,300	1,489,306
Additions	–	55,290	–	55,290
Reclassification to property, plant and equipment	–	(12,614)	–	(12,614)
At 31 December 2012	695,066	835,616	1,300	1,531,982
Accumulated Amortisation				
At 1 January 2012	221,157	534,968	1,300	757,425
Amortisation expenses for the year	75,825	96,871	–	172,696
At 31 December 2012	296,982	631,839	1,300	930,121
Carrying Amount				
At 31 December 2012	398,084	203,777	–	601,861
Cost				
At 1 January 2011	695,066	751,012	1,300	1,447,378
Additions	–	42,250	–	42,250
Reclassification from property, plant and equipment	–	382	–	382
Write-off	–	(704)	–	(704)
At 31 December 2011	695,066	792,940	1,300	1,489,306
Accumulated Amortisation				
At 1 January 2011	145,332	454,789	1,300	601,421
Amortisation expenses for the year	75,825	79,890	–	155,715
Reclassification from property, plant and equipment	–	382	–	382
Write-off	–	(93)	–	(93)
At 31 December 2011	221,157	534,968	1,300	757,425
Carrying Amount				
At 31 December 2011	473,909	257,972	–	731,881

Notes to the Financial Statements

13. Investments in Subsidiaries

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares at cost	772,751	772,751

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:

Name of company	Equity interest held (%) 2012	Equity interest held (%) 2011	Principal activities
- DiGi Telecommunications Sdn Bhd ("DTSB")	100	100	Establishment, maintenance and provision of telecommunications and related services
- Pay By Mobile Sdn Bhd	100	100	Dormant
Subsidiaries of DTSB:			
- DiGi Services Sdn Bhd	100	100	Property holding, renting of premises and other related services
- Djuice.Com Sdn Bhd	100	100	Dormant

14. Inventories

	Group 2012 RM'000	Group 2011 RM'000
Merchandise		
- At cost	63,116	64,006
- At net realisable value	6,173	3,791
	69,289	67,797

During the financial year, the amount of inventories recognised as an expense in cost of materials of the Group was RM485.1 million (2011: RM355.4 million).

15. Trade and Other Receivables

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Trade receivables	304,054	270,983	–	–
Other receivables	62,999	24,143	8	70
Deposits	57,638	53,987	5	5
Prepayments	211,129	122,012	–	–
	635,820	471,125	13	75
Allowance for impairment on trade receivables	(14,572)	(14,260)	–	–
	621,248	456,865	13	75

The Group's trade receivables are non-interest bearing, and are subject to normal trade credit terms ranging from 30 to 45 days (2011: 30 to 45 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

As at 31 December, the ageing analysis of trade receivables net of allowance for impairment and bad debts written off, is as follows:

	Group 2012 RM'000	Group 2011 RM'000
Trade receivables:		
- Neither past due nor impaired	203,594	178,570
- One to 30 days past due not impaired	55,403	44,813
- 31 to 60 days past due not impaired	14,922	10,706
- 61 to 90 days past due not impaired	2,097	3,143
- 91 to 180 days past due not impaired	2,107	10,557
- More than 181 days past due not impaired	11,359	8,934
	289,482	256,723

Trade receivables that are neither past due nor impaired, representing 70% (2011: 70%) of the Group's total net trade receivables, are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

At the reporting date, 30% (2011: 30%) of the Group's trade receivables were past due but not impaired. These relate mostly to corporate customers with slower repayment patterns, for whom there is no history of default.

15. Trade and Other Receivables (cont'd.)

The Group's trade receivables that are impaired at the reporting date and the movement of the Group's allowance for impairment on trade receivables are as follows:

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 January 2011	–	2,611	2,611
Charge for the year (Note 7)	32,910	11,649	44,559
Write-offs	(32,910)	–	(32,910)
At 31 December 2011	–	14,260	14,260
Charge for the year (Note 7)	37,519	312	37,831
Write-offs	(37,519)	–	(37,519)
At 31 December 2012	–	14,572	14,572

The Group's trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments in excess of two months. These receivables are not secured by any collateral or credit enhancements.

At 31 December 2012, the Group's trade receivables balance included exposure to foreign currency denominated in United States Dollar ("USD") and Special Drawing Rights ("SDR") amounting to RM3.1 million (2011: RM11.7 million) and RM18.4 million (2011: RM15.7 million) respectively.

16. Investment Securities

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loan and receivable				
100,000 redeemable preference shares ("RPS")	–	–	–	509,001

In previous year, DTSB had issued 100,000 RPS to the Company at a par value of RM0.01 each. The RPS had subsequently been fully-redeemed by DTSB at a redemption price of RM5,090.01 each on 7 March 2012.

17. Cash and Cash Equivalents

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and bank balances	131,663	33,529	2,157	638
Deposits with licensed banks	577,193	1,064,641	–	–
	708,856	1,098,170	2,157	638

Cash and cash equivalents include cash in hand and at bank and deposits with licensed banks. For the purpose of the statement of cash flows, cash and cash equivalents are net of outstanding bank overdrafts, if any.

The Group's cash and cash equivalents included amounts of foreign currency denominated in USD totalling RM14.2 million (2011: RM12.9 million) at the reporting date.

Cash at banks earn interest at floating rates based on daily bank deposit rates. The weighted average effective interest rates of deposits at the reporting date are as follows:

	Group	
	2012 %	2011 %
Deposits with licensed banks	3.2	3.3

The deposits of the Group placed with licensed banks will mature within one month (2011: one month) from the end of the reporting date.

Notes to the Financial Statements

18. Loans and Borrowings

	Group 2012 RM'000	Group 2011 RM'000
Non-current (unsecured)		
Fixed-rate term loan ("FRTL")	174,685	324,074
Sydincated floating-rate term loan ("SFRTL")	669,523	196,884
Finance lease obligation (Note 26(c))	50,068	57,073
	894,276	578,031
Current (unsecured)		
FRTL	149,983	149,978
SFRTL	28,000	–
Finance lease obligation (Note 26(c))	7,890	–
	185,873	149,978
Total loans and borrowings	1,080,149	728,009

The weighted average effective and implicit interest rates at the reporting date for loans and borrowings are as follows:

	Group 2012 %	Group 2011 %
FRTL	5.2	5.3
SFRTL	4.3	4.4
Finance lease obligation	9.3	9.3

The above loans and borrowings are denominated in RM.

During the financial year, the Group had fully repaid the first tranche of FRTL of RM150.0 million. The remaining FRTL comprises two tranches of RM150.0 million and RM175.0 million, repayable in January 2013 and January 2014 respectively.

The initial draw-down of SFRTL amounting to RM200.0 million in September 2011 is repayable in semi-annual installments commencing from September 2013 up to September 2016.

The additional SFRTL drawn-down during the financial year amounting to RM500.0 million is repayable in semi-annual installments commencing from March 2014 up to March 2017.

18. Loans and Borrowings (cont'd.)

The obligation under finance lease at the reporting date is as follows:

	Group	
	2012 RM'000	2011 RM'000
Future instalments payable	75,831	80,323
Less: Unexpired finance lease interest	(17,873)	(23,250)
Principal outstanding	57,958	57,073

The maturities of the Group's loans and borrowings at the reporting date are as follows:

	Group	
	2012 RM'000	2011 RM'000
Less than one year	185,873	149,978
Between one and two years	379,108	422,196
Between two and five years	500,060	130,736
More than five years	15,108	25,099
	1,080,149	728,009

19. Deferred Tax Liabilities

	Group	
	2012 RM'000	2011 RM'000
At 1 January	262,341	424,491
Recognised in profit and loss (Note 8)	(147,042)	(162,150)
At 31 December	115,299	262,341
Presented after appropriate off-setting as follows:		
Deferred tax liability	363,099	444,425
Deferred tax assets	(247,800)	(182,084)
	115,299	262,341

Notes to the Financial Statements

19. Deferred Tax Liabilities (cont'd.)

The components and movements of recognised deferred tax liability and assets of the Group during the financial year prior to off-setting are as follows:

Deferred tax liability:

	Property, plant and equipment and intangible assets RM'000
At 1 January 2012	444,425
Recognised in profit and loss	(81,326)
At 31 December 2012	363,099
At 1 January 2011	508,806
Recognised in profit and loss	(64,381)
At 31 December 2011	444,425

Deferred tax assets:

	Deferred revenue RM'000	Others RM'000	Total RM'000
At 1 January 2012	(89,638)	(92,446)	(182,084)
Recognised in profit and loss	(2,464)	(63,252)	(65,716)
At 31 December 2012	(92,102)	(155,698)	(247,800)
At 1 January 2011	(74,861)	(9,454)	(84,315)
Recognised in profit and loss	(14,777)	(82,992)	(97,769)
At 31 December 2011	(89,638)	(92,446)	(182,084)

Others relate to deferred tax assets arising from deductible temporary differences on trade receivables and payables, and provisions.

20. Provision for Liabilities

	Site decommissioning and restoration costs RM'000	Defined benefit plan RM'000 (Note 24)	Total RM'000
Group			
Non-current			
At 1 January 2012	16,835	1,451	18,286
Capitalised as property, plant and equipment	1,249	–	1,249
Recognised in profit and loss	661	127	788
Paid during the year	–	(221)	(221)
At 31 December 2012	18,745	1,357	20,102
At 1 January 2011	15,339	1,729	17,068
Capitalised as property, plant and equipment	901	–	901
Recognised in profit and loss	595	133	728
Paid during the year	–	(411)	(411)
At 31 December 2011	16,835	1,451	18,286

	Customer loyalty programme RM'000	Employee leave entitlement RM'000	Total RM'000
Group			
Current			
At 1 January 2012	38,759	7,277	46,036
Recognised in profit and loss	185,567	741	186,308
Paid during the year	(191,894)	–	(191,894)
At 31 December 2012	32,432	8,018	40,450
At 1 January 2011	35,278	6,939	42,217
Recognised in profit and loss	198,784	338	199,122
Paid during the year	(195,303)	–	(195,303)
At 31 December 2011	38,759	7,277	46,036

Notes to the Financial Statements

21. Trade and Other Payables

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade payables	384,795	252,520	–	–
Other payables	96,678	153,487	–	–
Accruals	1,593,445	1,498,734	809	484
Customer deposits	16,292	12,181	–	–
	2,091,210	1,916,922	809	484

The Group's trade and other payables are non-interest bearing, and are subject to normal credit terms ranging from 30 to 60 days (2011: 30 to 60 days).

At 31 December 2012, the Group's trade and other payables balances included exposure to foreign currency denominated in USD and SDR amounting to RM150.0 million (2011: RM117.2 million) and RM67.0 million (2011: RM4.5 million) respectively.

22. Derivative Financial Instruments

	Contract value in foreign currency USD'000	Notional value RM'000	Fair value RM'000	Loss arising from fair value changes RM'000
Non-hedging derivatives				
Current				
Foreign currency forward contracts:				
- 2012	24,280	74,515	74,364	151
- 2011	34,089	108,247	108,230	17

The above foreign currency forward contracts were entered into by the Group to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. These contracts are not designated as cash flow or fair value hedges, and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. Foreign currency forward contracts are used to hedge certain payables denominated in USD for which firm commitments existed at the reporting date, extending to January 2013.

During the financial year, the Group recognised a loss of RM151,000 (2011: RM17,000) arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rates respectively. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 29(f)(v).

23. Share Capital

	Group/Company			
	Number of ordinary shares of 1 sen each		Amount	
	2012 '000	2011 '000	2012 RM'000	2011 RM'000
Authorised	10,000,000	10,000,000	1,000,000	1,000,000
Issued and fully paid [1]	7,775,000	7,775,000	77,750	77,750

The holders of ordinary shares are entitled to receive dividends as-and-when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Note: [1] On 24 November 2011, every exisiting ordinary share of the Company of RM0.10 each was sub-divided into ten ordinary shares of RM0.01 each.

24. Defined Benefit Plan

The Group operates an unfunded defined benefit plan for its eligible employees. The estimated obligations under the retirement benefit scheme are determined based on actuarial valuation by a qualified independent actuary on 4 January 2011.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	Group	
	2012 RM'000	2011 RM'000
Present value of unfunded obligations (Note 20)	1,357	1,451

The amount recognised in profit and loss, included under staff expenses, is as follows:

	Group	
	2012 RM'000	2011 RM'000
Interest on obligations, representing increase in provision for defined benefit plan	127	133

The principal actuarial assumption used in determining the retirement benefit obligation for the defined benefit plan, is as follows:

	Group	
	2012 %	2011 %
Rate per annum:		
- Discount rate	6.4	6.4

Notes to the Financial Statements

25. Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2012 and 2011 respectively, under the single-tier system.

26. Commitments

	Group 2012 RM'000	Group 2011 RM'000
(a) Capital commitments		
Capital expenditure in respect of property, plant and equipment and intangible assets:		
- Approved and contracted for	454,000	385,000
- Approved but not contracted for	970,000	852,000
(b) Non-cancellable operating lease commitments		
Future minimum lease payments:		
- Less than one year	157,434	143,809
- Between one and five years	301,399	335,669
- More than five years	45,611	108,533
	504,444	588,011

Operating lease payments represent rentals payable by the Group for lease of transmission facilities and sites to support its telecommunications operations. The tenure of these leases range between one to ten years, with options to renew. None of the leases included contingent rentals.

26. Commitments (cont'd.)

(c) Finance lease commitments

The Group's finance lease commitment is in relation to the acquired indefeasible right of use ("IRU") over purchased fibre optic wavelength by means of a finance lease arrangement. Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

	Group	
	2012 RM'000	2011 RM'000
Minimum lease payments:		
- Less than one year	13,564	–
- Between one and two years	11,574	18,057
- Between two and five years	34,241	34,088
- More than five years	16,452	28,178
Total minimum lease payments	75,831	80,323
Less: Amounts representing finance charges	(17,873)	(23,250)
Present value of minimum lease payments	57,958	57,073
Present value of payments:		
- Less than one year	7,890	–
- Between one and two years	8,422	7,889
- Between two and five years	26,538	24,085
- More than five years	15,108	25,099
Present value of minimum lease payments	57,958	57,073
Less: Amount due within 12 months (Note 18)	(7,890)	–
Amount due after 12 months (Note 18)	50,068	57,073

27. Corporate Guarantees

	Group	
	2012 RM'000	2011 RM'000
Unsecured		
Guarantees given to third parties for public infrastructure works	10,752	21,964
Guarantee given to SKMM on the transfer of 3G spectrum	50,000	50,000
	60,752	71,964

Notes to the Financial Statements

28. Significant Related Party Disclosures

(a) Sales and purchases of services

Controlling related party relationships are as follows:

(i) The ultimate holding company is as disclosed in Note 1; and
(ii) The Company's subsidiaries are as disclosed in Note 13.

Significant transactions and balances with related parties of the Group during the financial year are as follows:

	Transactions		Balance due (to)/from at	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
With the ultimate holding company and fellow subsidiaries				
- *Telenor ASA*			(29,687)	(26,532)
Consultancy services rendered	27,988	28,196		
- *Telenor Consult AS*			(3,391)	(1,761)
Personnel services rendered	18,085	21,861		
- *Telenor Global Services AS*			(1,273)	(2,590)
Sales of interconnection services on international traffic	149	178		
Purchases of interconnection services on international traffic	9,141	7,024		
Purchases of IP transit	495	724		
- *Telenor LDI Communication (Private) Limited*			-	(59)
Sales of interconnection services on international traffic	84	372		
Purchases of interconnection services on international traffic	40	120		
- *Total Access Communication Public Company Limited*			2,960	2,983
Sales of international roaming services	890	382		
Purchases of international roaming services	3,635	4,346		
- *DTAC Network Co. Ltd*			(3,215)	(11)
Sales of interconnection services on international traffic	381	2,494		
Purchases of interconnection services on international traffic	3,853	53		

28. **Significant Related Party Disclosures (cont'd.)**

(a) **Sales and purchases of services (cont'd.)**

	Transactions		Balance due (to)/from at	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *Telenor Norge AS*			283	58
Sales of international roaming services	406	468		
Purchases of international roaming services	39	24		
Services rendered on application operations and basic operation for data centre	3,379	3,659		
- *Telenor Shared Services Pakistan (Private Limited)*			(1,065)	(455)
Purchases of customer centre off-shoring services	1,956	1,243		

Amounts due (to)/from related companies are trade in nature, unsecured, non-interest bearing and are repayable upon demand.

(b) **Compensation of key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including Directors of that entity.

The remuneration of key management personnel during the financial year was as follows:

	Group	
	2012	2011
	RM'000	RM'000
Short-term employee benefit	14,865	15,033
Post-employment benefits	427	424
Share-based payment	1,242	458
	16,534	15,915

Included in the compensation of key management personnel of the Group are other emoluments of RM544,000 (2011: RM427,000) paid to three (2011: three) Non-Executive Directors of the Company.

Notes to the Financial Statements

29. Financial Instruments

(a) Financial risk management objectives and policies

In the normal course of conducting its business activities, the Group is exposed to a variety of financial risks, which include credit, foreign currency, liquidity and interest rate risks. The Group's overall risk management programme seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligations. The Group's credit risk arises in the normal course of business primarily with respect to trade and other receivables and cash and cash equivalents. Credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. Available-for-sale financial assets and deposits are placed only with or only entered into with reputable licensed banks and unit trust funds, if any.

The maximum credit risk exposure in respect of trade receivables is limited to the carrying amount of the receivables less allowance for impairment, whereas the maximum exposure for other receivables, and cash and cash equivalents are the reported carrying values in the financial statements. Information regarding trade receivables that are neither past due nor impaired, and past due but not impaired, are disclosed in Note 15.

At the reporting date, there were no significant concentrations of credit risk.

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. The currencies giving rise to this risk are primarily the USD and SDR. Although approximately 18% (2011: 17%) of the Group's total expenses are denominated in the above-mentioned foreign currencies, the settlements of these payables are on a net basis, together with revenues earned from the same operators and partners. The Group also holds cash and cash equivalents denominated in USD for working capital purposes. At the reporting date, the Group's foreign-denominated cash and cash equivalents is disclosed in Note 17.

Exposure to foreign currency risk is monitored on an on-going basis and when considered necessary, the Group will consider using effective financial instruments to hedge its foreign currency risk in accordance with its foreign currency hedging policy. In line with the Group's foreign currency hedging policy, hedging is only considered for firm commitments and highly probable transactions of which hedging shall not exceed 100% of the net exposure value. Speculative activities are strictly prohibited. The Group adopts a layered approach to hedging, where a higher percentage of hedging will be executed for closer-dated exposures and with time, increase the hedge as the probability of the underlying exposure increases. These derivatives and their underlying exposures will be monitored on an on-going basis.

The Group's foreign currency forward contracts are executed only with credit-worthy financial institutions in Malaysia which are governed by appropriate policies and procedures. The cash requirement for settling these foreign currency forward contracts is solely from the Group's working capital.

29. **Financial Instruments (cont'd.)**

(c) **Foreign currency risk (cont'd.)**

Details of the Group's outstanding foreign currency forward contracts for the purpose of hedging certain payables denominated in USD for which firm commitments existed at the reporting date, extending to January 2013, are disclosed in Note 22. The effects of changes in the fair values of these derivative financial instruments have already been included in the financial statements during the financial year.

Management believes that there is no reasonably possible fluctuation in the foreign exchange rate which would cause any material effect to the Group's profit for the year.

(d) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management, for working capital purposes and to mitigate the effects of fluctuations in cash flows. The Group invests only in highly liquid cash management funds, if any. The Group has remaining fixed and floating-rate term loan facilities with an aggregate nominal value of up to RM700.0 million (2011: RM1.2 billion) as an alternative source of financing which can be executed as and when required.

The Group's trade and other payables and non-hedging derivative liabilities at the reporting date, are short-term in nature, and are payable either on-demand or within one year. Details of respective maturities for the Group's loans and borrowings are as disclosed in Note 18.

(e) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk primarily from the deposit placements and interest-bearing financial liabilities. The Group manages its interest rate risk for the interest-earning deposit placements by placing such balances on varying maturities and interest rate terms.

The Group's policy in dealing with interest-bearing financial liabilities is to minimise the interest expense by obtaining the most favourable interest rates available. A difference of 20 basis points in interest rates applicable for the Group's entire loans and borrowings (excluding finance lease obligation) would result in approximately 0.8% (2011: 0.1%) variance in the Group's profit for the year.

(f) **Fair values**

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) **Cash and cash equivalents**

The carrying amounts approximate their fair values due to the relatively short-term maturity of these financial instruments.

Notes to the Financial Statements

29. **Financial Instruments (cont'd.)**

(f) **Fair values (cont'd.)**

(ii) **Investment securities**

The carrying amount approximates its fair value due to the relatively short-term maturity of this financial instrument.

(iii) **Trade and other receivables and payables**

The carrying amounts approximate their fair values because these are subject to normal credit terms and are short-term in nature.

(iv) **Loans and borrowings**

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The carrying amounts of SFRTL are reasonable approximations of fair values due to that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of non-current portion of loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing or leasing arrangements at the reporting date.

(v) **Derivative financial instruments**

Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

At the reporting date, the carrying amounts and fair values of the Group's financial instruments not carried at fair values and whose carrying amounts are not reasonable approximation of fair values, are as follows:

		Group			
		Carrying amount		**Fair value**	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Financial liabilities					
Loans and borrowings (non-current):					
- FRTL	18	174,685	324,074	165,893	309,170
- Finance lease obligation	18	50,068	57,073	59,825	68,194

29. Financial Instruments (cont'd.)

(g) Carrying amounts

The carrying amounts of financial instruments under each category of MFRS139, are as follows:

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Loans and receivables:					
- Trade receivables	15	289,482	256,723	–	–
- Other receivables	15	62,999	24,143	8	70
- Deposits	15	57,638	53,987	5	5
- Investment securities	16	–	–	–	509,001
- Cash and cash equivalents	17	708,856	1,098,170	2,157	638
		1,118,975	1,433,023	2,170	509,714
Other financial liabilities:					
- Loans and borrowings	18	1,080,149	728,009	–	–
- Trade payables	21	384,795	252,520	–	–
- Other payables	21	96,678	153,487	–	–
- Accruals	21	1,593,445	1,498,734	809	484
- Customer deposits	21	16,292	12,181	–	–
		3,171,359	2,644,931	809	484
Non-hedging derivative financial liabilities	22	151	17	–	–

30. Capital Management

The essence of the Group's capital management strategy is to support its long-term strategic ambitions including:

(i) its commitment to long-term sustainable dividend policy;
(ii) its financial obligation and ability to maintain financial flexibility; and
(iii) its ability to support its business requirements and enable future growth.

Going-forward, the Group will continue to actively manage its capital structure to enhance shareholders' value and make adjustments to address changes in the economic environment and its business risk characteristics. The Group had during the financial year ended 31 December 2009, revised its minimum dividend pay-out policy to at least 80% of the Company's profit for the year, and dividend payment frequency. The dividend policy will be maintained subject to on-going assessment, and based on the availability of distributable reserves as well as the Group's future cash flow requirements and market conditions. These revisions and any other revision to its allocation of capital resources are subject to the approval of the Board of Directors. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2012.

Notes to the Financial Statements

31. Segmental Information

Segmental information is not presented as the Group is primarily engaged in the provision of mobile communication services and its related products in Malaysia.

32. Event Occurring After the Reporting Date

In addition to guarantees given to third parties as disclosed in Note 27, the Group has on 25 January 2013 executed a bank guarantee to SKMM amounting RM10.0 million to fulfill SKMM's condition on the allocation of the 2600 MHz spectrum band to the Group.

33. Authorisation of Financial Statements for Issue

The financial statements for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 15 March 2013.

34. Supplementary Information - Disclosure of Realised and Unrealised Profits/Losses

The break-down of the (deficit)/retained earnings of the Group and of the Company as at 31 December 2012 and 2011 into realised and unrealised (loss)/profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad, and prepared 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.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total (deficit)/retained profits of the Company and its subsidiaries:				
- Realised	(627,361)	516,925	46,457	512,326
- Unrealised	119,027	124,851	-	-
	(508,334)	641,776	46,457	512,326

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

This Statement has been seen and approved by our Board who, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any information herein misleading.

2. CONSENTS AND DECLARATION OF INTEREST

2.1 CIMB

CIMB is the Adviser for the Proposed TdC Dividend-in-specie.

CIMB has given and has not subsequently withdrawn its written consent to include its name and all references thereto in this Statement in the form and context in which they appear.

Save as disclosed below, CIMB is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as Adviser in relation to the Proposed TdC Dividend-in-specie.

CIMB, its related and associated companies ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The CIMB Group has engaged and may in future, engage in transactions with and perform services for our Group, in addition to the roles involved in the Proposed TdC Dividend-in-specie. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of our Group, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities of our Group. This is a result of the businesses of CIMB Group generally acting independently of each other, and accordingly there may be situations where parts of the CIMB Group and/or its customers in the future, may have interest or take actions that may conflict with the interests of our Company.

CIMB Group has, in the ordinary course of their banking business, granted credit facilities to our Group. In addition, CIMB Bank Berhad (a related corporation of CIMB), will provide the services as the Odd Lot Agent to dispose of the aggregate of the odd lot entitlements of DiGi Shares pursuant to the Proposed TdC Dividend-in-specie to facilitate the Cash Settlement. The Odd Lot Agent Fee shall be 1.5% of the gross proceeds from the DiGi Shares disposed.

CIMB is of the view that the aforementioned extension of credit facilities does not result in a conflict of interest situation as the total credit facilities is not material when compared to the audited total assets of the CIMB Group as at 31 December 2012.

CIMB is also of the view that CIMB Bank Berhad's role as the Odd Lot Agent in relation to the Cash Settlement, does not result in a conflict of interest situation. Such role is limited to facilitating the disposal of the aggregate of the odd lot entitlements of DiGi Shares in the manner set out in Section 2.1 of this Statement to facilitate the Cash Settlement. The determination of the entitlement basis and the entitlement date for the Proposed TdC Dividend-in-specie remains at the sole discretion of the Board of Directors of TdC.

Furthermore, the extension of credit facilities and the services provided as Odd Lot Agent in relation to the Cash Settlement arose in the ordinary course of business of the CIMB Group in view of the CIMB Group's extensive participation in the ASEAN banking industry.

2.2 Messrs KPMG

Messrs KPMG, being the Reporting Accountants for the Proposed TdC Dividend-in-specie, has given and has not subsequently withdrawn its written consent to the inclusion in this Statement of its name, letters and all references thereto, as the case may be, in the form and manner in which they so appear in this Statement.

The Reporting Accountants are not aware of any conflict of interest situation which exists or is likely to exist in relation to its capacity as our Reporting Accountants for the Proposed TdC Dividend-in-specie.

3. MATERIAL CONTRACTS

Neither our Company nor any of its subsidiaries has entered into any material contracts (not being contracts entered into in the ordinary course of business), within the past two (2) years preceding the date of this Statement.

4. MATERIAL LITIGATION

As at the LPD, our Company and its subsidiaries are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on our financial position or business and our Board is not aware of any proceedings pending or threatened or any facts likely to give rise to any proceedings which may materially and adversely affect our financial position or business.

5. MATERIAL COMMITMENT

As at the LPD, save as disclosed below, our Board is not aware of any material commitments incurred or known to be incurred by our Group which may, upon becoming enforceable, have a material impact on our Group's profits or NA:

	RM 000
Authorised property, plant and equipment expenditure not provided for in the financial statements	
Contracted	216,648
Not contracted	41,911
Total commitments	**258,559**

6. CONTINGENT LIABILITIES

As at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group which may, upon becoming enforceable, have a material impact on our Group's profits or NA.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by our shareholders during normal business hours at our registered office at Level 4, No. 14, Jalan Majistret U1/26, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, from Mondays to Fridays (except public holidays) from the date of this Statement up to the date of the AGM:

(i) the memorandum and articles of association of our Company;

(ii) the audited consolidated accounts of our Company for the past two (2) financial years ended 31 December 2012 and 31 December 2011;

(iii) the letter of consent from CIMB referred to in Section 2.1 of this Appendix IV;

(iv) the letter of consent from Reporting Accountants referred to in Section 2.2 of this Appendix IV; and

(v) the Reporting Accountants' Letter on the availability of reserves of TdC in connection with the TTdC Internal Restructuring and Proposed TdC Dividend-in-specie as referred to in Section 2.2 and set out in Appendix II of this Statement.

(The rest of this page has been intentionally left blank)