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Malaysia



SHAPING  
THE FUTURE

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[www.axiata.com](http://www.axiata.com)

AXIATA GROUP BERHAD (242188-H)

ANNUAL REPORT 2013



ANNUAL REPORT 2013

# Shaping The Future.

Kites are a unifying factor across Asia. Backed by traditions that are centuries old, each kite has a unique cultural reference to its country and people. For generations, these kites have taught us the value of hard work, patience and perseverance. Just as kites soar freely over the horizon, Axiata and its companies reach far and wide to unite the cultures and people of Asia. It is this optimism and will to succeed that unites us, steering us from one milestone to the next as we prepare ourselves for the next chapter of our transformation into a new generation telecommunications company.

We are a regional telecommunications company, giving over 240 million people across the continent the power to connect with each other. To meet future challenges, we are constantly innovating our business to shape the future for our customers across Asia.

**Axiata. Advancing Asia.**

# The kites of Asia



## Wau Bulan, Malaysia

The Wau Bulan is an intricately designed kite fashioned after a crescent moon. It is usually adorned with floral motifs, and traditionally flown by men in the Malaysian state of Kelantan. It is also a Malaysian national symbol, alongside the Hibiscus and Kris.



## Kleng, Cambodia

Klengs, meaning “eagle” in Khmer, have flown for generations. These majestic creations are sent into the sky for many reasons. They provide entertainment, and are seen as symbols of freedom, happiness and peace. Locals also believe that flying them brings good weather in times of drought or flooding.



## Jangan, Indonesia

The Jangan is a traditional Balinese kite that is commonly flown during competitions or as offerings to Hindu Gods to bless the lands with abundant harvests. They come in many shapes but are typically large, casting an impressive presence in the skies.



## Patang, India

The Patang is used in the sport of kite fighting. Traditionally, most are small, unstable single line flat kites with an abrasive line to cut down other kites in flight. Kite fighting usually takes place during major festivals, particularly the spring festival known as Basant and more recently, on Independence Day.



## Sri Lanka



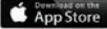
## Bangladesh

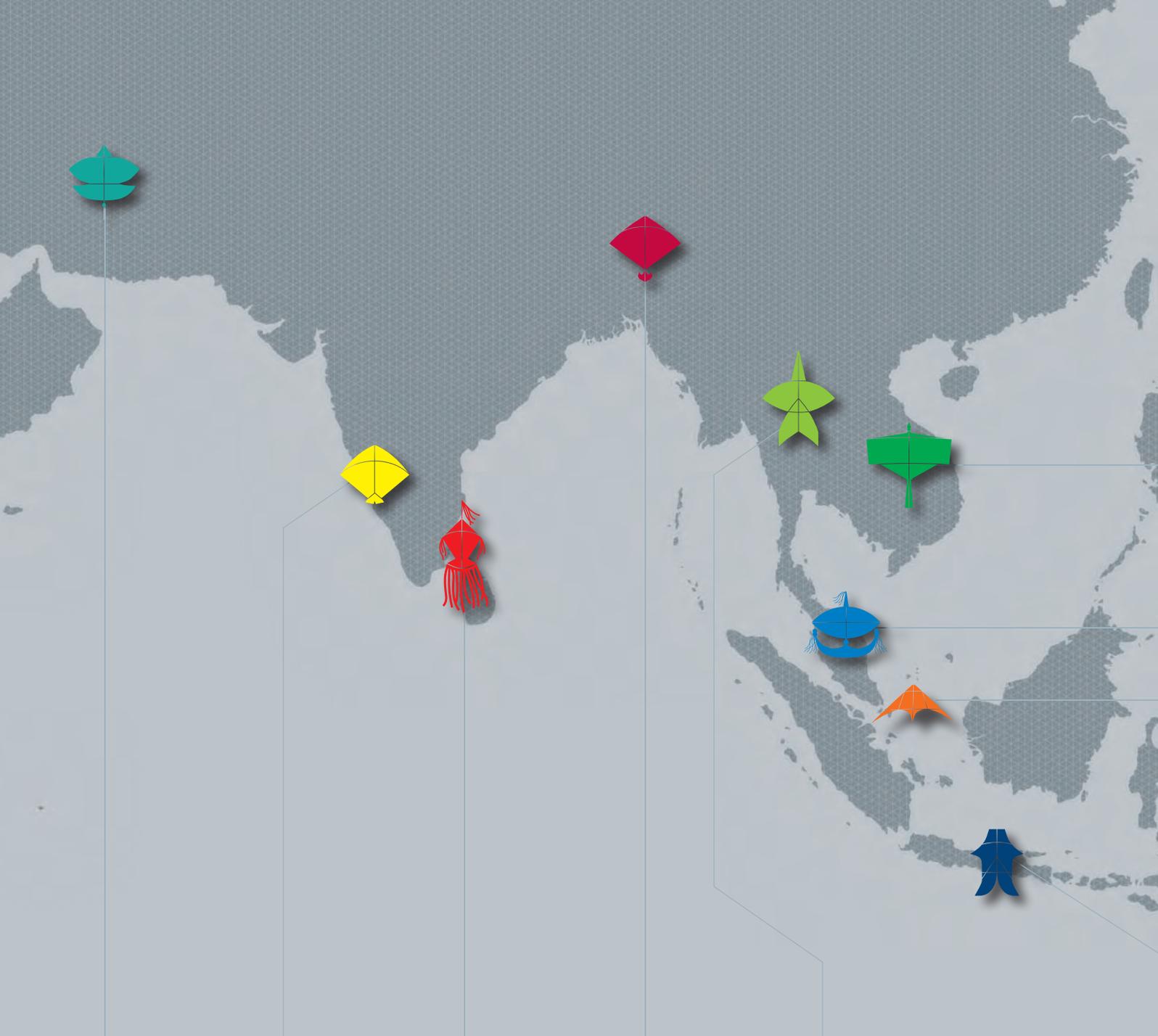


## Singapore

The kites of Asia fly as freely as the cultures they represent and are flown for many reasons, ranging from leisure, festive, symbolic and ceremonial purposes. For instance, kites mark the beginning of spring in Bangladesh. In Sri Lanka, kites cruise the coastlines of Colombo in a showcase of local craftsmanship. The island nation of Singapore hosts an annual kite festival, bridging international ties through a common passion for kite flying. For generations, kites have entertained and enchanted, inspiring pride and hope in both the young and old.

The digital version of the Axiata Annual Report 2013, *Shaping the Future*, and Sustainability Report and National Contribution Report, *Our Commitment to Development*, is available on: [www.axiata.com](http://www.axiata.com)

The app versions can be downloaded on:  



multinet

PAKISTAN



INDIA



SRI LANKA



BANGLADESH

i-mobile  
by SMART

THAILAND

# Advancing Asia

**2013**

Revenue

RM18.4 Billion  
USD5.8 Billion

PAT

RM2.7 Billion  
USD870 Million

Market Cap

RM58.9 Billion  
USD18.7 Billion

Subscribers

> 240 Million

Employees

23,000

Countries

9



INDONESIA



SINGAPORE



MALAYSIA



CAMBODIA



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• Unless otherwise stated, all information contained in this Annual Report is as at 31 March 2014.

• Unless otherwise stated, all USD figures used in this Annual Report are based on the indicative exchange rate of 3.149.

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# Group Profile

Axiata Group Berhad is one of the largest Asian telecommunications group in Asia with over 240 million customers. Axiata's vision is to be a regional champion by 2015 by piecing together the best throughout the region in connectivity, technology and talent, uniting them towards a single goal: Advancing Asia.

Axiata has controlling interests in mobile operators in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia with significant strategic stakes in India and Singapore. In addition, the Malaysian-grown holding company has stakes in non-mobile telecommunications operations in Thailand and Pakistan.

The Group's mobile subsidiaries and associates operate under the brand name "Celcom" in Malaysia, "XL" in Indonesia, "Dialog" in Sri Lanka, "Robi" in Bangladesh, "Smart" in Cambodia, "Idea" in India and "M1" in Singapore. Added to this the Group has established a communications infrastructure solutions and services company called "edotco".

## 2007 vs 2013

Revenue	↑	84%
EBITDA	↑	76%
PAT	↑	94%
Subscribers	↑	513%
Market Capitalisation	↑	333%*

\* Market Capitalisation is 2008 vs 2013





The Group, including its subsidiaries and associates, has over 240 million mobile subscribers in Asia. The Group revenue for 2013 was RM18.4 billion (USD5.8 billion). Its market capitalisation stood at over RM58.9 billion (USD18.7 billion) at the end 2013.

The Group provides employment to over 23,000 people across Asia.

Axiata was awarded the Frost & Sullivan Asia Pacific ICT Award for Best Telecom Group for five consecutive years in 2009, 2010, 2011, 2012 and 2013 and the Telecom Asia Best Regional Mobile Group 2010 and 2011 for its operations in multiple Asian markets. In 2011, Axiata was the only Malaysian company to make the Forbes Asia Fab 50 List.

### **Axiata's Journey**

Axiata was incorporated in Malaysia on 12 June 1992 as a private limited company under the name of TMI, operating as a division within TM. The initial focus was on expanding the Group's footprint, primarily through mergers and acquisitions, building a portfolio which balances interests in emerging markets with low mobile penetration rates, and best-in-class and innovation driven subsidiaries in mature markets.

In 2008, the TM Group completed a strategic demerger exercise that saw the separation of the mobile business from TM. The demerger resulted in an enhanced TMI, which was merged with Celcom, enabling it to focus on its own core business and accelerate operational improvements and growth initiatives; emerging as an independent entity in the regional mobile telecommunications market.

TMI was subsequently listed on Bursa Securities on 28 April 2008, marking a new chapter in its transformation towards becoming a regional giant in the mobile communications market.

In March 2009, TMI changed its name to Axiata Group Berhad and launched a new identity, as part of a rebranding exercise aimed at enhancing its position as a leading regional mobile operator. The move was a requisite step to reinforce the Group's new business philosophy and its commitment to advancing Asia by addressing the unfulfilled communication needs of local populations with affordable and innovative products and services. Axiata has blazed a path across the region; from 40 million customers, pre-demerger, to over 240 million across 9 countries, in six years, making Axiata one of the largest mobile players in Asia.

### **Shaping the Future**

Axiata has always been ahead of the curve, quickly adapting to change and positioning its business model to capitalise on the developments in an increasingly digitalised world. Parallel to its investments in network and technology modernisation over the years, Axiata has also evolved its business to embrace the digital age and fast growing demand for data. 2014 will be a critical year for Axiata as it progresses in its transformation beyond a traditional telecommunications company.

In advancing Asia, Axiata remains committed to its role as a responsible corporate citizen, to make a difference to people's lives and help transform the countries in which it operates. Details of Axiata's sustainability efforts are available as a separate booklet, together with this Annual Report.



Vision ▶

# Regional Champion by **2015**

▶ **By**

**Advancing Asia,  
bringing together  
people, connectivity  
and technology**

## Code of Conduct ▶

Axiata is committed to conduct its business fairly, impartially and in full compliance with all applicable laws and regulations in Malaysia and in countries where the Group has operations.

The Group's professionalism, honesty and integrity must at all times be upheld in all of the Company's business dealings by all employees.

Axiata has in place a Code of Conduct that serves as documentation of our commitment in ensuring its business dealings are conducted in a manner that is efficient, effective and fair. Axiata ensures that it is the responsibility of every employee to act in accordance with the policies detailed in the Group's Code of Conduct.

## Core Values ►

At Axiata, there are two core values that we embrace across the Group: Uncompromising Integrity and Exceptional Performance. These two values define who we are and how we operate.



### Uncompromising Integrity

Always doing the right thing and fulfilling promises made to earn the trust of our stakeholders.

We are committed to upholding the highest standards of lawful and ethical conduct, and in demonstrating honesty, fairness and accountability in all of our dealings.

### Exceptional Performance

Always pushing ourselves to deliver benchmarked outstanding performance.

We are determined to be the winner, leader and best-in-class in what we do. Whilst we are tough with performance standards, we are compassionate with people - we call it "Performance with a Heart"

Uncompromising Integrity and Exceptional Performance are our distinct values and key to our success towards becoming a regional champion.

We place great emphasis in building a culture based on these two values across the Axiata Group.

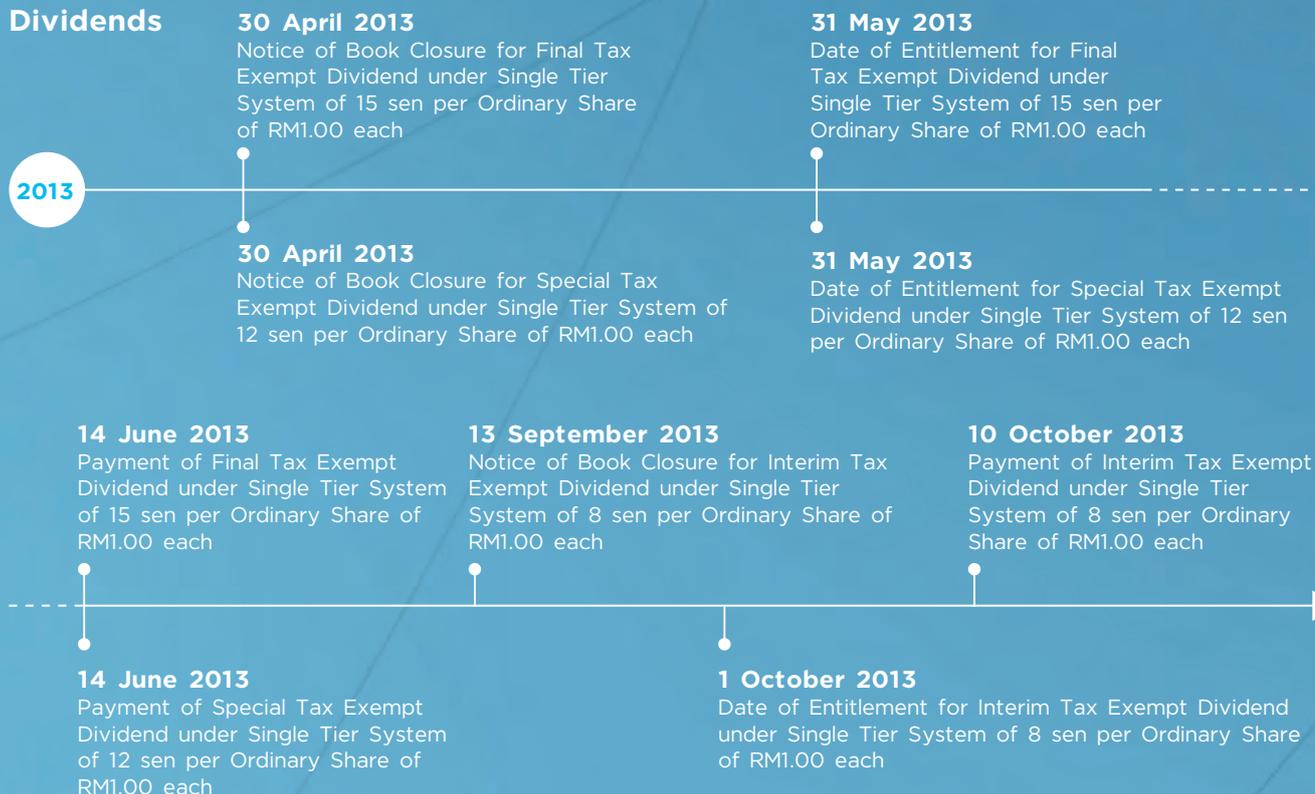
These two core values will be incorporated into the existing values of the individual OpCos which includes, amongst others, service excellence, teamwork, creativity and customer centricity.

# Financial Calendar

## Quarterly Results



## Dividends



Notice of 22nd Annual General Meeting and Issuance of Annual Report 2013  
6 May 2014

**22<sup>nd</sup>**  
**Annual General Meeting**  
**28 May 2014**

# Corporate Information

## Board of Directors

**Tan Sri Dato' Azman Hj. Mokhtar**

Chairman

Non-Independent Non-Executive Director

**Dato' Sri Jamaludin Ibrahim**

Managing Director/President &

Group Chief Executive Officer

**Tan Sri Ghazzali Sheikh Abdul Khalid**

Independent Non-Executive Director

**Datuk Azzat Kamaludin**

Senior Independent Non-Executive Director

**Dato' Abdul Rahman Ahmad**

Independent Non-Executive Director

**David Lau Nai Pek**

Independent Non-Executive Director

**Juan Villalonga Navarro**

Independent Non-Executive Director

**Bella Ann Almeida**

Independent Non-Executive Director

**Kenneth Shen**

Non-Independent Non-Executive Director

## Group Company Secretary

**Suryani Hussein**

LS0009277

## Registered Office

Level 5, Axiata Centre, 9 Jalan Stesen Sentral 5  
Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia

Tel : +603 2263 8888

Fax : +603 2263 8903

## Share Registrar

Tricor Investor Services Sdn Bhd (Company No. 118401-V)  
Level 17, The Gardens North Tower, Mid Valley City  
Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia

Tel : +603 2264 3883

Fax : +603 2282 1886

Email : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)

## Auditors

PricewaterhouseCoopers (AF: 1146)

Level 10, 1 Sentral, Jalan Travers

Kuala Lumpur Sentral, 50706 Kuala Lumpur, Malaysia

Tel : +603 2173 1188

Fax : +603 2173 1288

## Website

[www.axiata.com](http://www.axiata.com)

## Investor Relations

Tel : +603 2263 8856

Fax : +603 2278 3337

Email : [ir@axiata.com](mailto:ir@axiata.com)

## Stock Exchange Listing

Listed on Main Market of Bursa Malaysia Securities Berhad

Listing Date : 28 April 2008

Stock Code : 6888

Stock Name : Axiata

Stock Sector : Trading/Services

# Key Highlights

Axiata Group continues to deliver strong revenue growth and perform better than the industry in almost every market. 2013 was a year of successes and strategic investment as the Group strengthened its foundation, shaping the future of telecommunications within our footprint.

More than  
**240** million  
subscribers, 19% YoY growth

The Group closed 2013 with a total subscriber base of 244 million across Asia. This makes Axiata the second largest telecommunications company in Asia based on subscriber numbers.

Asia Pacific's  
**Best Telecoms  
Group** for the 5<sup>th</sup> consecutive year

Axiata continued to gain momentum in the industry by taking top honours as Best Telecoms Group for the fifth consecutive year at the Frost & Sullivan 2013 Asia Pacific ICT Awards. The award is granted to the operator that has shown exemplary growth and performance through its investments in the region.

**Double-digit**  
growth at Dialog and Robi, and  
record profits at Celcom

Dialog and Robi saw double digit revenue growth. Profits at Robi and Smart more than doubled. Celcom continues to register record profits, highest in the industry.

over **15**  
**New Digital  
Ventures**

Continued focus on digital services with the incorporation of Axiata Digital Services. Major product launches in digital-entertainment, digital-commerce, digital-money and digital-advertising services.

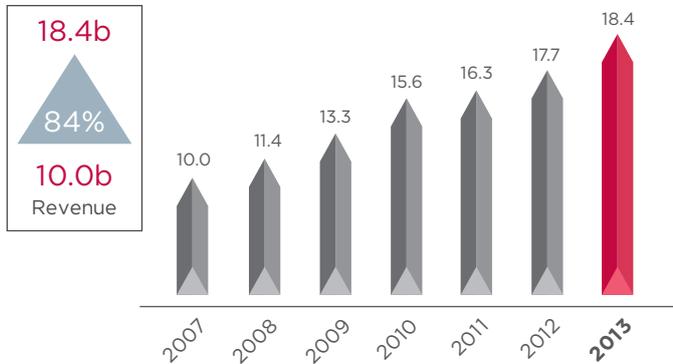


**One of the  
Largest  
telecommunications  
infrastructure  
companies** in SEA

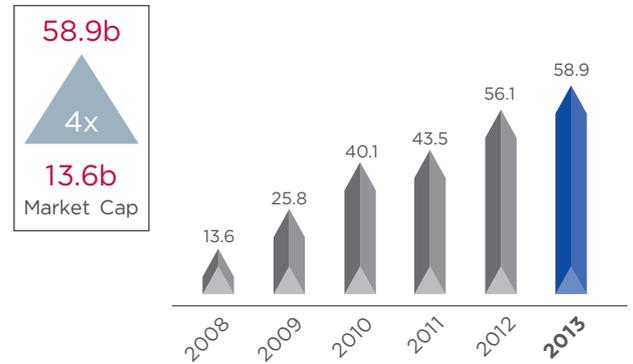
Axiata's new strategic business unit, edotco, is a communications infrastructure solutions and services company that will manage Axiata's group-wide passive infrastructure as a business. edotco will share sites, physical towers and related civil infrastructure, with the potential to expand to field services/support active infrastructure, such as fibre for backhaul and base stations, and promote green energy management using renewable, solar, wind and battery technologies.

# Financial Highlights

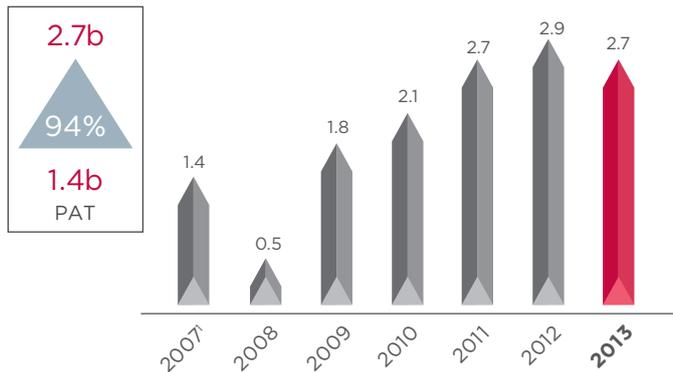
Operating Revenue (RM Billion)



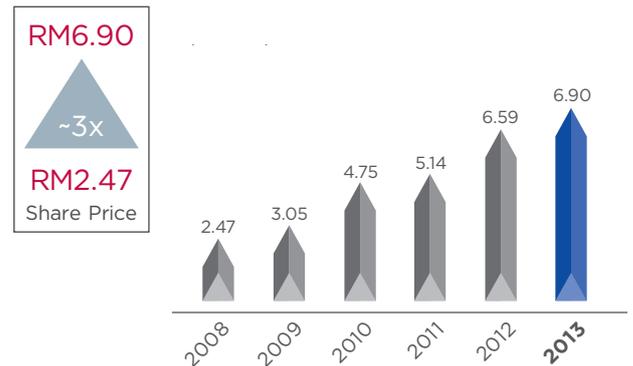
Market Capitalisation (RM Billion)



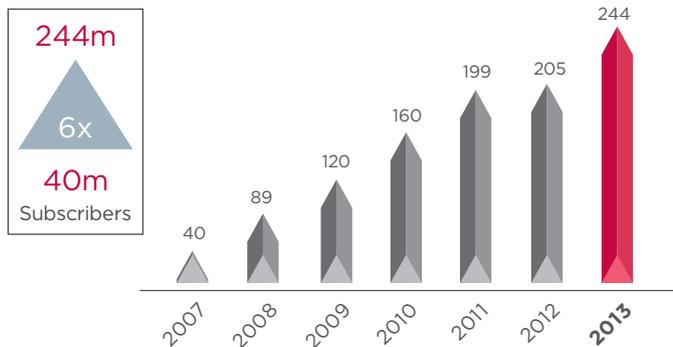
PAT (RM Billion)



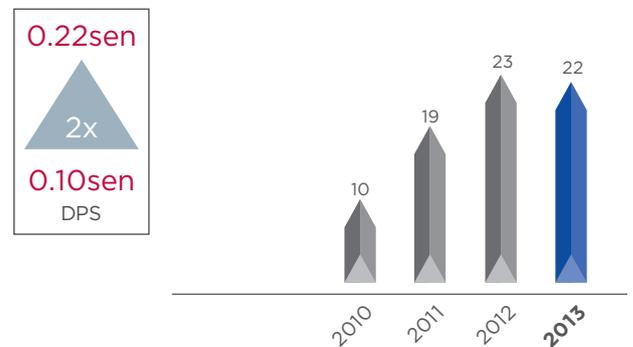
Share Price (RM)



Subscribers (Million)



Dividend Per Share (Sen)

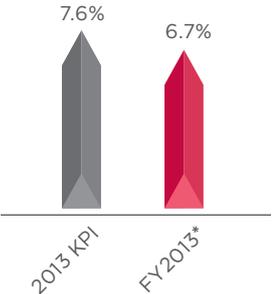


**Note:**

<sup>1</sup> 2007 normalised for one-off gains on Dialog shares, Spice IPO and Spice tower sale

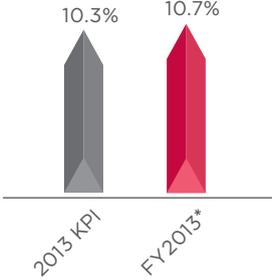
# Key Performance Indicators

As a Group, Axiata is firm on setting its Key Performance Indicators (KPIs) based on the Group's strategic direction and vision of being a regional champion. Below is our progress on the KPIs measured and published each year.

FY2013 KPI		Achievements
<p><b>Revenue Growth</b></p> <p>Revenue growth measures overall YoY growth of the Group relative to competitors and the industry, excluding all translation impact</p>	 <p>A bar chart with two bars. The first bar is grey and labeled '2013 KPI' with a value of 7.6%. The second bar is red and labeled 'FY2013*' with a value of 6.7%.</p>	<p>Moderate revenue growth amidst intense market competition in Indonesia and weakened IDR</p>
<p><b>EBITDA Growth</b></p> <p>EBITDA growth measures overall YoY growth of the Group relative to competitors and the industry, excluding all translation impact</p>	 <p>A bar chart with two bars. The first bar is grey and labeled '2013 KPI' with a value of 0.2%. The second bar is red and labeled 'FY2013*' with a value of 0.6%.</p>	<p>Exceeded target with careful cost management and execution of new business and investments</p>

\* Based on constant currency



FY2013 KPI		Achievements						
<p><b>ROIC</b></p> <p>ROIC is defined as EBIT less tax over average invested capital</p>	 <table border="1"><caption>ROIC Performance</caption><thead><tr><th>Year</th><th>Value</th></tr></thead><tbody><tr><td>2013 KPI</td><td>10.3%</td></tr><tr><td>FY2013*</td><td>10.7%</td></tr></tbody></table>	Year	Value	2013 KPI	10.3%	FY2013*	10.7%	<p>Exceeded FY2013 target by 0.4 percentage points</p>
Year	Value							
2013 KPI	10.3%							
FY2013*	10.7%							
<p><b>ROCE</b></p> <p>ROCE is defined as EBIT less tax over average capital employed</p>	 <table border="1"><caption>ROCE Performance</caption><thead><tr><th>Year</th><th>Value</th></tr></thead><tbody><tr><td>2013 KPI</td><td>8.3%</td></tr><tr><td>FY2013*</td><td>8.6%</td></tr></tbody></table>	Year	Value	2013 KPI	8.3%	FY2013*	8.6%	<p>Exceeded FY2013 target by 0.3 percentage points</p>
Year	Value							
2013 KPI	8.3%							
FY2013*	8.6%							

\* Based on constant currency





Shaping the



**Future**



## Dear Shareholders,

It has been five years since Axiata announced its ambition to be a regional champion by 2015. I am happy to report that your company continues to deliver on this promise – focused on driving transformation and raising the performance bar. Axiata is now one of the largest communication groups in Asia touching more than 240 million subscribers. Our revenue reached RM18.4 billion (USD5.8 billion), with a market capitalisation in excess of RM58.9 billion (USD18.7 billion), making Axiata one of the largest companies on Bursa Malaysia.

# Chairman's Statement

**TAN SRI DATO' AZMAN HJ. MOKHTAR**  
Chairman

In 2013, Axiata's share price continued to hold well. Axiata's market capitalisation has now grown by more than 100% since the demerger in 2008. These results have proven our ability to adapt and undertake a significant reorganisation of the business whilst at the same time delivering strong results and shareholder value.

This has enabled the Group to ensure a healthy cash return to shareholders, a priority for Axiata, whilst balancing this against growth. Over the last five years, the Group has paid more than RM6.1 billion (USD1.9 billion) in dividends to our shareholders. The year's strong performance and our healthy cash balance have enabled us to pay an accumulative increased payout in dividend of 22 sen per share (single tier including interim dividend of 8 sen per share paid last year), a 75% payout<sup>1</sup> for the financial year ended 2013, which is close to RM1.9 billion (USD0.6 billion). In the future, the Group will continue to maintain a healthy dividend payout subject to overall financial performance, capital requirements, growth expansion strategies as well as dividends received from subsidiaries.

<sup>1</sup> Subject to approval of the shareholders at the forthcoming Annual General Meeting (AGM)

In 2013, Axiata's efforts and focus on delivering results continued to receive recognition regionally via numerous awards picked up by the Group in 2013. This included the appointment of Dato' Sri Jamaludin, President and CEO, as the Deputy Chairman of the GSM Association, the organisation representing nearly 800 of the world's mobile operators, as well as more than 230 companies in the broader mobile ecosystem. The appointment represents the first time that a Malaysian has held the prestigious post and the first time an ASEAN country has been represented as well. The nomination by GSMA is industry recognition of Axiata as a leading mobile group not only regionally, but globally.

### **Sustainable Long Term Value Creation**

Over the last six years, we have seen significant improvements in market position in every country we operate in. Moving forward, the next few years will be an important period for Axiata as we progress further in our transformation to become a new generation telecommunications company as the world's economy becomes increasingly digitalised. Advancement of digital devices, consumer behaviour, network technologies, content and services as well as increasing competition from both traditional and non-traditional sectors are rapidly changing the space in which we operate. To prepare for this new connected world, we have taken a comprehensive and holistic approach in our strategy, looking at it from the following five key areas – revenue growth opportunities, cost structure improvements, customer experience enrichment, organisational reforms and the building of a new business model. Major initiatives to deliver long-term growth by transforming our core business, creating new growth platforms in the adjacency space, improving our cost structure and strengthening our enablers, including network, IT, processes and people, are ongoing and starting to bear fruit. Alongside this, we also will be looking at inorganic growth with particular focus on in-country consolidation such as the merger of Smart and Hello in Cambodia in 2012 as well as the acquisition of Axis in Indonesia in 2013. This will provide us with the foundation to be a much stronger group in the new landscape.

*Advancing Asia* is more than just a tagline and we remain committed to transforming the societies in which we operate, enabling sustainable businesses and inclusion for all. Beyond our focus on profits and long-term growth, Axiata looks at the sustainability of its business holistically, taking into account the social and environmental aspects of our business.

### **Sustainability and Contribution To Society**

Axiata is one of the top contributors to the economies in each of the countries in which we operate. In the last six years, we have contributed more than RM20.5 billion

(USD6.5 billion) in the form of taxes, licences and levies to the governments as well as an estimated RM202.5 billion (USD63.8 billion) in direct and indirect economic contribution. In Malaysia, we are an active and significant contributor to the national agenda, including the development of local vendors and partners. Added to this, the Group together with our associate companies employs over 23,000 people directly, and have created over one million jobs indirectly, through our partners and ecosystem. To ensure the sustainability of talent, the Group continues to hire, train and develop highly capable professionals to ready them for leadership roles across Asia. In the past five years, the Group has spent approximately USD30 million on talent development initiatives, with over 700 talent already identified within the Group. Outside of the Group, we have started to look at developing talent from as early as 13 years of age, with Axiata's Young Talent programme, where the Group has pledged RM100 million as part of its CSR programme for the development of students into future CEOs.

Sustainability is an important element at Axiata. This commitment moves up a pace with our second sustainability report, attached as a separate annex to this annual report, now benchmarked against GRI G4, one of the few companies in Malaysia to do so. This is a voluntary disclosure, beyond listing requirements, which is a reflection of the importance the Group places on the initiative.

As ever, the Board continues to be committed to transparency and accountability consistent with good corporate governance and practices. Axiata plays a pivotal role in ensuring this across the Group, towards the protection of all Axiata stakeholders including minority shareholders/partners. Axiata's four awards at the Malaysia-ASEAN Corporate Governance Index 2013 awards is testament to this. The awards include Top 5 Overall Corporate Governance, Top 3 Corporate Governance Transparency and one for Overall Industry Excellence in the Telecommunications category.

On behalf of the Board, I would like to thank our various stakeholders for the support you have given during the year. As always, special mention goes to the governments and regulators of the operating companies' (OpCos) countries for their facilitation and co-operation. The Board also wishes to thank every employee and the management teams across the Group, our shareholders who continue to believe in our strategy of disciplined growth to strengthen the foundation for the future and our over 240 million customers across the region.

It thus gives me great pleasure to present to you the Axiata Annual Report 2013.

**TAN SRI DATO' AZMAN HJ. MOKHTAR**  
Chairman



## **Dear Shareholders,**

2013 was a continuation of our journey since inception towards becoming a regional champion by 2015. It was also a crucial year for Axiata as it was an investment year, to reshape the Group to become a new generation telco, to reflect the changes in the industry's ecosystem and consumer trends.

# **President & GCEO's Business Review**

**DATO' SRI JAMALUDIN IBRAHIM**

Managing Director/  
President & Group Chief Executive Officer

**“We ended the year with a PATAMI of RM2.6 billion and a 10.7% return on invested capital (ROIC), exceeding our target.”**

Against the backdrop of investing for long-term growth, the Group still delivered strong performance. The underlying revenue growth, based on constant currency, remained robust. Most of our operating companies (OpCos) performed much better than the industry and many achieved new and significant industry milestones. Major transformation programmes were initiated in key areas including infrastructure, ‘Big Data’, digital services, cost management and process changes. Our aggressive investment in data continued whilst investments in talent development remained a top priority. Yet, with all these initiatives and significant reorganisation of the business, we ended the year with a PATAMI of RM2.6 billion (USD0.8 billion) and a 10.7% return on invested capital (ROIC), exceeding our target.

### **Strong Performance Amidst Challenges**

The Group recorded revenue growth of 4.1% in 2013, 6.7% at constant currency, to RM18.4 billion (USD5.8 billion). This was on the back of significant double digit growth from Dialog, Robi and Smart. Group’s total subscriber base expanded to over 240 million, up 19% from a year ago, with strong growth coming from XL and Idea, making Axiata one of the largest telecommunications companies in the region. EBITDA dipped by 2.1% to RM7.3 billion (USD2.3 billion) due to further investments in data as well as adverse forex movements. At constant currency Group EBITDA remained stable at 0.6%.

Amidst forex impact of RM201 million (USD64 million) as well as significant capex and opex investments in data and new initiatives, the Group posted PATAMI growth of 1.5%, or 2.2% at constant currency. This was from the excellent performance by Celcom, Robi, Smart and Idea. Robi and Smart, in particular, saw significant double digit growth with profits more than doubled. Idea’s profit grew significantly by almost 80% for the calendar year.

Celcom recorded the highest ever profit (PATAMI of RM2.1 billion) in its history and also the highest in the industry. The data revolution is also beginning to bear fruit for Celcom, with data traffic doubling and now contributing 17% to revenue.

Robi, Dialog and Smart performed much better than the industry in terms of market share, revenue and EBITDA. Together they now account for 20% of the Group’s revenue and 17% of the Group’s EBITDA compared to only 17% and 12% respectively in 2012.

XL however, after seeing exceptional growth for the past seven years, faced multifaceted challenges in 2013, due to, amongst others, competition and the 8% decline of the Indonesian Rupiah against the Malaysian Ringgit. Excluding XL, Group revenue grew by 11% and PATAMI by 23%, testament to the excellent performances by Celcom, Robi and Smart.

Axiata ended the year in a position of strength with RM6.4 billion (USD2.0 billion) in cash and maintained a healthy balance sheet. Axiata’s Gross Debt to EBITDA ratio is now at 1.85x.

### **Continued Regional Recognition**

Our commitment and performance has led to our group of companies being recognised by peers and watch groups not only in their own countries, but also regionally. I am pleased to note that Axiata and our subsidiaries dominated the awards ceremony at the Frost & Sullivan Asia Pacific ICT Award 2013. Axiata Group won the Best Telecommunications Group for the fifth consecutive year. Celcom and Robi took the awards for Asia Pacific Wireless Data Service Provider of the Year and Emerging Market Service Provider of the Year respectively. At the same time, XL won the Best Operator in Emerging Market at the TelecomAsia Awards 2013. Axiata’s inaugural issuance of the 2 year RMB1.0 billion sukuk continues to receive awards and mentions in the international financial sector.

These awards are a true recognition of the dedication of everyone within the Axiata family and the progress that we have made since 2008.

# President & GCEO'S Business Review

**“Invested more than USD2 billion to acquire new spectrum in Bangladesh, Sri Lanka and India for 2G, 3G and 4G.”**

## **Challenges, Opportunities and Outlook**

We continue to face challenges from the market, competition, regulatory and global economic conditions. Competition with existing and new Over-The-Top (OTT) players is expected to be challenging and will continue to emerge as a substitution to our services, as voice and SMS in maturing markets decline. The regulatory environment in our markets continues to be demanding, though we have seen new and positive developments.

The mobile industry is evolving rapidly, touching almost every aspect of the consumer's daily life and operations. Data continues to grow exponentially as new technologies and spectrum availability evolve to further enhance the speed, capacity and efficiency of data networks. Numerous new applications and services are being developed each day to generate more demand. For telecommunications companies, many adjacent services such as m-payment, m-advertising, and machine-to-machine (M2M) applications are offering new opportunities for growth.

These factors have made the industry outlook conversely challenging and full of opportunities at the same time. The winners and losers of the industry depend on our ability and speed to seize the new opportunities. Our strategy varies from country to country depending on the maturity of the industry, competition, regulatory and economic conditions. However, broadly speaking, our strategy since 2012 has been to transform our traditional core business to adapt to the new challenges, aggressively invest in data and moderately in new digital services. At the same time, our M&A focus will continue to be selective and primarily on in-country consolidation. Cost management will remain a key area and will be driven by introducing structural changes to our business operations.

## **Shaping The Future – Building a New Generation Telco**

### **Continuing investment in Data**

Data has emerged as the key growth driver of our business, as our core business of voice and SMS decline. Data growth has been strong across all our markets and is now a material part of revenue, particularly in our more mature markets. Celcom, XL, and Dialog in particular, have seen continuous growth in data contribution to revenue, now at 17%, 23% and 9% respectively. Celcom's data revenue for smartphones and tablets especially saw a 35% growth in 2013.

We have been proactively making significant investments and enhancements to our networks, support systems, organisation structure and business models to strengthen our data capabilities. We have modernised our networks in Celcom, XL and Dialog to be optimised for data via the conversion of our core networks from all “switch-based” network to “IP-based” network, including transmission backhaul. The new networks are not only more efficient for data, but also for voice, and will require significantly lower operating costs.

We constantly invest in new technologies, and our technology migration from 2G to 3G, and 3G to 4G LTE, will provide better user experience with a much improved cost efficiency. Celcom and Dialog are already expanding their 4G LTE networks to enhance ultra-high speed broadband network reach. XL is preparing to merge with the recently acquired Axis network and at the same time upgrade their network to capitalise on the newly acquired spectrum.

### **Investing in new spectrum**

In 2013, we have also invested more than USD2 billion to acquire new spectrum in Bangladesh, Sri Lanka and India for 2G, 3G and 4G services. Robi in Bangladesh acquired 5MHz of paired 2100MHz spectrum, Dialog acquired 10MHz of paired 1800MHz spectrum whilst in India, our associate Idea acquired 5MHz (on average) of paired 1800MHz spectrum in 11 circles (out of 22) and 5MHz of 900MHz paired spectrum in the Delhi metropolitan circle. In Indonesia, XL's acquisition of Axis provided XL with an additional 15MHz of paired 1800MHz spectrum. The new spectrum will facilitate further growth at a lower incremental cost.

### Revamping IT, network and service management

We are also revamping our IT Infrastructure, especially billing and business support systems (BSS) and operations support systems (OSS). The new BSS installed and launched at Celcom will allow for new products and customer processes to be delivered much faster than before. The group wide IT Framework allows for these best practices to be replicated across our other OpCos in a relatively short-time.

Concurrently, we have also revamped our network and service management into a proactive customer-centric service management system for both voice and data. The state-of-the-art monitoring system is able to conduct trending patterns, proactively monitor network health and resolve customer related issues. This ensures high quality service delivery and uncompromised customer experience.

### Setting up new business units

We have also setup two new business units to spearhead our ventures in to new revenue streams. One of which was the company, edotco Group, to own and manage Axiata's group-wide passive network infrastructure. The edotco Group will unlock the value of our assets by driving new levels of operational efficiency in passive infrastructure management whilst also diversifying our revenue streams. With 13,000 towers in Malaysia, Bangladesh, Sri Lanka and Cambodia, edotco Group is now one of the largest tower companies in South East Asia and globally.

The Axiata Digital Services unit was set up to focus on digital entertainment, digital commerce, digital payment and digital advertising services, and is now operating in four of our markets. We have launched 'Escape', the digital OTT entertainment service in Malaysia via Celcom; acquired a stake in 'Anything.lk', the biggest digital commerce company in Sri Lanka; and launched 'Elevenia' in Indonesia (in March 2014), a digital commerce business in partnership with SK Planet, a subsidiary of SK Telecom. Our investments in these digital service businesses are important to strategically position the Group in the 'Digital world', in providing synergies and complementing our core business, whilst building Internet and digital skills within the group.

**“Celcom, XL, and Dialog in particular, have seen continuous growth in data contribution to revenue, now at 17%, 23% and 9% respectively.”**

### Revamping Business Processes - New Centralised Operations

We have re-organised our procurement and treasury operations into centralised business operations for the Group. The Axiata Procurement Centre (APC) focuses on optimising our network and IT expenditure, which is the majority of Group spend. By standardising and aggregating our demand across our OpCos, and implementing common systems and processes, we will increase value from our suppliers such that all OpCos will be in a position to benefit from Axiata's scale.

The newly setup Axiata Treasury Centre (ATC), expected to be groupwide by 2014, will enable us to better manage our cash, operationally strengthen our balance sheet, ensure efficient capital management and strengthen financial risk mitigation, which includes interest rates and forex. This will enable the Group to be more sustainable and resilient against adverse market conditions.

### Improving Network Cost Structure

Given that the group spends about RM4 billion in network capex and more than RM1.5 billion in network opex yearly, we have reviewed the cost structure of our operations to reduce our cost further. We have embarked on a Least Cost Network (LCN) project that will facilitate in identifying, standardising and acquiring optimal network and equipment for our OpCos. The LCN allows for smarter configuration, that delivers significant savings from our capital investment.

In-country network sharing with other local players, from cell sites to fibre and microwaves, and in the future active network elements, will also substantially alter the cost structure of our networks. Our operating entities are already collaborating with other operators in their respective markets to share and reduce spend in passive infrastructure and transmission.

# President & GCEO'S Business Review

**“edotco Group was set-up to own and manage Axiata's group wide passive network infrastructure.”**

## **Building Top Leaders and Talent**

The right people and skills are also crucial in remaining competitive especially as we execute our strategy to move beyond our traditional business.

In general we spend more than USD10 million annually as a group, in learning and development. We have successfully developed unique leadership development programmes in partnership with global top business schools. These include a joint programme by Axiata and INSEAD, facilitated by INSEAD at its campus in Singapore, a Telecommunications mini-MBA programme and a “War Game” business simulation programme. These world-class programmes will ensure our talent deepen their industry knowledge and their leadership competencies, especially in strategic thinking, business acumen and execution capabilities.

Through these programmes, we have a pool of 130 leaders ready to be deployed for various management positions within the Group. I am happy to note that most senior and middle management vacancies are now fulfilled from within the Group which is testament to the success of our talent management programme and succession plan so far.

At the fundamental level, we have introduced a new culture programme of Uncompromising Integrity and Exceptional Performance (UIEP) across the group. This is to instill a high performance culture, whilst maintaining a culture of integrity, openness and transparency, underpinned by solid corporate governance. The intention is not just to fulfill the basic necessities but to further differentiate Axiata based on these values beyond global norms.

## **Acknowledgments**

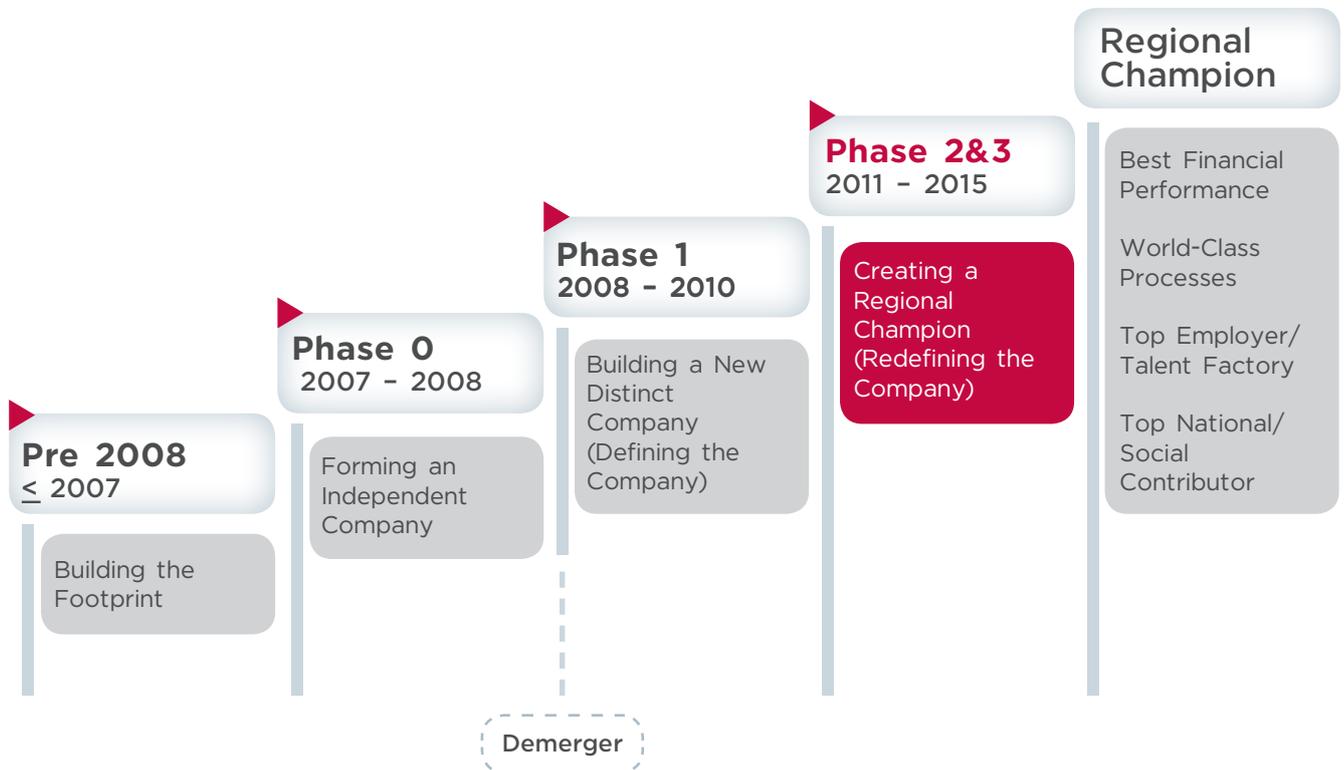
On behalf of the management of Axiata Group, I would like to express our thanks to our many stakeholders including investors, partners and media for your continued support, as well as governments and regulators for their co-operation and facilitation in growing our businesses in their respective countries. Our most sincere gratitude to all our 23,000 colleagues across Asia who have worked tirelessly to get us to where we are today; and to our Board of Directors for their guidance in setting the strategic direction for the Group. Most of all, we would like to acknowledge our over 240 million customers for their continued support and loyalty.

## **DATO' SRI JAMALUDIN IBRAHIM**

Managing Director/  
President & Group Chief Executive Officer

# Strategic Journey Towards Shaping the Future of Telecommunications

Axiata has gone through two distinct phases since its demerger with Telekom Malaysia in 2008. Within our first five years, we formed an independent company, encompassing a new vision of becoming a regional champion and a broader goal of advancing Asia by piecing together people, connectivity and technology. We created a new Asia-centric Multinational Company (MNC) organisation built around our footprint and a new 'Axiata' brand.



Axiata is today one of the largest Asian telecommunications companies with presence in nine countries. Axiata has controlling interests in mobile operators in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia with strategic stakes in India and Singapore. Added to this, the Group has established a communications infrastructure solutions and services company, edotco. Since 2007, Axiata grew its subscriber base by more than 6x to serve over 240 million people, revenue for the Group increased by 84% to RM18.4 billion, PAT by 94% to RM2.7 billion and market capitalisation has increased more than four times to RM58.9 billion.

# Strategic Journey Towards Shaping the Future of Telecommunications

## Axiata's strategic objectives

These achievements are only the beginning of our journey. Axiata is currently in the second and third phase of its transformation journey. In these stages, we are focused on redefining our company and shaping the future of telecommunications in the region. More specifically, we have put in place a new growth strategy; driving continuous improvements to our business and operating models, and built new and stronger management teams, in our bid to become a 'Regional Champion' by 2015.

Axiata defines its 'Regional Champion' objectives along four parameters and related key measurements:

Strategic Objective	Key Measurement
Best Financial Performance	Revenue, Market Capitalisation and ROIC benchmarked against leading telecommunications groups within Asia
World-Class Processes	Processes benchmarking against peers and Net Promoter Score (NPS) ratings, benchmarked against industry players
Top Employer/Talent Factory	Identification of the development of talent and level of employee engagement, benchmarked against world-class companies
Top National/Social Contributor	Recognised as top 10 national development contributor in the countries within our footprint

## Challenges and opportunities

In the last decade, the industry has evolved at a remarkable pace and today we face multi-dimensional challenges and opportunities from within our markets, society and people.

Challenges:

- Revenue growth for traditional services (Voice, SMS) is tapering due to rising mobile penetration
- Substitution risks for our traditional voice and SMS services, especially from Over-The-Top (OTT) players, driven by rising smartphone penetration
- Cost pressures from spectrum fees, regulatory, network roll-out and competitive pressures from disruptive players

Opportunities:

- Rising smartphone penetration and exponential increase in demand for data services
- Growing importance of mobile in consumers' lives: evolution of mobile devices from fixed and single-purpose to a 'computer-in-a-pocket'
- Digitalisation of consumers' lifestyle, shifting from offline to online, will drive convergence of services in communications and digital services

## Axiata's Long-Term Strategy to Become a 'Regional Champion'

Axiata has developed a long-term strategy that, given the challenges and opportunities in the industry today, will take the Group from where it is today to realise its vision of becoming a 'Regional Champion' by 2015.

The three main pillars to the Group's long-term strategy include:



### Revenue Growth Opportunities:

- **New Approach to Traditional Business:**  
The mobile market has now matured to a level where there are few and limited differentiation opportunities between players in core services, besides customer experience and operational efficiency. Axiata will need to focus on its competitive strategy, be more efficient in its structure and processes, rethink its business model and operate at a higher level of granularity to fully maximise returns from its traditional business.

To do this, Axiata will focus on transforming its core service (voice and SMS) to drive growth in developing markets such as Bangladesh, India and Sri Lanka, and drive data and operational efficiency in its mature markets such as Malaysia and Indonesia. We will also improve capital and operational efficiency from a more modular operating structure through the establishment of edotco, our new infrastructure company.

- **New Services to Increase Customer Wallet Share:**  
Shift in consumer behaviour from offline to online provides Axiata with opportunities to increase customer 'wallet share' through the creation of digital services. As a group, Axiata is now looking beyond market share gains to drive revenue growth. This goes beyond our own subscriber base of over 240 million. Axiata is moving towards acting as an OTT service provider in areas such as digital entertainment, commerce, money and advertising.

Axiata is investing aggressively in data services to serve the exponential demand for data services and to deliver relevant digital services to its customers.

- **Building new assets:**  
Axiata will pursue in-country consolidation where viable, make small investments in digital services to acquire the necessary capabilities, and be cautiously

opportunistic in new footprints, within the region, where it makes strategic sense and is financially justifiable.

### Cost management Initiatives:

- Axiata will drive needle-moving cost initiatives by actively challenging and recalibrating its cost structure, and leveraging its multi-country regional presence. Such moves include the establishment of a centralised procurement function, Procurement Shared Service (PSS) and a centralised treasury function, Axiata Treasury Center (ATC)
- The Group will also drive value creation through co-operation and carrier collaboration initiatives.
- Axiata will continuously optimise its passive assets such as its infrastructure business through the establishment of edotco. This will be achieved via tower sharing, infrastructure consolidation and collaboration with other industry players

### Optimisation of Key Enablers:

The Group will also be focusing on the optimisation of key enablers to its overall strategy. These include:

- Optimised synergies across the Group
- Improved IT systems
- Shared best practices
- New business models

Axiata is currently on track to realise its vision of becoming a 'Regional Champion'. The strategy put forward will require investments, both financial and non-financial, in the near term. As such, the Group's financial stance and value proposition to its shareholders remains as 'balanced growth and dividend proposition', with upsides on one or the other in the long-term.



# Financial



A person in traditional attire is playing a stringed instrument, possibly a guqin, in front of a large stone dragon sculpture. The dragon is coiled around a structure, and the scene is set against a dark background. The word "Performance" is overlaid in a bold, pink font. The bottom right corner features a pink geometric pattern.

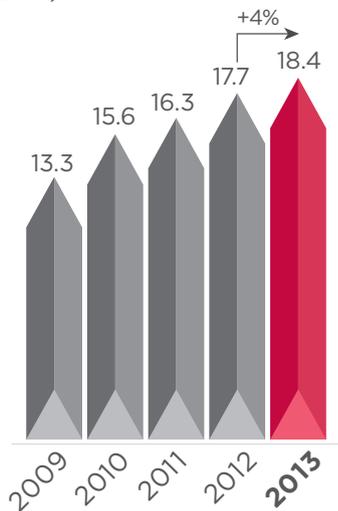
# Performance

# Five-Year Group Financial Highlights



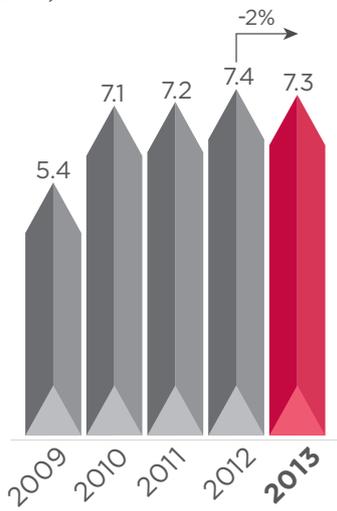
## Operating Revenue

(RM Billion)



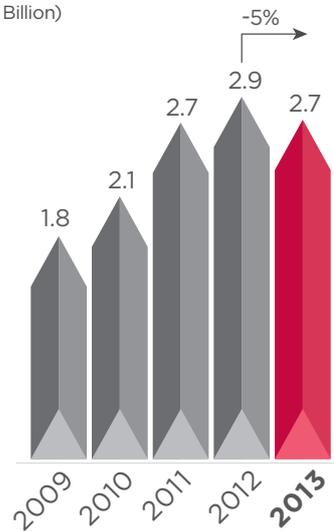
## EBITDA

(RM Billion)



## PAT

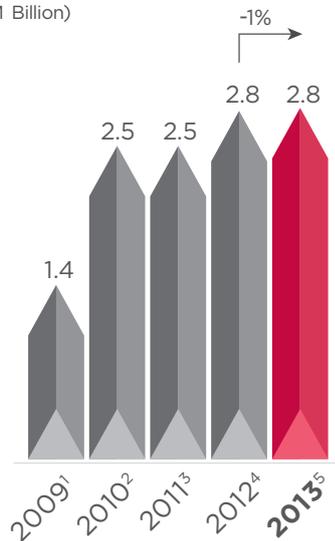
(RM Billion)





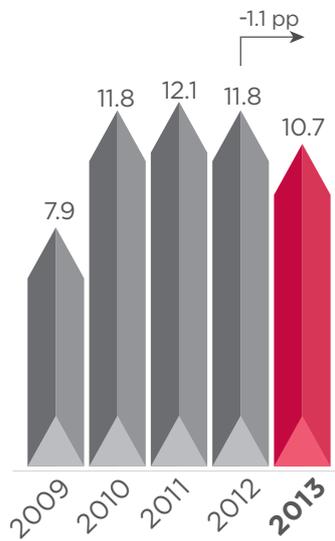
### Normalised PATAMI

(RM Billion)



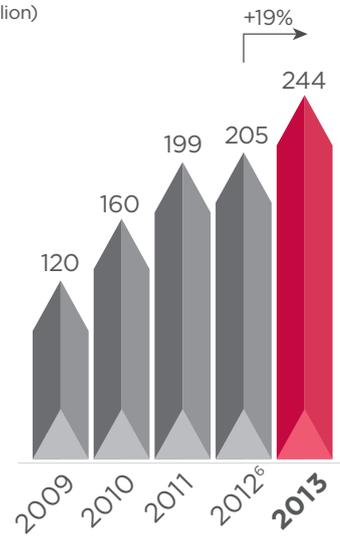
### ROIC

(%)



### Subscribers

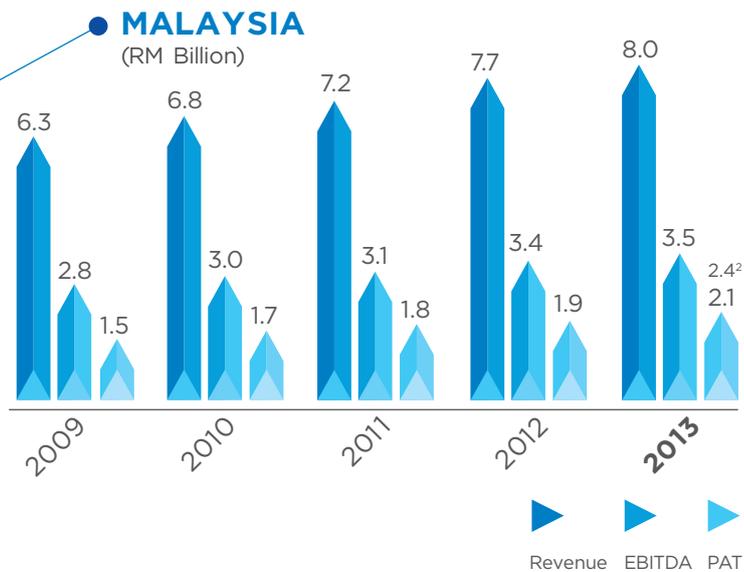
(Million)



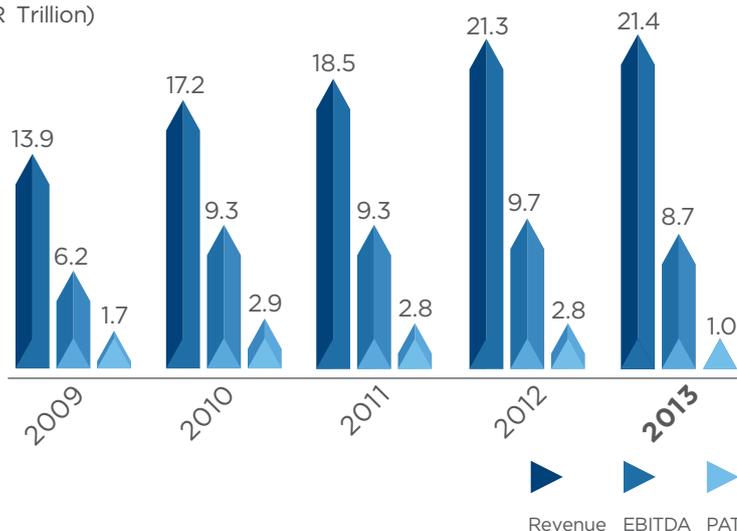
#### Notes:

- 2009 normalised PATAMI excludes XL one-off gains on finance lease arrangement (-RM132.5 million), accelerated depreciation/asset impairment (+RM235.6 million) and foreign exchange gains (-RM349.2 million)
- 2010 normalised PATAMI excludes gain on disposal/merger (-RM388.4 million), impairment/FRS adjustment (+RM1.2 billion), XL minority interest (-RM49.2 million) and foreign exchange gains (-RM54.9 million)
- 2011 normalised PATAMI excludes acquisition and provision (+RM107.7 million), XL severance payment (+RM46.8 million), Celcom network impairment (+RM105.1 million), Celcom tax incentive (-RM140.0 million) and foreign exchange loss (+RM73.2 million)
- 2012 normalised PATAMI excludes Celcom tax incentive (-RM110.0 million), Celcom penalty on Sukuk (+RM26.3 million), Celcom network impairment (+RM161.6 million), Dialog tax impact (-RM47.8 million), Hello asset impairment (+RM46.0 million), Robi SIM tax (+RM34.4 million) and foreign exchange loss (+RM161.3 million)
- 2013 normalised PATAMI excludes Celcom tax incentive (-RM106.0 million), Celcom network impairment (+RM67.5 million), Robi physical count loss and impairment on receivables (+RM16.7 million), Smart assets write-off (+RM31.4 million) and foreign exchange loss (+RM201.3 million)
- Restated subscribers based on active base definition starting 2012

# Reporting by Geographical Location<sup>1</sup>



**INDONESIA**  
(IDR Trillion)

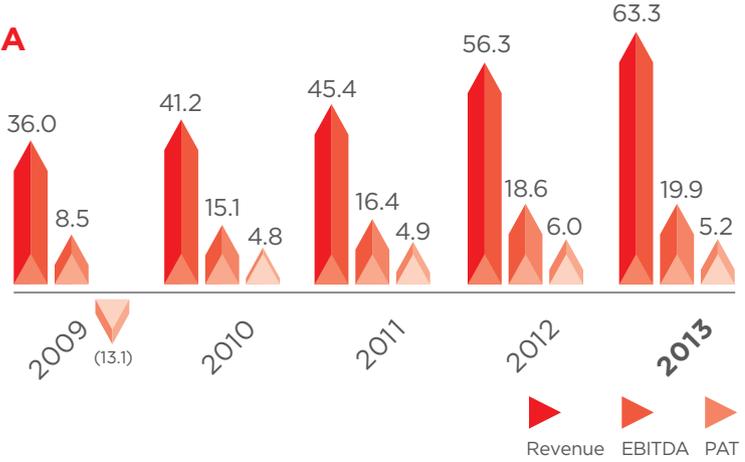


**Notes:**

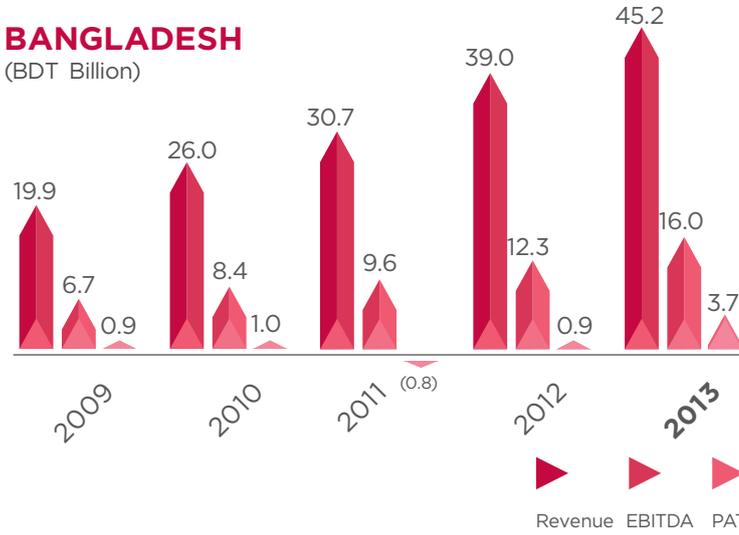
<sup>1</sup> All financial numbers are based on audited financial figures and following respective country GAAP

<sup>2</sup> Normalised result for OpCo

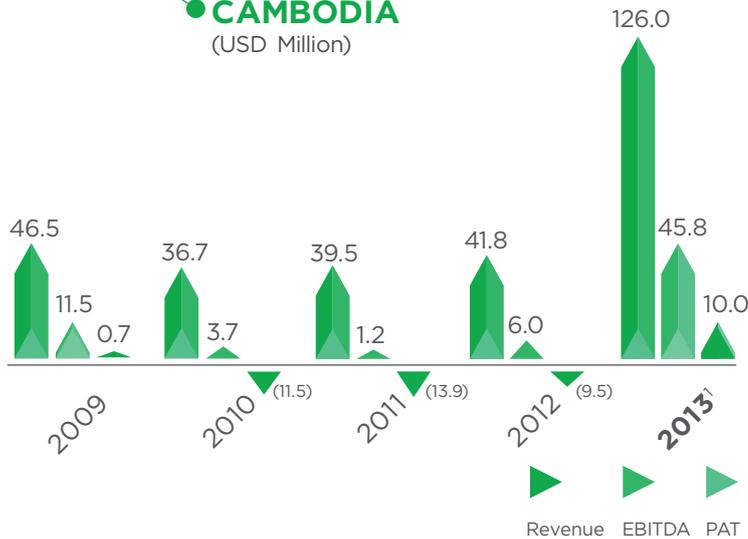
**SRI LANKA**  
(SLR Billion)



**BANGLADESH**  
(BDT Billion)



**CAMBODIA**  
(USD Million)



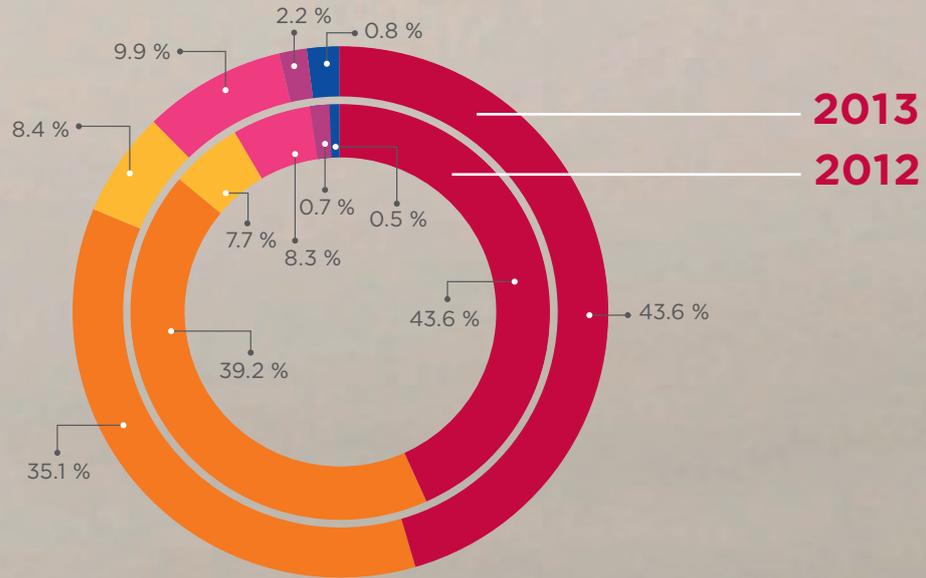
**Note:**

<sup>1</sup> Results are based on merged entities of Latelz Co., Ltd. and Hello Axiata Company Limited

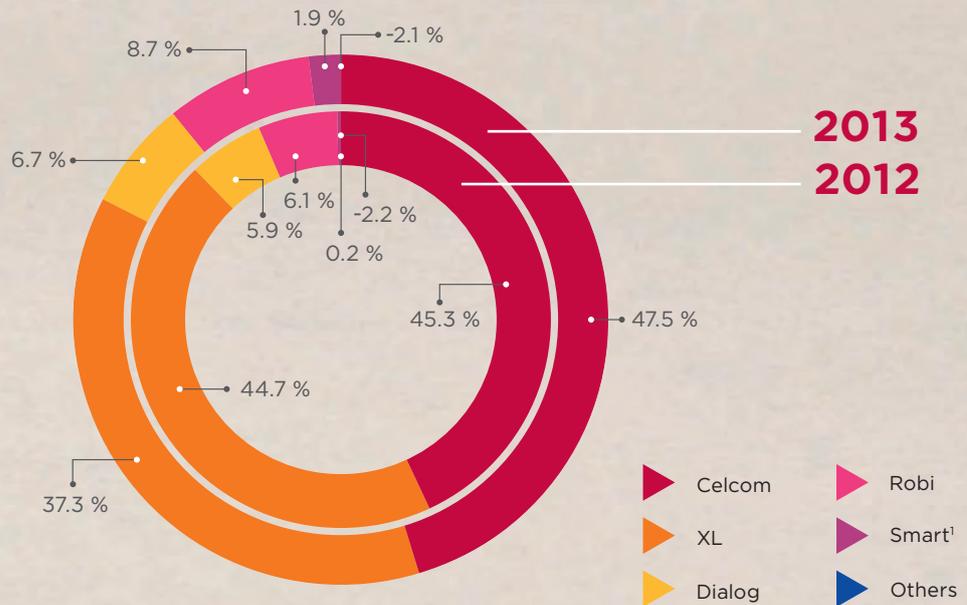
# Summary Breakdown of Operating Revenue & EBITDA



## 2013 & 2012 OPERATING REVENUE



## 2013 & 2012 EBITDA

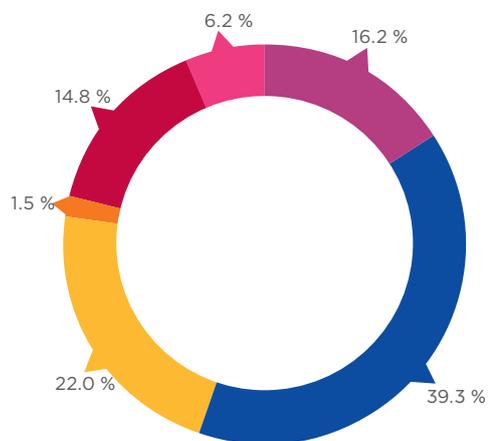


**Note:**

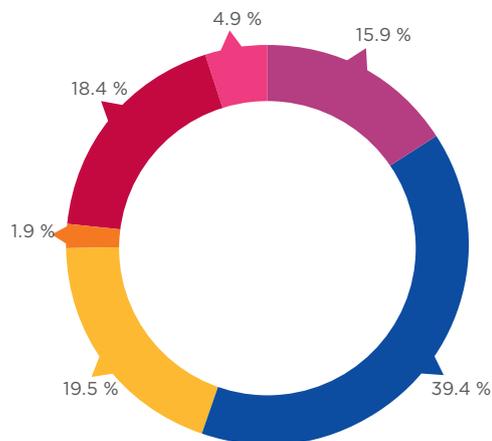
<sup>1</sup> 2012 is Hello Axiata operation only

# Summary Breakdown of Assets & Liabilities

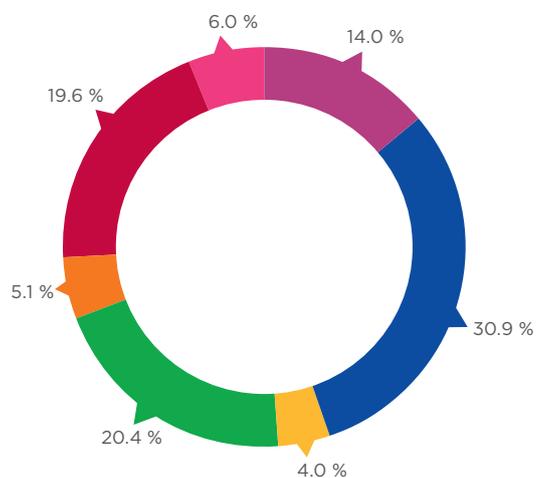
## 2013 Total Assets



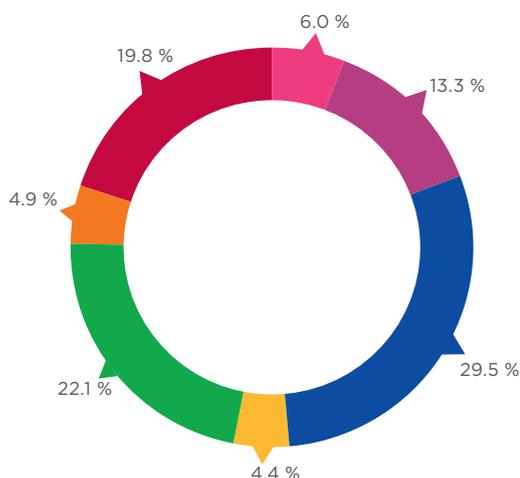
## 2012 Total Assets<sup>1</sup>



## 2013 Total Liabilities & Equity



## 2012 Total Liabilities & Equity



### TOTAL ASSETS

- ▶ Property, plant and equipment
- ▶ Intangible assets
- ▶ Other assets
- ▶ Deposits, cash and bank balances
- ▶ Trade and other receivables
- ▶ Associates/Joint ventures

### TOTAL LIABILITIES & EQUITY

- ▶ Borrowings
- ▶ Non-controlling interests
- ▶ Reserves
- ▶ Share premium
- ▶ Share capital
- ▶ Other liabilities
- ▶ Trade and other payables

### Note:

<sup>1</sup> Based on 2012 restated number. Please refer to Notes to the Financial Statements no. 2(b) for more details

# Five-Year Group Financial Summary

## Operational Highlights

All in RM Million unless stated otherwise	FY2013	FY2012	FY2011	FY2010	FY2009
1. Operating Revenue	<b>18,371</b>	17,652	16,290	15,621	13,312
2. Earnings Before Interest Tax Depreciation and Amortisation (EBITDA)	<b>7,271</b>	7,424	7,177	7,054	5,420
3. Earnings from Associates & Joint Ventures	<b>255</b>	211	118	164	101
4. Profit Before Tax (PBT)	<b>3,533</b>	3,762	3,577	3,206	2,666
5. Profit After Tax (PAT)	<b>2,739</b>	2,880	2,712	2,117	1,756
6. Profit After Tax and Minority Interests (PATAMI)	<b>2,550</b>	2,513	2,346	1,770	1,653
7. Normalised PATAMI <sup>1</sup>	<b>2,761</b>	2,784	2,539	2,479	1,407
8. Total Shareholders' Equity	<b>19,622</b>	20,101	19,843	18,725	18,184
9. Total Assets	<b>43,497</b>	42,931	41,106	38,101	37,028
10. Total Borrowings	<b>13,436</b>	12,658	11,459	10,684	12,323
11. Subscribers (million)	<b>244</b>	205 <sup>2</sup>	199	160	120
<b>Growth Rates YoY</b>					
1. Operating Revenue	<b>4.1%</b>	8.4%	4.3%	17.3%	16.4%
2. EBITDA	<b>-2.1%</b>	3.4%	1.7%	30.2%	21.9%
3. Total Shareholders' Equity	<b>-2.4%</b>	1.3%	6.0%	3.0%	62.1%
4. Total Assets	<b>1.3%</b>	4.4%	7.9%	2.9%	-0.5%
5. Total Borrowings	<b>6.1%</b>	10.5%	7.3%	-13.3%	-22.8%
<b>Share Information</b>					
1. Per Share					
Earnings (basic) – sen	<b>30</b>	30	28	21	22 <sup>3</sup>
Earnings (diluted) – sen	<b>30</b>	29	28	21	21 <sup>3</sup>
Net Assets – RM	<b>2.3</b>	2.4	2.3	2.2	2.2
2. Share Price information – RM					
High	<b>7.00</b>	6.76	5.14	4.76	3.74 <sup>4</sup>
Low	<b>6.16</b>	4.67	4.57	3.07	1.77 <sup>4</sup>
<b>Financial Ratios</b>					
1. Return on Invested Capital <sup>5</sup>	<b>10.7%</b>	11.8%	12.1%	11.8%	7.9%
2. Gross Debt to EBITDA <sup>6</sup>	<b>1.8</b>	1.7	1.6	1.5	2.3
3. Debt Equity Ratio <sup>7</sup>	<b>0.7</b>	0.6	0.6	0.6	0.7

### Notes:

<sup>1</sup> Excludes XL one-off gains on finance lease arrangement, severance payment and XL minority interest, accelerated depreciation/FRS adjustment, gains on disposal/merger, Celcom network impairment, tax incentive and penalty on Sukuk, Dialog tax impact, Robi SIM tax, physical count loss and impairment on receivables, Hello asset impairment, Smart assets write-off, acquisition and provision and foreign exchange gains/loss

<sup>2</sup> Restated subscribers based on active base definition starting 2012

<sup>3</sup> After adjustment for Rights Issue

<sup>4</sup> Share price traded ex-rights from 8 April 2009 adjusting for the rights issuance of RM5.25 billion

<sup>5</sup> EBIT less tax over average invested capital

<sup>6</sup> Gross debt over EBITDA

<sup>7</sup> Total borrowings over total shareholders' equity



# Group Financial Analysis

Axiata Group Berhad (Group) concluded 2013 with strong results which exceeded the announced KPI of EBITDA growth, ROIC and ROCE at constant currency. Revenue was marginally lower than the announced KPI as a result of intense market competition in Indonesia and the weakened IDR which has negatively impacted Indonesia's financial contribution to the Group's consolidated results in RM. In view of the volatile markets, increased competition and regulatory challenges during the year, the Group registered a revenue growth of 4.1% to RM18,370.8 million and EBITDA stood at RM7,271.1 million. PATAMI for the year which was negatively affected by unfavourable foreign exchange losses and increased operating expenses from data investments, continued to register a growth of 1.5% to RM2,550.0 million, signaling the Group's and OpCos focus in executing business results. The Group's financial strength is further evident from our healthy cash balance of RM6,432.9 million at year end, after paying out RM3.0 billion in dividends and investing aggressively on capital expenditure (capex) across the OpCos.

Significant market progress was also made in the countries that the Group operates in, with double digit subscriber growth of 19% to 244 million subscribers at the end of 2013. Data continues to drive growth momentum particularly in Malaysia and Indonesia, and market share in Sri Lanka, Bangladesh and Cambodia had also increased. This reflected the 17% growth in group data revenue and higher contribution towards total revenue in 2013 as compared to the previous year. All round excellent performance was also recorded by our associates and joint ventures.

Malaysia, the main contributor to the Group, recorded another excellent performance, which saw its revenue growing faster than the market at 4% to RM8,018.3 million in 2013. This achievement was mainly led by data and mobile broadband services. In 2013, Malaysia's data revenue and mobile Internet data recorded strong double digit growth, uplifted by higher smartphone penetration and good response towards attractive data services offerings. With 6 million data users, they represent 46% of Malaysia's total subscriber base of 13 million. Despite aggressive investments in data in 2013, EBITDA grew an excellent 3% and margin held steady at 43% through smart spend initiatives and cost saving measures. A significant milestone was achieved whereby PAT performance surpassed the RM2 billion mark for the third consecutive year, growing by 7% to RM2,363.9<sup>1</sup> million. This result was the highest recorded in the industry and also ahead of other local telecommunications players. In addition, Malaysia ended the year with the highest number of subscribers versus its competitors, now number one in 2013.

Mobile broadband subscribers continued to drive growth momentum in Malaysia, recording a 17% increase YoY to 1.2 million subscribers at year end. This increase is attributed to higher adoption of smart devices and tablets as a result of positive response towards data promotion offerings and marketing campaigns. The year saw a higher increase in smartphone users to 4.2 million and a 62% growth in device revenue.

During the year, significant investments were made for data to enhance the quality of service for Malaysian customers. In order to further improve on network quality and capacity for better customer data experience, Malaysia will continue to focus on network modernisation, LTE and IT transformation. These investments, alongside with optimising smart spend measures and cost management programmes will help to sustain Malaysia's business growth and position itself strategically to face the business challenges in the coming year.

Indonesia saw a challenging 2013 with heightened competition and adverse foreign exchange movement, however managed to turnaround with improved subscriber traction and recovery in revenue momentum. In 2013, Indonesia's revenue dipped by 7% to RM6,443.3 million but grew by 1% at constant currency driven by higher growth in data revenue. Data once again remains the fastest growing segment and a key contributor to revenue in Indonesia. This was made possible by continued acceleration in rolling out data infrastructure investments, coupled with the continued shift in subscribers' behaviour towards data. As a result of the data infrastructure expansion and introduction of SMS interconnection, Indonesia's EBITDA margin was adversely impacted, decreasing 6 percentage points to 42% in 2013.

For 2013, Indonesia registered a strong 32% growth in subscriber base, bringing total subscribers to 60.5 million at year end. In addition, its data users reached a new milestone, at 33 million subscribers which represents more than half of its total subscriber base. During the year, Indonesia continuously expanded its business beyond traditional data services to cater to the growing data business and trend towards smart devices. This was apparent through the various measures taken to support the customers' digital lifestyle with innovative integrated product offerings in the areas of digital entertainment, mobile advertising, mobile banking and machine-to-machine. Management efforts have received recognition and the team won many accolades during the year, including being ranked the second most popular e-money service at the Digital Brand Awards and being placed third in the 'Indonesia Best Corporate Transformation 2013' awards.

Although Indonesia ended the year on a challenging note, the Group's management in Indonesia had proposed a 40% dividend payout ratio of normalised net profit, similar to the previous year, subject to approval at its forthcoming AGM.

Bangladesh ended 2013 with strong double-digit growth in all financial metrics despite operating in a challenging environment heavily affected by competitive pressure and political unrest.

Revenue growth remained resilient for the year, surging by 24% led by higher voice, SMS and data revenue. During the year Bangladesh also consolidated its position as the number two player in revenue market share, up from number three in 2012. The aggressive drive for revenue growth also

**Note:**

<sup>1</sup> Normalised result for OpCo

positively impacted total subscribers, which recorded higher growth YoY to 25.4 million at the end of 2013. With its strong revenue performance and supported by the benefit of the SIM tax reduction during the year, EBITDA posted excellent growth of 39% and margin improved by 4 percentage points to 35% at year end. In addition, PAT also benefited, growing more than 100% YoY from higher EBITDA and net interest income recorded in 2013.

In 2013, Sri Lanka continued to be the market leader in the telecommunications sector ahead of its competitors and achieved remarkable growth in all financial metrics. Sri Lanka's operations registered impressive revenue performance during the year, and delivered double digit growth of 13% and ended the year at RM1,543.6 million. Strong results were demonstrated across all its businesses of mobile, international, digital pay television, tele-infrastructure and fixed line. During the year, total mobile subscriber base increased 13% to 8.7 million subscribers at year end. Underpinned by the positive revenue growth trajectory and continued operational improvements, EBITDA grew a healthy 11% with margin recorded at 31%. Capital investment during the year was significantly higher compared to 2012 mainly due to its strategic investments in spectrum assets for mobile 4G LTE services and also payment for spectrum re-farming fees. In spite of this, Sri Lanka continues to exhibit a structurally robust balance sheet, with net debt to EBITDA being maintained at a modest level of 1.29x.

During the fourth quarter of 2013, Sri Lanka secured the distinction of being appointed the first and only authorised Partner and Service Provider for Apple iPhones in the country. The partnership enabled Apple users to enjoy unparalleled connectivity and superior smartphone experience through Dialog's 4G and 3G HSPA+ networks. As a result, management efforts have gained recognition and led to three awards at the SLIM Nielsen People's Award 2013. Dialog was voted the 'Most Preferred Telecom Service Provider of the Year', 'Internet Service Provider of the Year' and 'Youth Brand of the Year' by the local population.

In line with the strong performance in 2013 and taking into account future investment requirements, the Board of Directors in Sri Lanka announced a cash dividend of SLR0.29 per share, totalling SLR2.4 billion (approximately RM59 million) subject to approval at its forthcoming AGM. This represents a dividend payout ratio of 45%.

Cambodia posted growth in all financial metrics and consolidated itself as the number two player in subscriber market share in 2013. Revenue increased by more than 100% YoY mainly arising from consolidation of an acquired entity in the first quarter of 2013. Its prepaid revenue remained the major revenue contributor, contributing 73% of total gross revenue in 2013, consistent with the increase in its prepaid revenue generating subscriber base. With significant growth in revenue together with synergy

costs savings from the merger and tightened cost management, Cambodia's EBITDA and PAT both grew more than 100% during the year, another outstanding performance and proof of the Group's successful plans in expanding its footprint and influence in the region.

Excellent performance from regional associates in India and Singapore helped the Group maintain its strong results in 2013.

India achieved a solid 19% growth in revenue for year to date with strong customer traction recorded. Its subscriber base increased by a commendable 13% during the year and this helped India maintain its enviable five year track record of 'the fastest growing Indian mobile operator'. Despite higher network expansion costs and inflationary pressures, India continued its EBITDA growth of 41% with improved margins on the back of cost optimisation measures and scale benefits. PAT in the year grew 96% from higher EBITDA and lower net interest and financing costs.

Singapore finished the year with service revenue up 6% driven by growth in its postpaid and fixed customer base, as well as higher revenue from mobile data. EBITDA increased by 4% in 2013 and PAT subsequently grew 9%. In the coming year, Singapore has earmarked investments for the nationwide rollout of its 3G radio network and the upgrading of its 4G network to LTE-Advanced. Singapore believes this will continue to further improve customer experience and bring positive impact to its business operations.

The Group ended the year with a strong balance sheet position. Cash and bank balance is at a strong RM6,432.9 million after paying RM3.0 billion in dividends during the year. Group total assets grew 1.3% in 2013 with higher increase in property, plant and equipment mainly due to network investments in Indonesia to support data growth. Debt profile wise, the Group remains healthy with stable debt to equity ratio at 0.6x despite the increase in gross borrowings to support the Group's investment objectives. The healthy balance sheet will provide the flexibility required for future organic growth and potential consolidation in various markets.

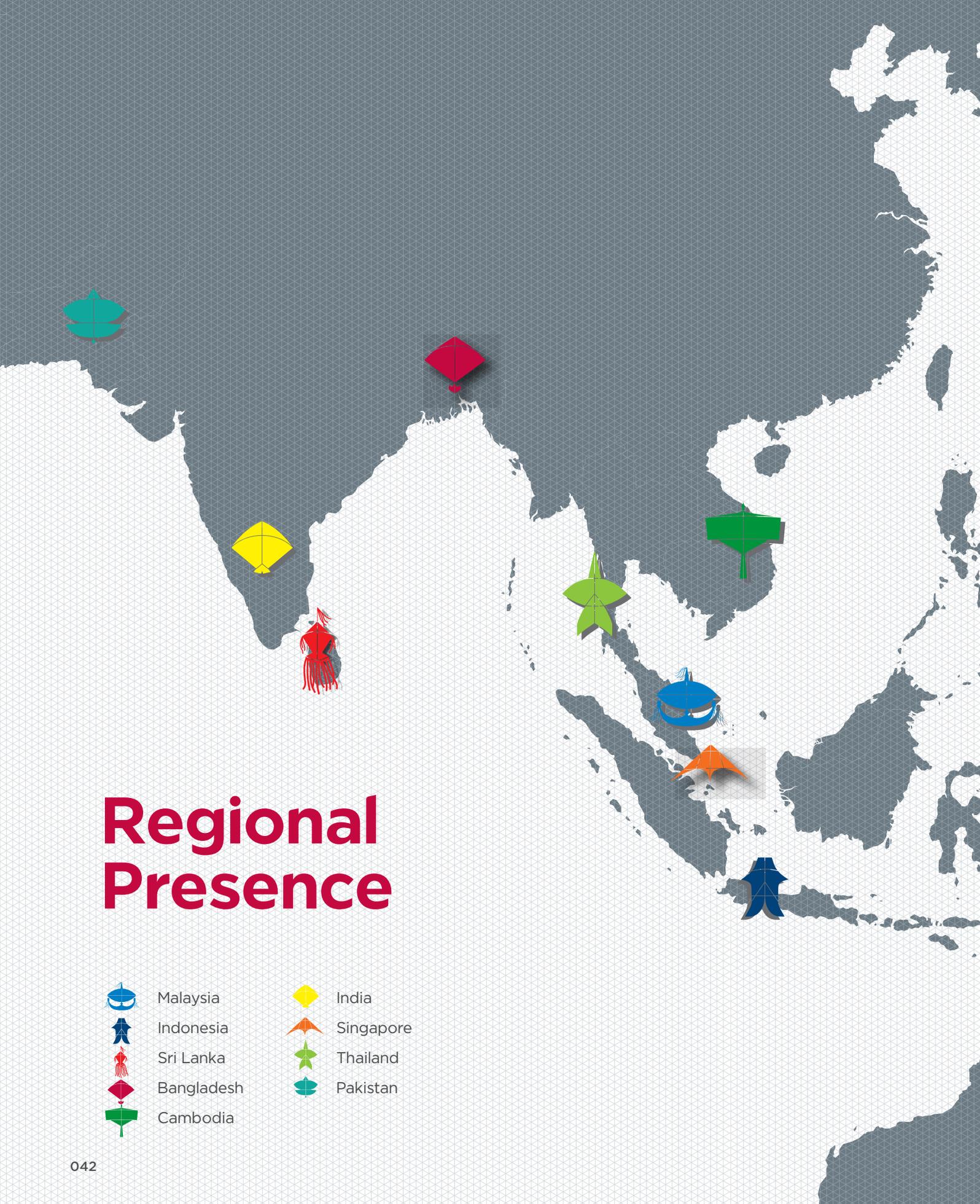
During the second quarter of 2013, the Group's Board of Directors declared an interim tax exempt dividend under a single tier system of 8 sen per share, which was paid in the fourth quarter of the year. Following an excellent and strong full year overall performance, the Board has recommended and announced a tax exempt final dividend under a single tier system of 14 sen per share, bringing the total dividend declared for FY2013 to 22 sen per share. The total of interim and final dividend represents a 75% dividend payout ratio based on the Group's normalised PATAMI of 2013, a 5% increase from 2012. The final dividend is subject to the approval of the shareholders at the forthcoming AGM.



# Corporate



# Profile



# Regional Presence

- |   |            |   |           |
|---|------------|---|-----------|
|  | Malaysia   |  | India     |
|  | Indonesia  |  | Singapore |
|  | Sri Lanka  |  | Thailand  |
|  | Bangladesh |  | Pakistan  |
|  | Cambodia   |   |           |

# Entities across Asia

## Mobile Subsidiaries

### MALAYSIA



**CELCOM AXIATA BERHAD**  
 Year of Investment/Shareholding: 2008/100%  
 Nature of Business: Mobile  
 Subscribers: 13.1 Million  
 Technology Deployed: GSM, GPRS, EDGE, 3G, HSDPA+, WiFi, 4G LTE  
 No. of BTS (2G/3G): 14,688  
 Network Coverage (By population coverage): 2G-95.2% 3G-82.6%

**Note:**  
 Coverage based on national census of 2010.

### INDONESIA



**PT XL AXIATA TBK**  
 Year of Investment/Shareholding: 2005/66.5%  
 Nature of Business: Mobile  
 Subscribers: 60.5 Million  
 Technology Deployed: GSM, GPRS, EDGE, 3G, HSPA+, DC-HSPA+  
 No. of BTS (2G/3G): 44,946  
 Network Coverage (By population coverage): 2G->90% 3G->40%

### SRI LANKA



**DIALOG AXIATA PLC**  
 Year of Investment/Shareholding: 1996/85.0%  
 Nature of Business: Communication Services, Telecommunications Infrastructure Services, Media and Digital Services  
 Subscribers: 8.7 Million  
 Technology Deployed: GSM, GPRS, EDGE, 3G, HSPA, WiFi, CDMA, WiMAX, 4G LTE, MPEG-2, MPEG-4, HD  
 No. of BTS (2G/3G/4G): 6,635  
 Network Coverage (By population coverage): 2G-96%/3G-74%

### CAMBODIA



**SMART AXIATA CO., LTD.**  
 Year of Investment/Shareholding: 2013/87.5%  
 Nature of Business: Mobile  
 Subscribers: 5.3 Million  
 Technology Deployed: GSM, GPRS, EDGE, 3G, HSPA+, 4G LTE  
 No. of BTS (2G/3G): 2,009  
 Network Coverage (By population coverage): >96%

### BANGLADESH



**ROBI AXIATA LIMITED**  
 Year of Investment/Shareholding: 1995/91.59%  
 Nature of Business: Mobile  
 Subscribers: 25.38 Million\*  
 Technology Deployed: GSM, GPRS, EDGE, HSPA+, 3G  
 No. of BTS (2G): 9,358  
 Network Coverage (By population coverage): 98.7%

**Note:**  
 Robi's active sub-base as reported to BTRC (Bangladesh Telecommunications Regulatory Commission) is 25.38 Million (as of December 2013).

## Non-Mobile Subsidiaries & Associates/Affiliates



**edotco Group Sdn. Bhd.** (formerly known as Axiata SPV3 Sdn. Bhd.)  
 Year of Incorporation/Shareholding: 2012/100%  
 Nature of Business: Infrastructure and Telecommunications Services

### PAKISTAN



**MULTINET PAKISTAN (PRIVATE) LIMITED**  
 Year of Investment/Shareholding: 2005/89%  
 Nature of Business: Broadband and long distance, and international services

### THAILAND



**SAMART I-MOBILE PUBLIC COMPANY LIMITED**  
 Year of Investment/Shareholding: 2006/24%  
 Nature of Business: Mobile devices and accessories, multimedia and international business

## Mobile Associates/Affiliates

### INDIA



**IDEA CELLULAR LIMITED**  
 Year of Investment/Shareholding: 2008/19.9%  
 Nature of Business: Mobile Services  
 Subscribers: 128.7 Million (as of 31 December 2013)

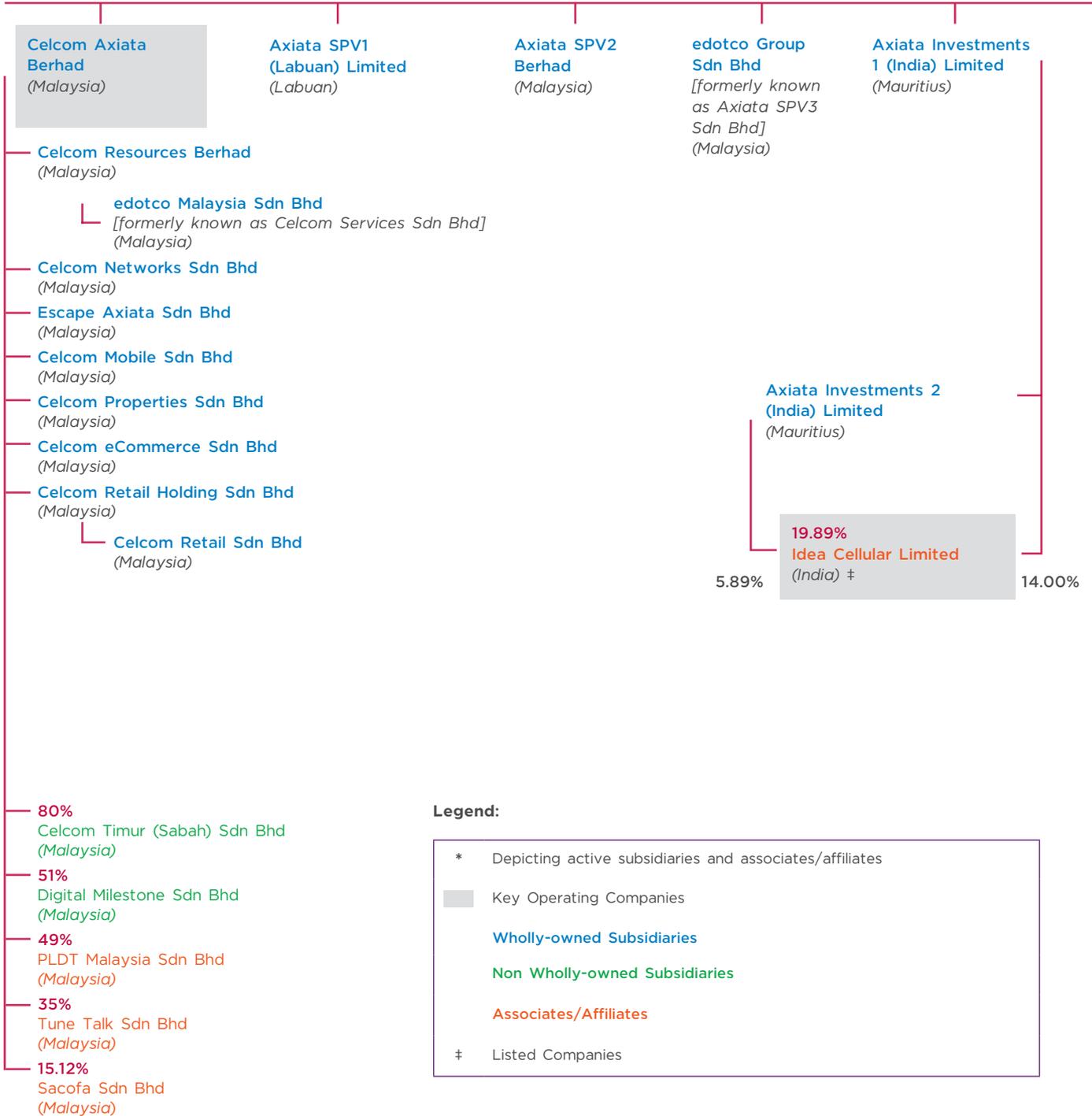
### SINGAPORE



**M1 LIMITED**  
 Year of Investment/Shareholding: 2005/28.6%  
 Nature of Business: Mobile and fixed services  
 Subscribers: 2.11 Million (as of 31 December 2013)

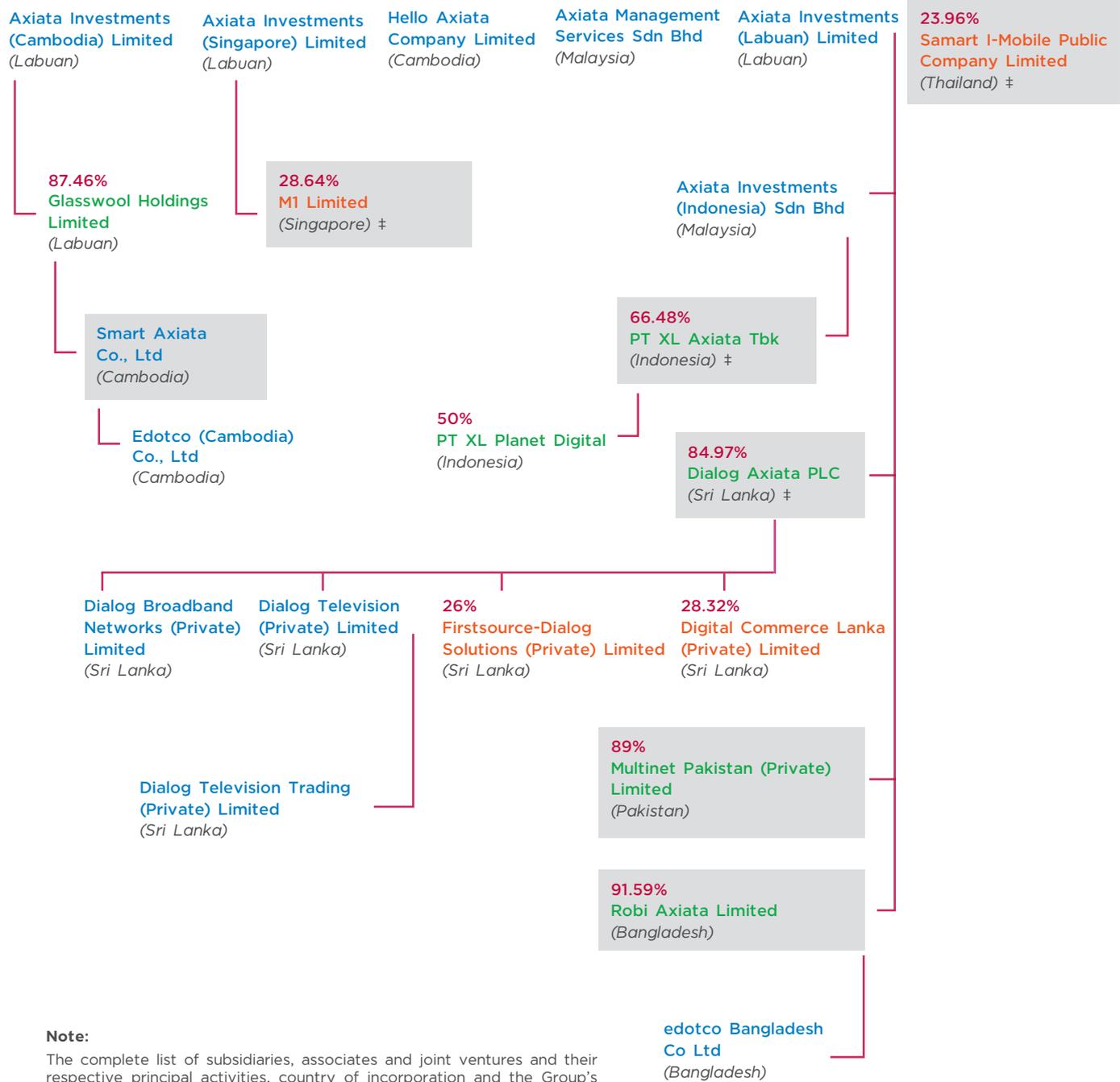
# Group Corporate Structure\*

## Axiata Group Berhad



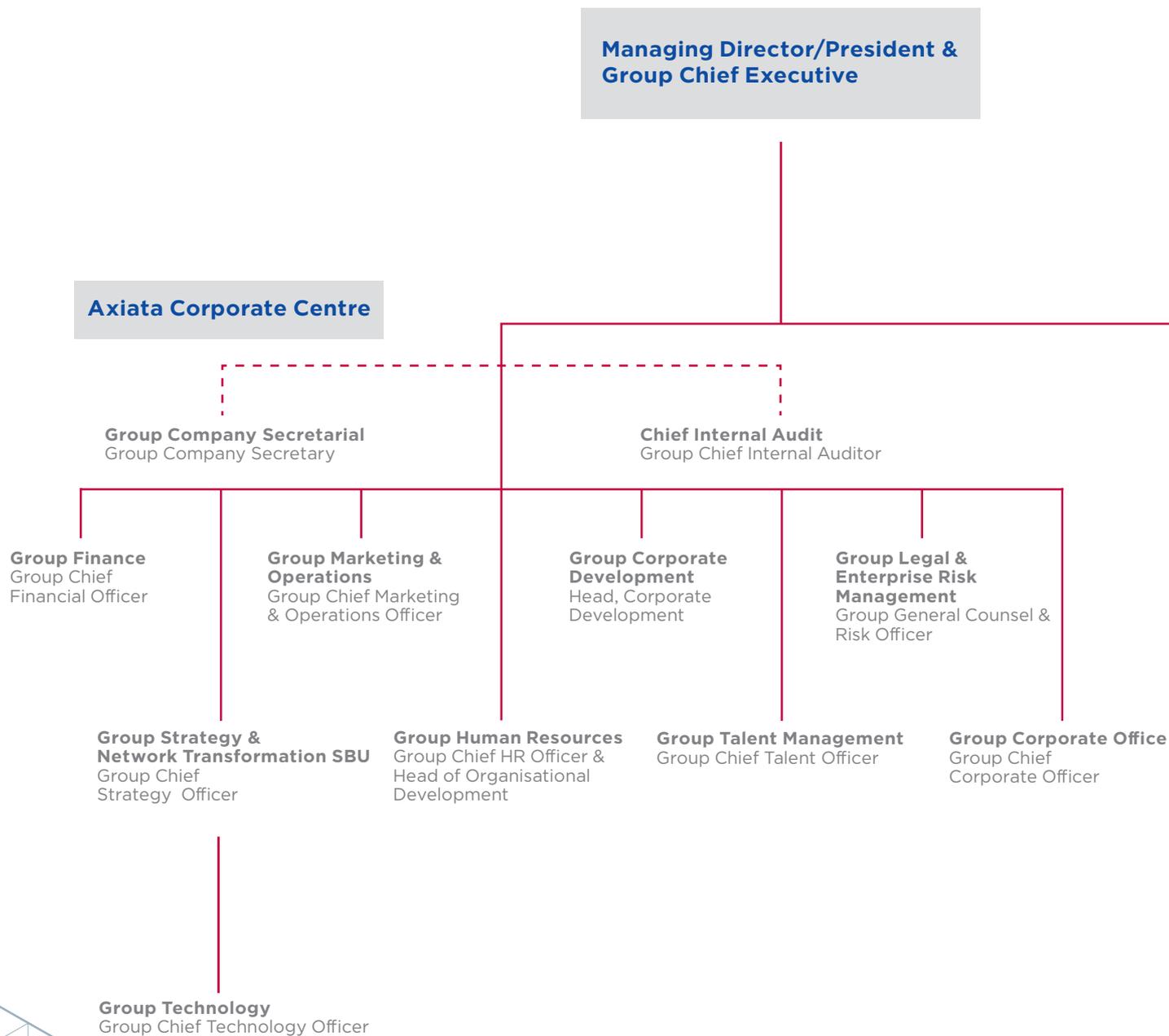
### Legend:

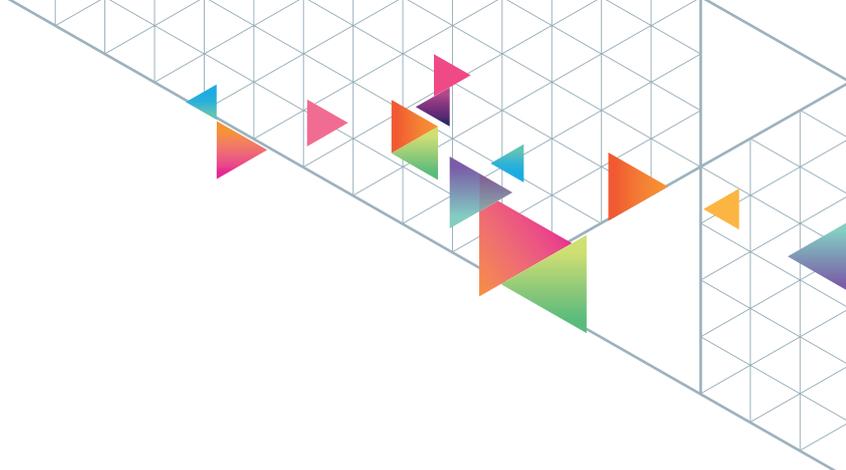
- \* Depicting active subsidiaries and associates/affiliates
- Key Operating Companies
- Wholly-owned Subsidiaries
- Non Wholly-owned Subsidiaries
- Associates/Affiliates
- ‡ Listed Companies



**Note:**  
 The complete list of subsidiaries, associates and joint ventures and their respective principal activities, country of incorporation and the Group's effective interest are shown in notes O40 to O42 to the financial statements on pages 334 to 341 of this Annual Report

# Group Organisational Chart





## Axiata Subsidiaries

**Celcom Axiata Berhad  
Malaysia**  
Chief Executive Officer

**PT XL Axiata TBK  
Indonesia**  
President Director

**Dialog Axiata PLC  
Sri Lanka**  
Director/Group Chief Executive Officer

**Robi Axiata Limited  
Bangladesh**  
Managing Director  
and Group Chief  
Executive Officer

**Smart Axiata Co., Ltd  
Cambodia**  
Chief Executive Officer

**Axiata Digital Services Sdn. Bhd.**  
Group Chief Digital  
Services Officer

**edotco Group Sdn. Bhd.**  
Chief Executive Officer

# Profile of Directors

Standing from left to right: Bella Ann Almeida, David Lau Nai Pek, Tan Sri Ghazzali Sheikh Abdul Khalid, Juan Villalonga Navarro and Kenneth Shen

Seated from left to right: Dato' Sri Jamaludin Ibrahim, Datuk Azzat Kamaludin, Tan Sri Dato' Azman Hj. Mokhtar and Dato' Abdul Rahman Ahmad





## Profile of Directors

### Tan Sri Dato' Azman Hj. Mokhtar

Chairman  
Non-Independent Non-Executive Director  
(Representative of Khazanah)



**Age:** 53

**Nationality:** Malaysian

**Date of Appointment:** 3 March 2008

**Length of Service:** 6 years

**Date of Last Re-election:** 23 May 2012

**Qualifications:**

- British Chevening Scholar
- Masters of Philosophy in Development Studies (Distinction), Darwin College, Cambridge University, UK
- Fellow of the Association of Chartered Certified Accountants, UK
- Chartered Financial Analyst
- Diploma in Islamic Studies, International Islamic University, Malaysia

**Working Experience:**

Formerly, Azman was the Managing Director and co-founder of BinaFikir Sdn Bhd, Director, Head of Country Research, Salomon Smith Barney Malaysia and Director, Head of Research, Union Bank of Switzerland in Malaysia. He also served in various capacities with Tenaga Nasional Berhad. From June 2004 to date, Azman holds the position of Managing Director of Khazanah, the strategic investment fund of the Government of Malaysia.

**Directorships of Public Companies:**

Iskandar Investment Berhad (Chairman) and Yayasan Khazanah

**Other Information:**

He is a Board Member of Jadwa Investment, Saudi Arabia and serves on various public service bodies including the Performance Management & Delivery Unit, Executive Committee of Malaysia International Islamic Financial Centre, Bumiputera Agenda Action Council and Governance Council of Malaysian Innovation Agency. He is also a member of the Board of Trustees of Asia Business Council, the INSEAD East Asia Council and the Global Agenda Council on the Role of Business for 2011 World Economic Forum.

**Age:** 55

**Nationality:** Malaysian

**Date of Appointment:** 3 March 2008

**Length of Service:** 6 years

**Date of Last Re-election:** 23 May 2013

**Qualifications:**

- MBA, Portland State University, USA
- Bachelor of Science in Business Administration (Minor in Mathematics), California State University, USA

**Working Experience:**

Jamaludin is Managing Director/President & Group Chief Executive Officer of Axiata Group Berhad, which he joined in March 2008. He has worked for about 33 years in the ICT industry - 17 years in the IT industry and 16 years in the telecommunications industry.

Jamaludin started his career as a lecturer in Quantitative Methods at California State University, USA in 1980.

He then spent 12 years in IBM (1981-1993), the first five years as Systems Engineer and then in various positions in Sales, Marketing and Management. In 1993, he was appointed Chief Executive Officer of Digital Equipment Malaysia (the Malaysian branch of Digital Equipment, then the second largest IT company worldwide).

Four years later, in 1997, Jamaludin joined Maxis Communications Berhad, and was appointed Chief Executive Officer in 1998. In 2006, he was re-designated Group Chief Executive Officer. He retired from Maxis in 2007, and in 2008 joined Axiata, then called TMI, a month before the demerger with TM.

**Directorships of Public Companies:**

Axiata Group - Celcom Axiata Berhad (Chairman), Dialog Axiata PLC (*Alternate Director*), PT XL Axiata Tbk, M1 Limited and Axiata Foundation

Other - Malaysian Global Innovation & Creativity Centre Berhad

**Other Information:**

Member of Capital Raising Advisory Group, Securities Commission Malaysia and Deputy Chairman of GSM Association.

Jamaludin earned the accolade of Malaysia's 'CEO of the Year 2000' by American Express & Business Times and was inducted into the Hall of Fame for 'Services to the Mobile Telecommunications Industry' by Asian Mobile News in 2004. He was also named 'Asian Mobile Operator CEO of the Year' by Asian Mobile News Awards 2007 and 'Telecommunications CEO of the Year' by Telecom Asia Awards 2010 and Frost & Sullivan Asia Pacific ICT Awards 2010.

**Dato' Sri Jamaludin Ibrahim**

Managing Director/President &  
Group Chief Executive Officer



## Profile of Directors



**Tan Sri Ghazzali Sheikh Abdul Khalid**  
Independent Non-Executive Director

**Age:** 68

**Nationality:** Malaysian

**Date of Appointment:** 24 March 2008

**Length of Service:** 6 years

**Date of Last Re-election:** 23 May 2013

**Membership of Board Committees:**

- Board Nomination Committee (Chairman)
- Board Remuneration Committee (Chairman)

**Qualification:**

- Degree in Economics, La Trobe University, Australia

**Working Experience:**

Ghazzali has made his career as a diplomat since 1971 and became the Ambassador of Malaysia to USA in March 1999. Prior to his appointment to Washington, D.C., he served as Deputy Secretary-General at the Ministry of Foreign Affairs, Malaysia. Over the years, his overseas appointments have included postings to Austria, Germany, Hong Kong, Thailand, UK, Zimbabwe and the Permanent Mission of Malaysia to the United Nations in New York, USA. His last position before his retirement in September 2010 was as Ambassador-at-large of the Ministry of Foreign Affairs, Malaysia to which he was appointed in 2006.

**Directorships of Public Companies:**

Axiata Group - Robi Axiata Limited (Chairman) and Axiata Foundation (Chairman)



**Datuk Azzat Kamaludin**  
Senior Independent Non-Executive Director

**Age:** 68

**Nationality:** Malaysian

**Date of Appointment:** 24 March 2008

**Length of Service:** 6 years

**Date of Last Re-election:** 1 June 2011

**Membership of Board Committees:**

- Board Audit Committee
- Board Nomination Committee
- Board Remuneration Committee

**Qualifications:**

- Barrister-at-Law, Middle Temple, London, UK
- Degrees in Law and International Law, University of Cambridge, UK

**Working Experience:**

Azzat is a lawyer by profession and is a partner of the law firm of Azzat & Izzat. Prior to being admitted as advocate and solicitor of the High Court of Malaya in 1979, he served as an administrative and diplomatic officer with the Ministry of Foreign Affairs, Malaysia from 1970 to 1979. Between 1 March 1993 to 21 March 1999, he served as a member of the Securities Commission.

**Directorships of Public Companies:**

Axiata Group – Dialog Axiata PLC (Chairman) and Celcom Resources Berhad

Others – Boustead Holdings Berhad, Boustead Heavy Industries Corporation Berhad, KPJ Healthcare Berhad, Visdynamics Holdings Berhad and Malaysian Directors Academy



**Dato' Abdul Rahman Ahmad**  
Independent Non-Executive Director

**Age:** 44

**Nationality:** Malaysian

**Date of Appointment:** 17 January 2013

**Length of Service:** 1 year

**Date of Last Re-election:** 23 May 2013

**Membership of Board Committee:**

- Board Nomination Committee

**Qualifications:**

- MA in Economics, Cambridge University, UK
- Member of the Institute of Chartered Accountants, England and Wales

**Working Experience:**

Abdul Rahman is a Director and the Chief Executive Officer of Ekuiti Nasional Berhad (Ekuinas). He leads the Management Committee and is a member of the Investment Committee. Abdul Rahman began his career at Arthur Andersen, London and later served as Special Assistant to the Executive Chairman of Trenergy (M) Berhad/Turnaround Managers Inc Sdn Bhd. He subsequently joined Pengurusan Danaharta Nasional Berhad, the country's national asset management company as Unit Head and later went on to become Executive Director of SSR Associates Sdn Bhd. Prior to joining Ekuinas, Abdul Rahman was the Group Managing Director/Chief Executive Officer of Media Prima Berhad and Group Managing Director/Chief Executive Officer of Malaysia Resources Corporation Berhad. Abdul Rahman is also a Director of M+S Pte Ltd, a joint venture property company of Khazanah Nasional Berhad and Temasek Holdings (Private) Limited.

**Directorships of Public Companies:**

Ekuiti Nasional Berhad, Malaysian Resources Corporation Berhad and Icon Offshore Berhad



**David Lau Nai Pek**  
Independent Non-Executive Director

**Age:** 61

**Nationality:** Malaysian

**Date of Appointment:** 23 April 2008

**Length of Service:** 6 years

**Date of Last Re-election:** 23 May 2012

**Membership of Board Committee:**

- Board Audit Committee (Chairman)

**Qualifications:**

- Bachelor of Commerce, Canterbury University, New Zealand
- Member of the Malaysian Institute of Accountants
- Member of the New Zealand Institute of Chartered Accountants

**Working Experience:**

David has over 35 years professional experience in finance and leading financial organisations in various locations in Australia, Brunei, China, Malaysia, New Zealand, Netherlands and UK. David retired from Shell Malaysia in August 2011 after serving the Shell Group for about 30 years. His major assignments include the Finance Director for Shell Malaysia, Finance Director for Shell China, Global Controller for the Exploration & Production Division of Royal Dutch Shell, and Vice-President Finance for Shell International Exploration and Production B.V., the Netherlands.

**Directorships of Public Companies:**

Axiata Group - Celcom Axiata Berhad (Chairman of Board Audit Committee) and Smart Axiata Co., Ltd (Chairman)

Others - Shell Refining Company (Federation of Malaya) Berhad, Malaysian Airline System Berhad and KKB Engineering Berhad

**Other Information:**

Member of Investment Panel of Employees Provident Fund

## Profile of Directors



**Juan Villalonga Navarro**

Independent Non-Executive Director

**Age:** 61

**Nationality:** Spanish

**Date of Appointment:** 24 March 2008

**Length of Service:** 6 years

**Date of Last Re-election:** 1 June 2011

**Membership of Board Committee:**

- Board Audit Committee

**Qualifications:**

- MBA, IESE, Spain
- Degree in Law, Deusto University, Spain

### Working Experience:

Juan Villalonga is the Co-Founder and Partner of Hermes Growth Partners. Juan, is the former Executive Chairman and Chief Executive Officer of Telefonica Group, where he grew the company's market capitalisation from USD12 billion to over USD100 billion. In 2010, Harvard Business Review ranked Juan at number 33 on the list of 100 Top Performing CEOs in the World. He is a former partner of McKinsey and Company. Juan is a Director of Virgin Mobile Latin America and Acibadem.

**Directorships of Public Companies:** Nil



**Bella Ann Almeida**

Independent Non-Executive Director

**Age:** 57

**Nationality:** British

**Date of Appointment:** 21 January 2013

**Length of Service:** 1 year

**Date of Last Re-election:** 23 May 2013

**Membership of Board Committees:**

- Board Nomination Committee
- Board Remuneration Committee

**Qualifications:**

- MA in Economics, Cambridge University, UK
- MBA, Imperial College, London, UK

### Working Experience:

Ann has been Group Managing Director, Human Resources of The Hongkong and Shanghai Banking Corporation Limited since February 2008 and is a member of the Group Management Board. In 2011, her remit widened to include Corporate Sustainability. Ann joined the HSBC Group in 1992 and by 1995 she was appointed Head of HR for James Capel (Stockbroking). Since 1996, Ann has been Director, HR for the Investment Bank, Transaction Bank, Private Bank, Islamic Bank and Asset Management, before taking up her present role.

**Directorships of Public Companies:** Nil

### Other Information:

Non-Executive member of the Remuneration and Human Resource Strategy Committees of the London School of Economics and Non-Executive Chairman of the Human Resources Committee of Jadwa Investments, a Saudi Islamic bank.



### **Kenneth Shen**

Non-Independent Non-Executive Director  
(Representative of Khazanah)

**Age:** 49

**Nationality:** American

**Date of Appointment:** 5 October 2011

**Length of Service:** 2 years

**Date of Last Re-election:** 23 May 2012

**Membership of Board Committees:**

- Board Audit Committee
- Board Nomination Committee
- Board Remuneration Committee

**Qualifications:**

- Bachelor of Arts degree (*magna cum laude*) in East Asian Languages and Civilisations (Japanese) and Economics from Harvard College, USA
- MBA, Harvard Graduate School of Business Administration, USA
- Completed studies at Keio University, Japan

**Working Experience:**

Kenneth joined Khazanah as Executive Director of Investments in 2011. He has more than 25 years of global investment, corporate finance and mergers and acquisitions experience gained in New York, Hong Kong, Qatar and Malaysia. Prior to joining Khazanah, Kenneth was with Qatar Investment Authority (QIA) from 2006 where he most recently was Advisor to the CEO and a member of the Board of Directors of Qatar Holding LLC. In addition, Kenneth had responsibility for QIA's direct investments in public and private companies as well as its investments in private equity, special situations and venture capital funds. Prior to that, he was with Salomon Brothers Inc and its successor companies from 1996 where his most recent role was Co-Head, Corporate Finance at Citigroup Global Markets Asia Limited. Prior to Salomon Brothers, Kenneth was with Lehman Brothers Inc. from 1992 in Lehman's Merchant Banking and Principal Investments Groups in New York.

**Directorships of Public Companies:**

Themed Attractions Berhad and Yayasan Amir

**Notes:**

None of the Directors have:

Any family relationship with any Director and/or major shareholder of Axiata.

Any conflict of interest with Axiata.

Any conviction for offences within the past ten years (other than traffic offences).

Any sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2013.

For information on Directors' attendance at Board Meetings held during the financial year, please refer to page 096 of the Statement on Corporate Governance.

# Profile of Management Team



**Dato' Sri Jamaludin Ibrahim**

Managing Director/President & Group Chief Executive Officer

Please refer to page 051.



**Chari TVT**

Group Chief Financial Officer

Chari TVT was appointed as Group Chief Financial Officer of Axiata on 1 January 2014. Prior to this, Chari served as Chief Financial Officer of Celcom since May 2009. During his time at Celcom, Chari was instrumental for many initiatives that contributed to excellent financial performance of Celcom, making it one of the most profitable companies in Malaysia.

Before joining Celcom, Chari was Vice President, Sales at HP Financial Services Asia Pacific and Japan. He spent 20 years at HP, of which 10 years was in senior finance positions in various countries such as Hong Kong, Malaysia, Thailand and Singapore, and 10 years heading Sales and Marketing for Asia Pacific as well as a large business unit with revenue of close to USD1 billion.

Chari holds an MBA from State University of New York in Buffalo, USA. He is also a member of the Chartered Institute of Management Accountants UK (CIMA), an Associate member of the Institute of Chartered Accountants (ACA) and Institute of Cost and Works Accountants (ICWA) from India.



**Amandeep Singh**  
Group Chief Technology Officer

Amandeep holds a Bachelor of Engineering degree (Electronics & Communications) from Panjab University, India. He joined Axiata with over 21 years' experience in the telecommunications network business.

Prior to Axiata, Amandeep was with the Airtel Group for more than nine years, working out of the company's offices in India and Africa. He led the transformational formation of the Network Services Group for Airtel and also acted as Chief Technology Officer (CTO) for the North Hub and West Hub of Airtel India. His last assignment before joining Axiata was with Airtel Africa based out of Kenya, where he was the Deputy CTO responsible to drive Pan Africa Network Transformation across all 16 countries which Airtel acquired from Zain. Prior to Airtel, Amandeep was with Spice Telecom India for more than six years including two years as the Chief Technology and Information Officer, based out of Bangalore.



**Annis Sheikh Mohamed**  
Head, Corporate Development

Annis was appointed Head, Corporate Development, Axiata on 1 July 2011. Annis has close to 17 years' experience in the banking industry with extensive knowledge and experience in the areas of financial advisory, structured finance, acquisition finance, and project finance. He started his career at Citibank Berhad and later joined Macquarie Malaysia and RHB Sakura Merchant Bankers Bhd. His last position before joining Axiata was Chief Officer & Head of Investment Banking in Kuwait Finance House (Malaysia) Berhad (KFHMB). Annis graduated from the University of Wisconsin-Madison, USA with a BBA majoring in Finance, Investment and Banking.

## Profile of Management Team



**Darke M Sani**

Group Chief Human Resources Officer

Darke has had over 25 years' experience both in Malaysia and in the South Asia region, in the telecommunications and IT industry and most recently in leadership development and management consulting. He has held several senior positions in multinational companies and large local companies. These include Managing Director of South East Asia and India of Apple Inc, Managing Director (Singapore) of Digital Equipment Corporation (now part of Hewlett-Packard) and Managing Director of Enterprise Business of Maxis Communications at Malaysia. Prior to joining Axiata in 2011, he was a director of a leadership development and management consulting company.

Darke holds a Bachelor's Degree in Civil Engineering from the National University of Singapore.



**Datin Badrunnisa Mohd Yasin Khan**

Group Chief Talent Officer

Badrunnisa holds a Bachelor of Science (Honours), in Biochemistry and Pharmacology, from the University of Aston in Birmingham, UK. She has had over 31 years of working experience. Badrunnisa's career has predominantly been with Shell in Malaysia with the first half focusing on IT software application and the second half in Human Resources, where her last stint was in a global position reporting into Shell's Group HR. Before Axiata, she was with TM where she was General Manager, Leadership & Talent Management, Group HR. She was also the Head of Group Human Resources in Axiata before the function was split to allow her to focus on Talent Management across the Group.



**Mohd Khairil Abdullah**

Group Chief Marketing & Operations Officer

Khairil holds a BA (Engineering) and MEng from the University of Cambridge, UK as well as an MBA from INSEAD, France. Prior to Axiata, Khairil was a Partner at Bain & Company, Inc., a leading global management consultancy. He was with Bain for more than 15 years and worked out of various offices in the firm, including San Francisco, Munich, Sydney, Tokyo and Shanghai. He has built a strong track record of helping his clients in the telecommunications and other industries achieve major improvements to their strategic positions and operational performance. In 2008, Khairil returned to Southeast Asia to help Bain grow its telecommunications practice in the region based out of Singapore. Prior to joining Bain, Khairil was an operations consultant at Coopers & Lybrand, Management Consulting Services. He also had a stint running a tech start-up based in Southeast Asia.



**Mohamad Idham Nawawi**

Group Chief Corporate Officer

A Chevening scholar, Idham holds a Bachelor of Science in Mechanical Engineering from University of Rochester, New York, USA, and received his MBA (Masters in Communications Management) from the University of Strathclyde, Glasgow, Scotland.

Idham has over 20 years experience in the telecommunications and IT industry in Malaysia, Indonesia and the US. Prior to his role in Axiata, Idham served as Chief Operating Officer of Packet One Networks in Malaysia, Head of Strategy and Corporate Affairs for Axis Communications in Indonesia and in various senior management positions within Sales & Marketing and Corporate Strategy for Maxis in Malaysia. He started his career as an engineer for Carl Zeiss in Princeton, New Jersey, USA, before joining IBM Malaysia. Idham has hands-on experience in managing business operations, international JVs, and start-ups and new business units. He has worked on multiple M&As and IPOs, and has managed investor, shareholder, regulator and government relations in Malaysia and the region.

## Profile of Management Team



**Nik Hasnan Nik Abd Kadir**  
Group Chief Internal Auditor

Hasnan graduated with a Bachelor of Science (Honours) in Accounting & Financial Analysis, University of Warwick, UK. He is a Certified Internal Auditor (CIA) and a Chartered Member of the Institute of Internal Auditors, Malaysia (CMIIA). Hasnan was appointed Axiata Group Chief Internal Auditor upon its listing in 2008. He held the role of the Chief Internal Auditor of Celcom before taking over the current job. Prior to that, he was Financial Controller, Asia Pacific Service Centre, Shell Global Solutions and before that; he was a member of Shell Global Audit Network and Secretary of the Audit Committee of its Accounting Transaction Services Company for Asia Pacific and Middle East.

He is a Governor of the Institute of Internal Auditors, Malaysia.

Suryani, a qualified Advocate and Solicitor of the High Court of Malaya and licenced Company Secretary, spent the early years of her career in legal practice. She subsequently joined the corporate sector and was appointed Head of Legal and Secretarial, Celcom in 2002. Suryani joined Axiata upon its listing in 2008 and until June 2011 retained her leadership role as Head of Legal in Celcom.



**Suryani Hussein**  
Group Company Secretary

Gim graduated with a Bachelor of Commerce in 1993 and a Bachelor of Laws in 1995 from University of Adelaide, Australia. In 2000, he completed a Master of Laws from University of New South Wales, Australia. Gim was admitted as an Advocate and Solicitor of the High Court of Malaya in 1997 and admitted as a solicitor in New South Wales, Australia in 2002.

He joined TMI (now Axiata) in 2004. Prior to joining Axiata, he was working as a lawyer in Malaysia and Australia. His areas of practice were predominantly in the fields of mergers and acquisitions, equity capital markets and corporate finance. Gim's last post before joining Axiata, was with Malaysia's largest law firm, Zaid Ibrahim & Co.



**Tan Gim Boon**  
Group General Counsel and Risk Officer

# Profile of Operating Companies' Management Team



**Dato' Sri Mohammed Shazalli Ramly**

Chief Executive Officer  
Celcom Axiata Berhad

Shazalli was appointed Chief Executive Officer and Director of Celcom on 1 September 2005. Prior to that, he was Chief Executive Officer of ntv7, Malaysia's seventh terrestrial TV station, a position he held for eight years since its launch in 1998.

Shazalli had earlier left his mark in the fast moving consumer goods industry, with Lever Brothers (1987-1993), followed by the Malaysian Tobacco Company (MTC) and British American Tobacco (BAT) (1993-1996) both in Malaysia and the UK. He also served as Astro's Marketing Director for two years where he pioneered the launch of Astro digital satellite services in Malaysia.

Shazalli graduated from Universiti Teknologi MARA Perlis in 1982, holds a Bachelor of Science (Marketing) from Indiana University, Bloomington, Indiana, USA and an MBA from St. Louis University, Missouri, USA.

Shazalli is currently director of several companies which include Celcom Axiata Berhad; Celcom Retail Sdn Bhd Celcom Mobile Sdn Bhd, Celcom Networks Sdn Bhd and Celcom Resources Berhad. He also holds the portfolio as CEO and Director of Escape Axiata Sdn Bhd, a wholly owned subsidiary of Celcom Axiata Berhad. Additionally, he is also a board member of the Kuala Lumpur Business Club and PRIMA Corporation Malaysia.

Shazalli has been recognised for his leadership, receiving various awards including Masterclass CEO of the Year Award and CEO of the Year by PC.Com Reader's Choice Awards, and the Business Leadership Award. In 2013, Shazalli was also conferred the 'ICT Personality of the Year' at the PIKOM ICT Leadership Awards Night.



**Hasnul Suhaimi**

President Director  
PT XL Axiata Tbk

Hasnul was appointed President Director of XL in September 2006. Prior to joining XL, he was President Director of Indosat. He has extensive experience in the telecommunications industry, having held directorship positions at PT IM3 and PT Telkomsel.

Hasnul started his career as an Instrument Engineer at Schlumberger in 1981. He graduated from Bandung Institute of Technology (ITB), Indonesia in 1981 with a degree in Electrical Engineering before earning his MBA from the University of Hawaii, USA, in 1992.

Under his leadership, XL has transformed to become the second largest cellular provider in Indonesia and has been recognised as one of Asia's Best Managed Companies 2009 by Euromoney magazine for Overall Most Convincing and Coherent Strategy.

In 2013, Hasnul received several other awards, such as one of Indonesia's Top 20 Most Admired CEO (IMAC) 2013 from Warta Ekonomi, Best CEO of The Year 2013 from Cellular Awards, and is one of the 100 Powerful People in Global Telecom Business Power 100.



## Profile of Operating Companies' Management Team



**Dr Hans Wijayasuriya**

Director and Group Chief Executive Officer  
Dialog Axiata PLC

Hans is currently the Group Chief Executive of Dialog Axiata PLC and functions as the Group Chief Digital Services Officer, Axiata/Chief Executive Officer of Axiata Digital Services Sdn Bhd.

Hans graduated from the University of Cambridge, UK in 1989. He subsequently obtained his PhD in Digital Mobile Communications from University of Bristol, UK in 1994. A Chartered Engineer and Fellow of the Institute of Engineering Technology UK, he also holds an MBA from the University of Warwick, UK.

Hans has published widely on the subject of digital mobile communications, including research papers in publications of the Institute of Electrical and Electronic Engineers (IEEE) USA, Royal Society and the Institute of Electrical Engineers (IEE) UK. He has also presented papers on digital mobile communications at several international conferences.

Hans is a past Chairman of GSM Asia Pacific and serves on the Board of the TM Forum. He is also a recipient of the CIMA-Janashakthi Business Leader of the Year Award, and in 2008, was named the 'Sri Lankan of the Year' by Sri Lanka's premier business journal the LMD.



**Supun Weerasinghe**

Managing Director and Chief Executive Officer  
Robi Axiata Limited

Supun Weerasinghe joined Robi as Managing Director and Chief Executive Officer on 1 January 2014. Prior to this, he was Axiata's Group Chief Strategy Officer since February 2013. He also functioned as the Head of Network Transformation Strategic Business Unit under which he provided leadership to Group Technology, Carrier Collaboration and Axiata Intelligence Unit (previously Axiata Management Services).

Before joining Axiata, Supun was the Group Chief Operating Officer (GCOO), of Dialog Axiata PLC, (Dialog) Sri Lanka's mobile market leader. He was also the COO and then the CEO of Dialog Mobile for several years. He was instrumental in making Dialog, the leading quad play telecommunications service provider in Sri Lanka.

Supun is a fellow member of the Chartered Institute of Management Accountants (CIMA), UK and holds a B.Sc. in Accountancy and Financial Management from University of Sri Jayewardenepura, Sri Lanka. He also has an MBA from University of Western Sydney, Australia and is an alumnus Harvard Business School (AMP-182).



**Thomas Hundt**  
Chief Executive Officer  
Smart Axiata Co., Ltd.

Thomas has gained vast experience in the telecommunications industry during his tenure in key management positions with Siemens AG's Communication Division and Nokia Siemens Networks. Thomas was also a member of the Supervisory Board of Azerfon in Azerbaijan. Since mid-2008, he has been CEO of the dynamically growing start-up mobile operator in Cambodia, Smart Mobile, which he grew from greenfield, number eight position in the market to number three position, including through the acquisition of Star-Cell in 2011.

Since the completion of the merger between Hello Axiata and Smart Mobile in February 2013, Thomas serves as the CEO of Smart, now the number two mobile operator in Cambodia.



**Karen Kooi**  
Chief Executive Officer  
M1 Limited

Karen was appointed as Chief Executive Officer and Executive Director of M1 on 22 April 2009. Karen was also the Acting Chief Executive Officer of M1 from 1 February 2009 to 22 April 2009.

Karen joined M1 as Chief Financial Officer in August 1995. She was a key member of the senior management team responsible for the planning, development and launch of M1's commercial operations. Prior to joining M1, Karen held various senior financial positions in large public listed companies, including Singapore Press Holdings Limited and City Developments Limited. She has over 30 years of experience in general and financial management.

Karen is a Fellow of the Association of Chartered Certified Accountants (UK) and holds a Master of Business Administration degree in Investment and Finance (Distinction) from the University of Hull, UK.

## Profile of Operating Companies' Management Team



**Himanshu Kapania**

Managing Director  
Idea Cellular Limited

Himanshu has been the Managing Director of Idea since April 2011. Himanshu has had two separate stints with Idea. In his first stint, he joined the company in 1997 and was responsible for managing its operations in the service areas of Maharashtra and Gujarat, and later launched services in Delhi Metro. Subsequently, he worked with Reliance Infocomm Ltd. where he was responsible for its operations in the northern region.

Himanshu rejoined Idea in 2006, and has since been instrumental in driving the company's growth in the South and Western India. He was responsible for strengthening Idea's dominance in established service areas, while also launching services in new service areas and expanding brand presence in other major markets in India.

Himanshu is the current Chairman of GSM industry association in India, the Cellular Operators Association of India (COAI).

Himanshu holds a bachelor degree in Electrical & Electronics Engineering from Birla Institute of Technology, Mesra (1979-83) and a postgraduate from the Indian Institute of Management, Bangalore (1988-90).

His current focus is getting the company ready for future high potential wireless broadband business with specific emphasis on 3G services.



**James Maclaurin**

Chief Executive Officer  
edotco Group Sdn Bhd

James Maclaurin was appointed Chief Executive Officer of edotco, a wholly-owned subsidiary of Axiata on 1 January 2014. Prior to this, James was the Group Chief Financial Officer of Axiata. James has worked in the telecommunications industry for over 20 years and has held a number of senior finance leadership positions including Group CFO of Axiata, CFO for Africa and Central Europe at Vodafone, Group CFO of Celtel, the pan-African mobile operator, CFO of UbiNetics, the 3G technology developer and EVP Finance of Marconi, the UK-based telecommunications vendor. In the mid 90's James worked in Asia and served as the Finance Director of General Electric Co. of Singapore and prior to this James was the Finance Director of the General Electric Co. of Bangladesh. James is a member of the Institute of Chartered Accountants of Scotland and holds degrees in Engineering and Finance.



**Adnan Asdar**

Chief Executive Officer  
Multinet Pakistan (Private) Limited

Adnan, one of the pioneers of Multinet, is the driving force behind the company and has been responsible for spearheading the successful deployment of the nationwide optical fibre network.

Adnan has over 25 years experience in structural and forensic engineering, construction management, quality control and project management.

He also plays advisory roles in several non-profit organisations primarily focused on education and health and is on the Executive Council Board for the Citizen's Foundation, Hunar Foundation and Indus Hospital.

Adnan has a degree in Science (Civil Engineering) from Wisconsin, USA and a Masters in Science (Civil Engineering) from Minnesota, USA.



**Watchai Vilailuck**

Executive Chairman and Chief Executive Officer  
Samart I-Mobile Public Company Limited

Watchai has been Executive Chairman and Chief Executive Officer of SIM since 2003. He also holds several senior management positions in other SAMART subsidiaries.

Watchai graduated from Thammasart University, Thailand with a degree in Accounting.

He has also obtained Certification from the Thai Institute of Directors Association, the National Defence College of Thailand and the Executive Education Center, University of Michigan Business School, USA.





# Significant Milestones 2013

▶ **13 May**

DBN, a subsidiary of Dialog, completed the acquisition of Sky Television and Radio Network (Private) Limited (Sky TV) at a consideration of SLR800 million (equivalent to USD6.35 million). In accordance with the SPA, Sky TV was amalgamated with DBN on 3 July 2013.

▶ **16 May**

XL entered into a joint venture with SK Planet Co Ltd and SK Planet Global Holdings Pte Ltd by incorporating a new limited liability company, PT XL Planet Digital Tbk.

▶ **4 July**

Celcom entered into a Master Collaboration Agreement with Altel Communications Sdn Bhd for the purpose of collaborating to develop, establish, build, operate and manage shared infrastructure for the provision of communication services in Malaysia.

▶ **2 September**

Celcom entered into a one year Memorandum of Understanding with MY E.G. Services Bhd. to jointly explore possible business opportunities and collaboration in the areas of e-Government services delivery and joint go-to-market for specific target market segments.

▶ **26 September**

XL entered into a conditional sale and purchase agreement with Saudi Telecom Company (STC) and Teleglobal Investments B.V., a 100%-owned subsidiary of STC, to purchase (or procure the purchase of) the entire issued share capital of PT Axis Telekom Indonesia, a 100%-owned subsidiary of STC, for a total cash consideration of USD865 million based on Axis's 100% enterprise value (on a cash free and debt free basis).

▶ **18 October**

Celcom completed the divestment of its entire stake in Celcom Childcare Sdn Bhd to Early Impression Sdn Bhd.

▶ **22 October**

Axiata announced key appointments in edotco Group, Axiata Group Chief Financial Officer, James Maclaurin vacates his post to move to a new strategic business unit, edotco, as Chief Executive Officer. Joining him were Nashad Emir and Thivanka Rangala, both internal talent from within the Group, as Chief Operating Officer and Chief Financial Officer. The appointments which took effect from 1 January 2014, were part of the Group's Talent Management Programme, where identified talent is rotated and moved across OpCos for exposure and experience in different Axiata companies and markets.



# 2012

▶ **January 2012**

Launched AYTP, a developmental scholarship for young Malaysians, going beyond academics. Axiata will be investing at least RM100 million towards the programme via the Axiata Foundation.

▶ **February 2012**

Axiata together with the Badminton Asia Confederation (BAC) and Total Sports Asia (TSA), announced the Axiata Cup, the world's richest prize money team event of USD1 million.

▶ **June 2012**

Etisalat, divested 9.1% of their shares in XL through an accelerated book build offering to institutional investors. This led to an increase in XL's public float from 20.2% to 33.5%.

▶ **June 2012**

Axiata completed the incorporation of Axiata SPV2 Berhad, a public company limited by shares, under the Companies Act, 1965.

▶ **June 2012**

Hello completed the incorporation of Axiata Towers (Cambodia) Company Limited (ATC) (now known as Edotco (Cambodia) Co., Ltd), a private company limited by shares to undertake activities and operations related to telecommunications infrastructure.

▶ **June 2012**

ATC was granted a 30-year tower operating licence from the Government of Cambodia.

▶ **July 2012**

Axiata successfully priced its inaugural issuance of a 2-year RMB1 billion Sukuk via its wholly-owned Malaysian incorporated special purpose vehicle, Axiata SPV2 Berhad. The Sukuk was issued under Axiata's Multi-Currency Sukuk programme with an aggregate nominal value of up to USD1.5 billion or its equivalent in other currencies.

▶ **September 2012**

Axiata was accorded the 'Emas' status by Bank Negara Malaysia for its inaugural issuance of a two year RMB1 billion Sukuk.

▶ **October 2012**

Axiata completed the incorporation of Axiata SPV3 Sdn Bhd (now known as edotco Group Sdn Bhd), a private company limited by shares, under the Companies Act, 1965.

▶ **October 2012**

Robi, via Axiata Investments (Labuan) Limited, incorporated a new subsidiary, Bangladesh Infrastructure Company Limited (now known as edotco Bangladesh Co. Ltd), a public company limited by shares, under the Companies Act, 1994 of the Republic of Bangladesh.

▶ **December 2012**

Axiata and its wholly-owned subsidiary, AIC entered into an SPA with Timeturns Holdings Limited to acquire Glasswool, the sole owner of Latelz (now known as Smart Axiata Co., Ltd). The operations of Hello and Latelz were merged as one combined entity, operating under the brand name 'Smart'. On 19 February 2013, the acquisition and the transfer of Hello's telecommunications business and assets were completed.

▶ **December 2012**

Dialog entered into an investment agreement for the acquisition of 26% equity interest in Digital Commerce Lanka (Private) Ltd. (Digital), after which Digital became an associate of the Group.



# Axiata in the News



# Axiata Gallery





# Awards in 2013

## MALAYSIA



### **Axiata Group Berhad**

#### **Frost & Sullivan Asia Pacific ICT Awards**

Best Telecom Group 2013

#### **TMT Finance Asia**

TMT Leadership Award for Asia 2014 – Dato' Sri Jamaludin Ibrahim

#### **Malaysian Business Awards**

ASEAN Conglomerate & CEO of the Year Award - Dato' Sri Jamaludin Ibrahim

#### **The Asset Triple A**

Best Corporate Sukuk  
Best Islamic Deal, Malaysia

#### **Islamic Finance News**

Cross Border Deal of the Year 2012

#### **KLIFFE**

Most Outstanding Islamic Product

#### **Malaysia-ASEAN Corporate Governance Index 2013 Awards**

Top 3 Corporate Governance Transparency Award  
Top 5 Overall Corporate Governance Award  
Best Conduct of Annual General Meeting Award  
Industry Excellence Award – Telecommunications

#### **Malaysian Institute of Accountants (MIA)**

NACRA Merit Award

#### **International Legal Alliance Summit**

Silver Award Best Asian and South Pacific Legal

### **Celcom Axiata Berhad**

#### **Frost & Sullivan Asia Pacific ICT Awards**

Wireless Data Service Provider of the Year 2013

#### **Frost & Sullivan Malaysia Excellence Awards**

Mobile Service Provider of the Year 2013  
Broadband Service Provider of the Year 2013  
Telecommunications Wholesale Service Provider of the Year 2013

#### **PIKOM ICT Leadership Awards**

ICT Personality of the Year 2013 – Dato' Sri Shazalli Ramly

#### **Cyber Security Malaysia Awards, Conference and Exhibition (CSM-ACE)**

Cyber Security Organisation of the Year Award 2013

#### **Customer Relationship Management & Contact Centre Association Malaysia (CCAM) 2013**

The Best of the Best Outsourced Contact Centre (Gold Award)

#### **Malaysian Electronic Clearing Corporation Sdn Bhd (MyClear)**

Most Outstanding Merchant of Financial Process Exchange (FPX) Award

## INDONESIA



### **PT XL Axiata Tbk**

#### **Euromoney Best Managed Companies in Asia 2013**

Best Managed Company in Indonesia.

#### **Carre Center for Customer Satisfaction and Loyalty (CCSL) and Bisnis Indonesia Daily**

Excellent Service Award (ESEA) 2013

#### **Warta Ekonomi Magazine – Indonesia’s Most Admired Companies**

Indonesia Top 20 Most Admired CEO 2013 – Hasnul Suhaimi

#### **Indonesian Brand Champion Award 2013 by MarkPlus Insight**

Silver Brand Champion of Most Widely Used Brand for Telecommunications & ICT Gadget Mobile for GSM Internet Provider and GSM Operator  
Indonesia Service to Care Champion

#### **Cellular Award 2013**

CEO of the Year – Hasnul Suhaimi  
Most Innovative Programme – Paket Serbu  
Best Data Services

#### **Carre Center for Customer Satisfaction and Loyalty (CCSL)**

Contact Center Service Excellence Award 2013

#### **TelecomAsia Awards 2013**

Best Operator in Emerging Market

#### **Fortune Indonesia Magazine**

Best 20 of Most Admired Companies  
Third Ranked Winner in Infrastructure, Utilities, and Transportation Industry

#### **Indonesian Culture and Tourism Ambassador Society**

The Most Youthful Brand 2013

#### **Warta Ekonomi Magazine**

Indonesia Most Admired Companies 2013

#### **Contact Center World Asia Pacific Awards**

Best Leader (Gold)  
Best Operation Manager (Gold)  
Best Recruitment Campaign (Gold)  
Best IT Support (Gold)  
Best Contact Center (Bronze)  
Best Community (Bronze)  
Best Helpdesk (Bronze)

#### **Bubu Awards 2013**

Digital Business Leader - Hasnul Suhaimi

#### **Customer Relationship Excellence Awards 2012**

Best Social Media Program of the Year (Telecommunications)  
Best Use of Knowledge Management of the Year (Telecommunications)

#### **SINDO Daily’s Indonesia’s Top 50 Company Excellent Achievement**

Indonesia’s Top 50, Company Excellent Achievement

#### **Global Telecoms Business Power 100**

100 Powerful People in Global Telecom Business  
Power 100 – Hasnul Suhaimi

#### **Contact Center World Global Industry Award**

Best Contact Center Executive/Director (Gold)  
Best Contact Center Operations Manager (Gold)  
Best Recruitment Campaign (Gold)  
Best IT Support Professional (Gold)

#### **Fortune Magazine & GML Performance Consulting Indonesia Strategy and Performance Execution Excellence (SPEX2) Award 2013**

Best in the Telecommunications Industry

#### **Indonesia Most impactful Brand Activation 2013**

Best Brand Activation for Youth

#### **Indonesian Best Corporate Transformation 2013**

Third Best Indonesia Corporate Transformation 2013

#### **Asia Best Company 2013**

Best Managed Company, Ranked Sixth  
Best Investor Relations, Ranked Eight

# Awards in 2013

## SRI LANKA



### **Dialog Axiata PLC**

#### **Bestweb.lk Awards**

Best Sri Lankan e-Commerce and Advertising Website – Dialog's Anything.lk

#### **The LMD Most Respected Corporate Entities**

Dialog Axiata PLC, Ranked Third

#### **Brand Finance**

Most Valuable Sri Lankan Brands, Ranked Third

#### **Business Today**

Top 25 Corporates, Ranked Sixth

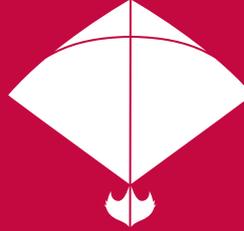
#### **Corporate Accountability Ratings by LMD-STING Consultants**

Platinum Rating, Ranked First

#### **SLIM-Nielsen PEOPLES**

Telecom Service Provider of the Year  
Internet Service Provider of the Year

## BANGLADESH



### **Robi Axiata Limited**

ISO 9001:2008 Certification

#### **Frost & Sullivan Asia Pacific ICT Awards**

Emerging Market Service Provider of the Year 2013

#### **Asia Communication Awards 2013**

Emerging Market Initiative of the Year – 'BIMA and Robi Life Insurance'

#### **22<sup>nd</sup> World HRD Congress 2014**

Best Employer of the Year, Ranked Fifth  
Talent Management  
Best HR Strategy  
Global HR Strategy

## SINGAPORE



### **M1 LIMITED**

#### **National Arts Council's Patron of the Arts Award for 2013**

Distinguished Patron of the Arts

#### **GONG 2013 Creative Circle Awards**

Film Advertising Craft (Best Editing) for 'M1. For Every One.', Silver Award

#### **Singapore Service Class (S-Class) Certification, SPRING Singapore**

Service excellence at the retail shopfront – M1 Shop

#### **Outstanding Outlet Award, Changi Airport Group**

Exemplary customer service – M1 Shop Changi Airport Terminal 3

#### **Frost & Sullivan Singapore Awards 2013**

Best Customer Experience in Telecommunications

#### **EXSA (Excellent Service) Awards**

1 Star, 8 Gold and 32 Silver

## INDIA



### **IDEA Cellular Limited**

#### **The Economic Times Telecom Awards 2013**

Most Innovative Service Provider Enterprise Category  
My Favourite Service Provider

#### **NDTV Business Leadership Award 2012**

Telecom Category

#### **Aegis Graham Bell Award 2013**

Best Brand Campaign

#### **Pitch Top 50 Brands Award**

#### **India's Best Companies to Work for Study 2013**

Best in Class within Telecommunications Sector in 2013

#### **Asia Business Awards 2013**

Best Place to Work, Indian Telecom sector

#### **CNBC TV18 India Business Leader Awards 2013**

Storyboard Brand Campaign of the Year for Honey Bunny Campaign

# Past Awards

## 2012

### **Frost & Sullivan Asia Pacific ICT Awards**

Best Telecom Group 2012

### **Boston Consulting Group**

2012 BCG Southeast Asia Challengers

### **Asian Strategy & Leadership Institute (ASLI)**

Asian Corporate Giants 2012 Listing – Top 10

### **Bank Negara Malaysia**

Emas Status for Issuance of Sukuk

### **Finance Asia**

Best Islamic Finance Deal 2012

### **Euromoney Islamic Finance**

Most Innovative Deal 2012

### **Alpha Southeast Asia**

The Best Deal of the Year 2012 in Southeast Asia

### **IFM (Industry Fund Management)**

Cross Border Deal of the Year 2012

## 2011

### **Asia Pacific Brands Foundation (APBF)**

BrandLaureate CEO of the Year 2010-2011

### **Forbes Asia's Fab 50**

### **Frost & Sullivan Asia Pacific ICT Award 2011**

Best Telecommunications Group of the Year

### **Malaysian Corporate Governance Index Awards 2011**

Best Conduct of AGM

Distinction Award

### **Telecom Asia Awards 2011**

Best Regional Mobile Group

## 2010

### **Frost & Sullivan Asia Pacific ICT Awards 2010**

Best Telecom Group of the Year  
CEO of the Year: Service Provider

### **Telecom Asia Awards 2010**

Telecom CEO of the Year  
Best Regional Mobile Group

## 2009

### **Frost & Sullivan Asia Pacific ICT Award**

Best Telecom Group of the Year 2009

### **National Annual Corporate Report Awards (NACRA) 2009**

Gold Award in the Best Designed Annual Report category

### **Malaysian Corporate Governance Index 2009**

Merit Award

### **Alpha South East Asia Annual Deal Awards 2009**

Best Secondary Deal of the Year 2009 in Southeast Asia

# Investment





# Performance

# Share Price Performance

## Axiata Share Price vs FTSE Bursa Malaysia KLCI 2009 - 2013

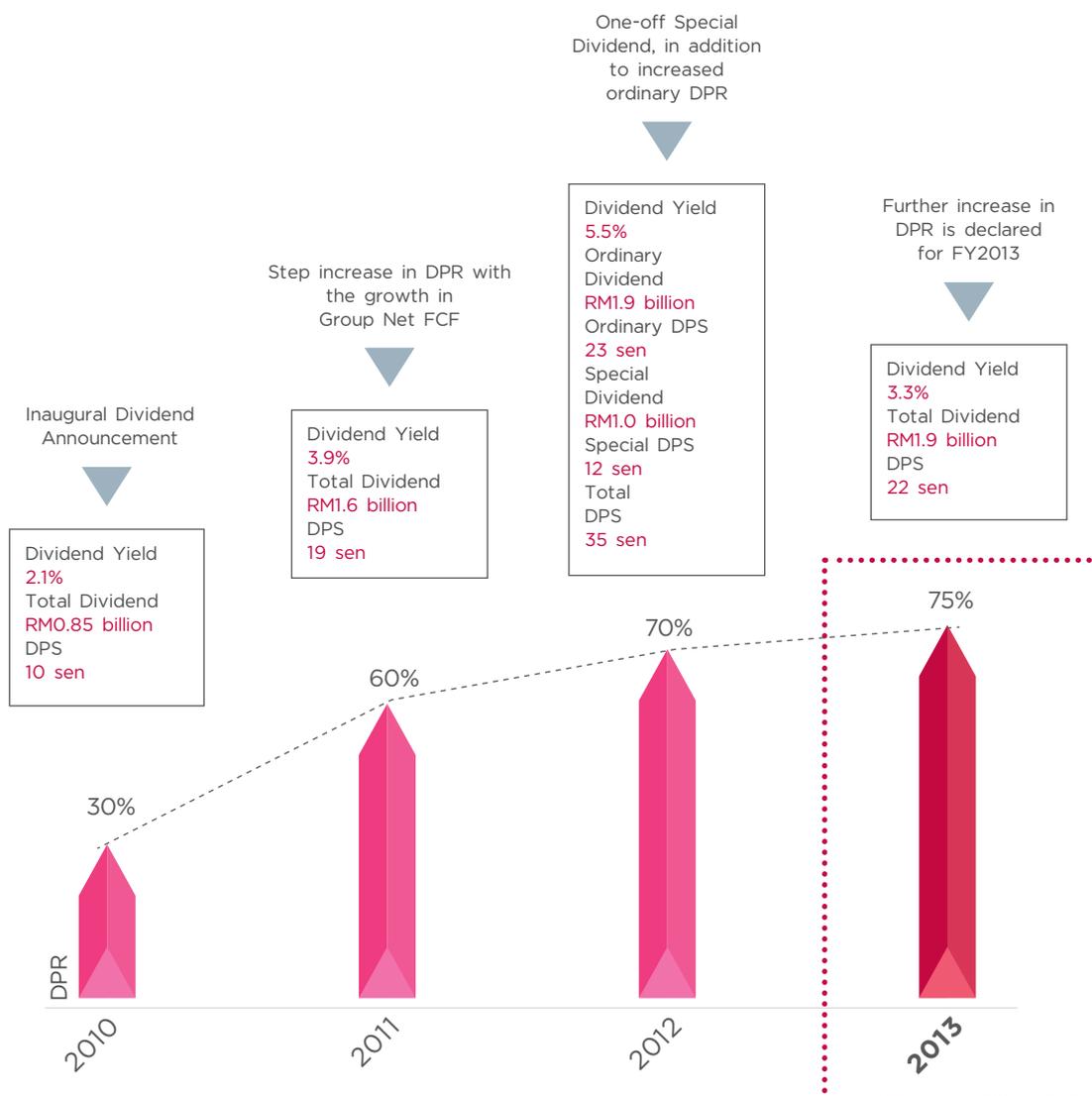


## Axiata Share Price vs FTSE Bursa Malaysia KLCI 2013



# Prudent and Disciplined Dividend Payout

Axiata declared a 22 sen per share single tier dividend (including interim dividend of 8 sen per share paid last year), implying a dividend payout ratio of 75%, which marks a 5% increase from 2012's ordinary dividend payout ratio of 70%. The increased Dividend Payout Ratio (DPR) of 75% is based on Axiata's strong financial performance, growth expansion strategies as well as dividends received from subsidiaries in FY2013. Management is committed to sustain positive performance with financial discipline, efficient cash management and prudent investments, and growth strategy moving forward.



# Investor Relations

Axiata's investor relations efforts include scheduling regular engagement sessions with the investing community which is attended either by the President & GCEO and/or GCFO and Investor Relations unit. Such engagement includes conferences, non-deal roadshows, and one-on-one meetings with equity analysts, fund managers and institutional shareholders. The objective is to provide updates on the Company's quarterly financial performance, corporate and regulatory developments as well as to discuss strategic matters and address issues that the investing community may have with respect to the business or operations of the Company.

- **Quarterly Results and Analyst Briefings**

Axiata holds analyst results briefings chaired by the President & GCEO and GCFO immediately after each announcement of quarterly results to Bursa Securities. These briefings are normally conducted via conference calls and attended by the senior management of major OpCos as an avenue to provide dialogue between fund managers and research analysts with the Group's Senior Management as well as provide a platform for analysts and fund managers to receive a balanced and complete view of the Group's performance and the challenges facing the Group. The holding of analysts' briefings immediately after the release of the results is aimed to facilitate timely publication and/or dissemination of analysts' reports to the investing community. Consistent with equitable sharing of information and treatment of its shareholders, materials intended for analysts briefings are made available immediately after the release of the financial results.

To date throughout FY13, the Group has enjoyed relatively extensive coverage and exposure to the investment community with a total of 35 [32, FY12] equity research analysts covering the Company.

This equitable policy is not only prevalent to financial affairs but also extended to major transactions such as the recent M&A undertaken by the Group in Indonesia. An audiocast of the presentation and dialogue with the analysts of this transaction was also made available on Axiata's website.

Presentation materials to analysts are available online on the investor relations page at [www.axiata.com](http://www.axiata.com).

- **Media Conferences**

Media conferences are held on a half-yearly basis upon release of half-year and full-year results. The media conferences are held separately from analyst briefings to address the different requirements of each group and to be more productive and efficient. Management ensures that all information is equally disseminated and materials for both the analyst briefings and media conferences are made available on Axiata's website.

In 2013, Axiata conducted 385 meetings with investors and analysts via face-to-face meetings and conference calls. In addition to the above, an Analyst Day was also organised on 8 October 2013 in Kuala Lumpur. The event was well received with participation by 60 analysts and investors, both local and foreign based. Data investment and profitability at Group and OpCos levels, key initiatives, strategies, best practices and synergies were amongst the key topics covered.

## Conferences and Non-Deal Roadshows

### Conferences

Malaysia Corporate Day  
CIMB  
Kuala Lumpur  
7 Jan

Asian Investment Conference  
Credit Suisse  
Hong Kong  
18 - 19 Mar

Invest Malaysia  
Bursa Malaysia & Maybank  
Kuala Lumpur  
13 Jun

ASEAN Forum  
JP Morgan  
London  
4 - 5 Sep

ASEAN Forum  
CLSA  
Bangkok  
13 Mar

CalGEMS Conference  
Bank of America Merrill Lynch  
United States  
11 - 12 Jun

Annual Asia Pacific Conference  
CIMB  
Kuala Lumpur  
20 Jun

Investors' Forum  
CLSA  
Hong Kong  
23 - 24 Sep

### Non-deal Roadshows

London, Paris, Stockholm  
CIMB  
25 - 27 Feb

New York, Boston  
Morgan Stanley  
28 Feb - 1 Mar

Hong Kong, Singapore  
Bank of America Merrill Lynch  
4 - 5 Jun

Edinburgh, New York, Boston  
Bank of America Merrill Lynch  
28 - 31 Oct

## Equity Research Coverage

- Affin Securities
- Alliance Research
- AmResearch
- Barclays
- BIMB Securities
- BNP Paribas
- BofA - Merrill Lynch
- CIMB
- Citi
- CLSA
- Credit Suisse
- Daiwa Securities
- DBS Vickers
- Deutsche Bank
- ECM Libra
- EVA Dimensions
- Goldman Sachs
- Hong Leong Investment Bank
- HSBC
- JF Apex Securities
- JPMorgan
- KAF Seagroatt & Campbell
- Kenanga Investment Bank
- Macquarie
- Maybank Kim Eng
- Morgan Stanley
- New Street Research
- Nomura
- Public Investment Bank
- RHB Research Institute
- S&P Capital IQ
- Standard Chartered
- TA Securities
- UBS
- UOB Kay Hian

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# Governance



# Statement on Corporate Governance

**Axiata Group Berhad (Axiata or Company) is fully committed to the highest standards of corporate governance whilst pursuing its corporate objectives to enhance shareholders' value and its overall competitive positioning. The Board of Directors recognises the importance of governance and plays an active role in administering and reviewing the Group's governance practices and framework to ensure its relevance and ability to meet future challenges. The Board acknowledges that whilst it is important for Axiata to continue delivering sustainable performance for the benefit of its stakeholders both locally and internationally, it is also imperative for it to remain at the forefront of best corporate governance practices.**

In building its corporate governance framework and practices, Axiata is guided by the following statutory and non-statutory documents:-

1. Companies Act 1965 (CA1965);
2. Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities);
3. Malaysian Code on Corporate Governance 2012 (MCCG2012);
4. Manual on Enhancing Board Effectiveness by the Putrajaya Committee on Government Linked Companies (GLCs)' High Performance (Green Book); and
5. Corporate Governance Guide: Towards Boardroom Excellence 2nd Edition issued by Bursa Malaysia Berhad.

As part of its efforts to enhance its practices, Axiata has also taken the initiative to benchmark itself against leading corporate governance standards of international reputable corporations. Axiata's efforts over the years have been recognised with four top awards at the Malaysia-ASEAN Corporate Governance Index 2013 presented by Minority Shareholders' Watchdog Group (MSWG) as stated below:-

1. Top five for Overall Corporate Governance;
2. Top three for Corporate Governance Transparency;
3. Industry Excellence - Telecommunications; and
4. Best Conduct of Annual General Meeting.

The Board is pleased to share how Axiata has applied the eight principles and 26 recommendations of the MCCG2012 throughout the financial year ended 31 December 2013 (FY13). Axiata is in compliance with all the principles of the MCCG2012 and its recommendations.

This statement has been made in accordance with the resolution and authority of the Board dated 19 February 2014.

## **The Board of Directors**

### **• Board Charter**

The Board Charter is the primary document setting out the roles and responsibilities of the Board. The Axiata Board Charter takes into consideration all the applicable laws, rules and regulations as well as best practices. The Axiata Board Charter covers inter-alia, the objectives of the Board, duties and responsibilities, powers, roles of the Chairman, Managing Director/ President & Group Chief Executive Officer (President & GCEO) and Non-Executive Directors (NEDs). It serves as a reference and primary induction literature in providing Board members and Management insight into the function of the Board of Directors of Axiata. Board specific reserved matters covering areas such as strategy and business planning, finance and controls, people, compliance, support and assurance and others are entrenched in the Axiata Board Charter.



The Axiata Board Charter was adopted by the Board in February 2013 and will be reviewed from time to time to ensure that it remains consistent with the Board's objectives and current laws and practices.

*The Axiata Board Charter is available online at ([www.axiata.com/about-us/corporate-governance.html](http://www.axiata.com/about-us/corporate-governance.html))*

- **Roles and Responsibilities of the Board**

In support of the Axiata Board Charter and to ensure effective discharge of the Board's roles and responsibilities, the Limits of Authority (LOA), based on prescribed financial limits, was formulated. The LOA serves to optimise operational efficiency and outlines high level duties and responsibilities of the Board and the delegated day-to-day management of the Company to the President & GCEO. This delegation structure is further cascaded by the President & GCEO to the Senior Leadership Team (SLT) within the Company's Corporate Centre. The President & GCEO and SLT remain accountable to the Board for the authority being delegated. Structured and regular reporting is made to the Board in areas where the Board is accountable and on the Company's overall performance. The Chairman of the Board helms the Board and provides leadership and guidance for the Board to meet its goals, and manages the Board's processes in ensuring the Board's discharge of its duties.

In accordance with the Axiata Board Charter, roles of the Board include to:-

- Provide strategic direction for the Company by guiding Management in developing the broad corporate strategy taking into account all appropriate considerations, challenging and approving the corporate strategy, performance objectives and parameters, monitoring developments and approving variations;
- Oversee the conduct of the Company's business and evaluate whether the business is being properly managed;
- Approve the Group Business Plan and changes thereon, creation of new businesses or activities or termination of existing businesses or activities which specifically change the nature of business of the Group;
- Approve mergers, acquisitions and divestures (including strategic business alliances, acquisitions or disposal of investments and equity interests);

- Approve quarterly, annually unaudited and audited accounts or any audited accounts for special purposes;
- Approve Group Policies, LOA and any revisions or amendments thereto;
- Recommend matters that are specifically reserved for the approval of the Company's shareholders in general meetings;
- Identify principal risks and ensure the implementation of appropriate systems to manage and mitigate these risks;
- Review the adequacy and integrity of the Company's internal control systems and management information systems, including the systems' compliance with applicable laws, regulations, rules, directives and guidelines. The Board must ensure that there is a satisfactory framework of reporting on internal financial controls and regulatory compliance; and
- Oversee the development and implementation of a corporate disclosure and shareholder communication policy.

- **Roles and Responsibilities of the Chairman and President & GCEO**

There is clear division between the roles and responsibilities of the Chairman and the President & GCEO as set out in the Axiata Board Charter. The Chairman is responsible for the operations, leadership and governance of the Board, ensuring its effectiveness and assumes the formal role as the leader in chairing all Board meetings and shareholders' meetings. He leads the Board in overseeing Management and principally ensures that the Board fulfills its obligations under the Axiata Board Charter and as required under the relevant legislations. Some of the specific responsibilities of the Chairman include to:-

- Manage Board meetings and boardroom dynamics by promoting a culture of openness and debate where Directors are encouraged to provide their views;
- Work closely with the President & GCEO to ensure provision of accurate, timely and clear information so as to facilitate the Board to perform effectively, make informed decisions and monitor the effective implementation of the Board's decisions; and
- Ensure meetings of the shareholders are conducted in an open and proper manner with appropriate opportunity for them to ask questions.

# Statement on Corporate Governance

While the Chairman is a Non-Independent Non-Executive Director (NINED) by virtue of him being the representative of the major shareholder of the Company, he has never assumed an executive position in the Company.

The President & GCEO is responsible for the management of the Company's business, organisational effectiveness and implementation of Board strategies, policies and decisions. By virtue of his position as a Board member, he also acts as the intermediary between the Board and Management.

## Board Composition

Prior to its listing in 2008, Axiata Board's size and composition were deliberated upon and taking into consideration amongst others the complexity and geographical spread of the Group's business, as well as best practices and recommendations in the Green Book, the Board then established the following framework on board composition:-

- Maximum of 10 Board members (up to two Executive Directors (EDs));
- Two NINEDs representing Khazanah Nasional Berhad (Khazanah) as the major shareholder;
- More than 50% of the Board to comprise of Independent Non-Executive Directors (INEDs) with various mix of skills, experience and diversity which includes nationality and gender; and
- Up to three members with geographical experience matching Axiata's footprint (Indonesia/Indian sub-continent/International).

This framework has continued to be referred to in any discussion on Board composition and Directors' appointment and in the event any feedback is given in the Board Effectiveness Evaluation (BEE) report. Taking these principles into account, the Axiata Board currently comprises nine Directors of whom six are INEDs, two NINEDs, including the Chairman (representing the interest of Khazanah) and one ED, namely the President & GCEO.

## Board Mix and Skillsets Matrix

	Geographical Experience		Nationality		Functional Experience						Industry Experience							
	International	Indian subcontinent	Indonesia	Local	Foreign	Corporate Finance	Corporate Accounting	Mergers & Acquisitions	Legal / Law	Audit & Business Assurance	Regulatory / Government Relations	Talent Management / Human Capital Management	Others-Economic / Sustainability	Digital Services / Innovative Mobile Technology / Analytics	Internet / Media / Entertainment	Telecommunications	Finance, Banking & Investments	Public Service
<b>Directors</b>																		
Tan Sri Dato' Azman Hj Mokhtar	▶	▶	▶	▶		▶	▶	▶			▶	▶				▶	▶	
Dato' Sri Jamaludin Ibrahim	▶	▶	▶	▶							▶	▶				▶		
Tan Sri Ghazzali Sheikh Abdul Khalid	▶			▶							▶	▶	▶			▶		▶
Datuk Azzat Kamaludin	▶			▶					▶	▶	▶					▶		▶
Dato' Abdul Rahman Ahmad	▶			▶		▶	▶	▶		▶	▶				▶		▶	
David Lau Nai Pek	▶			▶		▶	▶	▶		▶	▶					▶	▶	
Juan Villalonga Navarro	▶				▶				▶					▶		▶	▶	
Ann Almeida (f)	▶				▶							▶				▶	▶	
Kenneth Shen	▶				▶	▶	▶	▶	▶		▶					▶	▶	
	▶ Strong Knowledge/Experience									▶ Fair Knowledge/Experience								

## Board Composition Framework

- ▶ Maximum 10 Directors (up to two EDs)
- ▶ Two NINEDs (Khazanah)
- ▶ More than 50% INEDs with various mix of skills experience and diversity including in terms of nationality and gender (Although no specific target was set on gender diversity, Axiata will actively work towards the 30% target set by the Government by 2016)
- ▶ Up to three members with geographical experience matching Axiata's footprint (Indonesia/Indian subcontinent/International)



INEDs account for more than 50% of the Board members in line with the recommendations of the MCCG2012 which requires more than 50% of Board members to comprise of INEDs if the Chairman is a Non-Independent Chairman. While a similar provision is in the Axiata Board Charter, Axiata has always upheld this principle based on its framework despite the minimum requirements under the Main LR requiring only at least two directors or one third of the Board whichever is higher, to be independent.

The high proportion of INEDs reflects the Board's commitment to maintain strong representation of independent directors on the Board. This helps to ensure effective check and balance of the Board function with the INEDs acting as caretakers for the minority shareholders, providing unbiased perspectives in promoting constructive discussion of Management's proposals.

The current composition of the Board ensures that it has the appropriate mix of diversity (including gender diversity), skills, experience and expertise to enhance the decision making capabilities of the Board to help navigate the competitive industry that Axiata is currently in. This is fundamental given the size and geographical presence of the Group. The breadth of skillsets and experience of the Board is also instrumental in guiding Axiata through its journey and towards building a new generation telecommunications company and becoming a Regional Champion.

Nevertheless, as seen from the matrix, the current Board's composition could be further enhanced, particularly to fulfil the gaps in respect of representation from Indonesia, it being Axiata's major footprint and in the fields of Internet/Media/Entertainment and Digital Services/Innovative Mobile Technology/Analytics. The Board Nomination Committee (BNC) has initiated the selection process for Indonesian representation but the consensus is not to finalise the appointment in the near term.

- **Independence**

As mentioned above, the Board recognises the importance of Independent Directors and their significant contribution to the Company's decision making, particularly in ensuring detached impartiality and dispassionate objectivity.

Axiata measures the independence of its Directors based on the criteria prescribed under the Main LR. The Directors should be independent and free from any business or other relationships that could interfere with the exercise of independent judgment or the ability to act in the best interests of the Company and is willing to express his/her opinion at the Board free of concern about his/her position or the position of any third party. So far, none of the INEDs engage in the day-to-day management of the Company, participate in any business dealings or are involved in any other relationships with the Company (other than in situations permitted by the applicable regulations). This brings an additional element of balance to the Board and ensures the INEDs are free of any conflict of interest and allows them to function independently and in an unbiased manner in discharging their duties and responsibilities.

The assessment of the independence of Directors is based on the provisions of the Main LR which covers a series of objective tests. This assessment is carried out before the appointment of Directors. In addition to the above, the INEDs also annually re-affirm their independence based on the provisions of the Main LR.

During the FY13, the Board was satisfied that none of the INEDs had any relationships that could materially interfere with, or be perceived to materially interfere with their unfettered and independent judgement and ability to act in the best interests of Axiata.

The Board believes that it is impractical to formulate a list of criteria which is appropriate to characterise, in all circumstances, whether a NED is independent and chooses to recognise amongst others, the spirit, intent, purpose and attitude as well as readiness to challenge and debate to be considered as exhibiting independent judgment and ability to act in the best interests of the Company. These are the characteristics described in Axiata's yearly assessment on Directors' independence.

# Statement on Corporate Governance

Axiata has not established term limits for the INEDs as the Board believes that the term limit does not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company. Moreover, the term limit has the disadvantage of causing Axiata to lose the contributions of the INEDs who have developed invaluable understanding and insight of the business over a period of time, thereby increasing their contributions to Axiata.

None of Axiata's INEDs will reach the nine-year term limit stipulated under the MCCG2012 until 2017. Based on recent discussions on the provision of the nine-year term limit, the target is to have a succession plan in place one year in advance for any Board seat that will potentially be vacated.

- **Directors' Commitment**

Each Board member is expected to commit sufficient time to carry out his/her role as a Director and/or member of the Board Committees in which they are a member of. A NED of Axiata is expected to be able to commit 20-25 days of his/her time per year for directorship in Axiata.

Whilst the Board values the experience and perspective gained by a Director from his/her services on the Board of other companies, organisations and associations, a Director is expected to advise the Chairman of the Board or in his absence, the Chairman of the BNC of his/her intention to join the Board of another public listed company outside the Group. The Director is expected to indicate the time commitment with respect to the new appointment. If necessary, the Chairman and/or the Chairman of the BNC will consult with the rest of the Board members as to whether the proposed new appointment is likely to impair the Director's ability to devote sufficient time, effort and focus to the workings of the Board in his/her role as a Director of the Company.

In any given circumstances, in accordance with the provisions of the Main LR and the Green Book, members of the Board of Axiata are expected to serve in no more than five and 10 directorships in public listed and private companies respectively. For the FY13, none of Axiata Directors have exceeded these limits.

The President & GCEO, who is the Executive Director of Axiata, does not serve as a Director of other listed companies.

- **Board Gender Diversity Policies and Targets**

The Board has always placed gender diversity as an agenda in strengthening the performance of its Board and/or Board Committees. Notwithstanding this, the Board is of the view that while it is important to promote gender diversity, the normal selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board, should remain a priority so as not to compromise on qualification, experience and capabilities. The appointment of Ann Almeida, initially as member of the BNC and subsequently as a full Board member in January 2013, is a demonstration of this commitment. Ann Almeida brings with her global experience in human capital management, talent management and corporate sustainability and successfully filled the gap in the skillsets required by the Board in these areas. She was not appointed to the Board just to fill the quota on gender diversity.

Therefore, in respect of the target set out under the Corporate Governance Blueprint 2011 for women participation on Boards to reach 30% by year 2016, the Board, having deliberated, on the same, decided not to set specific targets for Axiata but through the BNC will be actively working towards achieving the said target. This objective is captured in the Axiata Board Charter. Its implementation is by ensuring that sufficient number of women candidates be included in the pool of candidates evaluated for new appointments to the Board.

In filling the vacancy for an Indonesian representative, the mandate is to include at least 50% female candidates in the pool.

- **Appointments to the Board**

The selection, nomination and appointment of suitable candidates to the Board of Axiata follow a transparent process.

Review of candidates for Board appointment has been delegated to the BNC and such responsibilities include the review of the existing composition of the Board to identify the gaps based on Axiata's Board composition framework and subsequently review and recommend to the Board a candidate with the relevant skillsets, expertise and experience to fill the gaps.

In addition to the above, other criteria, such as integrity, existing commitments and potential conflict of interests are also considered in assessing the suitability of candidates for appointment to the Board. The process for Board appointment also mandates the BNC/President & GCEO to engage external consultants.

The process adopted by Axiata for Board appointments is as follows:-



The appointment of both Ann Almeida and Dato' Abdul Rahman, being the latest appointments to the Axiata Board, followed this process. In deliberating their appointments, considerable discussions took place on their abilities, particularly in respect of their commitments, taking into consideration their current employments. The Board was of the view that both Ann Almeida and Dato' Abdul Rahman would be able to discharge their duties as members of the Axiata Board despite their existing commitments.

A letter of appointment is issued to Board members following their appointment, outlining their duties and responsibilities and disclosure required of them in compliance with the CA1965, Capital Market & Services Act 2007 (CMSA2007) and Main LR. The letter of appointment includes Axiata's governance documents such as the Axiata Board Charter/Board Committees' Terms of Reference (ToR) and documents outlining remuneration and benefits.

- **Board Induction/Orientation Programme**

In 2013, a Board Induction programme was held for Ann Almeida and Dato' Abdul Rahman. The Board Induction is a programme coordinated by the Group Company Secretary together with the President & GCEO with the objectives of providing newly appointed Directors the necessary information and overview to assist them in understanding the operations, corporate strategies, current issues and challenges as well as the structure and management of the Company.

The programme generally covers the following topics:-

- i) Company vision, mission and objectives;
- ii) Overview of Group Strategy, Finance, Procurement, Corporate Finance, Treasury, Human Resources, Internal Audit, Treasury and Investor Relations;
- iii) OpCos' engagement process, background and major developments;
- iv) Risk Management, Talent Management and Leadership Development Programmes;
- v) Technology updates and initiatives;
- vi) Mergers and Acquisitions (M&A) updates;
- vii) Regulatory issues and recent developments; and
- viii) Corporate, Board and Governance structure.

In addition to the Board Induction programme, a telecommunications industry primer on the essentials of mobile communications, highlighting key concepts and terminology of the mobile telecommunications industry, is also offered to appointees.

On-site briefings or site visits may also be requested by the Directors of Axiata for them to gain more insights into the business and operations aspects of the Group. A few such events have been organised in the past.

- **Directors' Code of Ethics, Employees' Code of Conduct and Whistle Blowing Policy**

The Board has since 2012 adopted the Directors' Code of Ethics as prescribed by the Companies Commission of Malaysia and the same is adhered to at all times.

# Statement on Corporate Governance

The corporate culture of ethical conduct is applicable across the Group and the Code of Conduct manual is applicable to employees and provides guidance on high ethical business standards and guidelines. The code serves as a guideline for employee conduct in the workplace, business conduct when dealing with external parties, key issues such as bribery, conflicts of interests, insider trading as well as data integrity and retention. The Code of Conduct is disseminated to Axiata's employees through its intranet and as part of its enforcement, employees are required to submit their declarations to adhere and observe to its provisions annually.

Axiata's employees may confidently and anonymously voice their grievances and raise their concerns of any unlawful or unethical situation or any suspected violation of the Code of Conduct in accordance with the Whistle-Blowing (Policy) administered by the Group Chief Internal Auditor (GCIA) and overseen by the Board Audit Committee (BAC).

The Board emphasises good faith in reporting, with assurance to the employees that they will not be at risk of any form of victimisation, retribution or retaliation. Any attempt to retaliate, victimise or intimidate against anyone (whistle-blower) is a serious violation and shall be dealt with serious disciplinary action and procedures. Illegal or unethical practices may be reported directly to statutory bodies such as the Malaysian Anti-Corruption Commission, Securities Commission, the police or other similar government agencies in other countries where the business is located, as provided under the Policy. The Policy was further enhanced with the Whistle-blower Protection Act 2010 whereby a whistle-blower must be given proper protection against an employer whilst a complaint is being investigated.

The dedicated Whistle-Blowing email address is: [wisel@axiata.com](mailto:wisel@axiata.com)

Whilst centred on upholding the highest ethical and integrity standards, the employees of the Group are also guided by the principles of 'Uncompromising Integrity and Exceptional Performance' (UIEP) which embody accountability exemplified by the Group's initiatives towards stakeholders, customers, employees and suppliers. Workshops on UIEP were held amongst Management across the Group to help permeating the UIEP culture and/or values in the respective OpCo.

More details on these initiatives and the UIEP are provided in the Sustainability Report, which is delivered together with this Annual Report.

*Directors' Code of Ethics, Employees' Code of Conduct and Whistleblowing Policy are available online at (<http://www.axiata.com/about-us/corporate-governance.html>)*

- **Re-Appointment & Re-Election of Directors**

In accordance with the Articles of Association of the Company (Articles), newly appointed Directors during the year must offer themselves to the shareholders for re-election at the first Annual General Meeting (AGM) following their appointment and 1/3 of Directors are subject to retirement by rotation at every AGM but shall be eligible for re-election. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-election. The President & GCEO, as Director, is subject to the same retirement by rotation provision as the other Directors, notwithstanding any contractual terms that may have been entered into with the Company. Shareholders are provided with relevant information on the candidates for re-election.

At this forthcoming AGM, the three Directors who will be retiring by rotation are Datuk Azzat Kamaludin, Juan Villalonga Navarro and Kenneth Shen. All of them, being eligible, offer themselves for re-election.

*Memorandum and Articles of Association of the Company is available online at (<http://www.axiata.com/about-us/corporate-governance.html>)*

- **Senior Independent Director**

For a few years now, Datuk Azzat Kamaludin has played his role as the Senior INED of Axiata. The roles of the Senior INED as defined in the Axiata Board Charter are as follows:-

- i) Ensure all INEDs have the opportunity to provide input on the agenda and advise the Chairman on the quality, quantity and timeliness of the information submitted by Management, which is necessary for the INEDs to perform their duties effectively;
- ii) Consult the Chairman regarding Board meeting schedules to ensure the INEDs can perform their duties responsibly and with sufficient time for discussion of all agenda items;

- iii) Serve as the principal conduit between the INEDs and the Chairman on sensitive issues, for example issues that arise from 'whistle-blowing';
- iv) Serve as a designated contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels of contact with the Chairman or President & GCEO, or for which such contact is inappropriate; and
- v) Be available for confidential discussions with other NEDs who may have concerns which they believe have not been properly considered by the Board as a whole.

During the FY13, no shareholders had asked to meet with Datuk Azzat. In respect of his other responsibilities, Datuk Azzat had stepped in to chair the Board meeting on one occasion in 2013 when the Chairman was absent due to medical reasons. He also provided constructive feedback on Board agenda and the number of Board meetings held.

Shareholders and other interested parties may contact Datuk Azzat to address any concerns in writing or via telephone, facsimile or electronic mail as follows:-

Tel : +6019 200 0878  
 +603 7725 6050  
 Fax : +603 7725 6070  
 Email : azzat@axiata.com or  
 azzat@azzatizzat.com  
 Postal Address : Axiata Centre, 9 Jalan Stesen  
 Sentral 5, Kuala Lumpur Sentral,  
 50470 Kuala Lumpur Malaysia

*Contact details of the Senior Independent Director and his roles and responsibilities under the Axiata Board Charter are available online at (<http://www.axiata.com/about-us/corporate-governance.html>)*

### Board Meetings and Attendance

The Board meets as often as necessary to fulfil its roles and responsibilities. Each NED is expected to commit at least 20-25 days annually to the Company to perform his/her duties and responsibilities effectively, including preparation for Board and/or Board Committee meetings. During the reporting period, the Board met 10 times (including off-site Mid-Year Strategy Retreat and Year-End Retreat) with a total of approximately 72 hours.

Off-site Board meetings are normally held outside of Axiata's premises to detach the SLT, who attend these meetings, from their daily routine and for them to be able to fully participate in the discussions during these meetings. The Mid-Year Board Retreat is to set the tone for the Group's overall medium-to-long term strategy whilst the Year-End Board Retreat is to discuss and challenge the Group's business strategies and plans and the following year's budget. The latter is also attended by representatives from the major OpCos. In FY13, these off-site meetings were held in July, in Singapore and in November, in Kuala Lumpur.

Special Board meetings are held only for very important matters that require specific guidance and expeditious direction from the Board. For the reporting period, two Special Board meetings were held to discuss matters on inter-alia, M&A and significant corporate proposals. As permitted under the Articles, decisions of the Board are also sought by way of Directors' Circular Resolutions between the scheduled and Special Board meetings.

As provided under the Articles, decisions made at the Board meetings shall be by a majority.

In FY13, some of the Board agenda items included:-

- i) Quarterly Unaudited Consolidated Results;
- ii) Half-year financial performance report;
- iii) Strategic matters which include inter-alia, group broad strategy, trends and direction e.g. infrastructure/technology, devices and strategic direction for India,
- iv) Business Plan;
- v) Proposals and updates on M&A;
- vi) Regulatory updates;
- vii) Investor relations updates;
- viii) Succession planning and talent management;
- ix) President & GCEO's Key Performance Indicators and achievements;
- x) Capital structure review, balance sheet management and dividend policy;
- xi) Sustainability initiatives of the Group and reporting; and
- xii) Findings of the Employees' Engagement Survey.

## Statement on Corporate Governance

The calendar for Board meetings providing scheduled dates for meetings of the Board (including Pre-Board and Board Retreat sessions), Board Committees and AGM as well as the Board Annual Calendar providing major items on the agenda for each financial year are fixed in advance for the whole year so as to enable Management to plan ahead and ensure that the Board meetings are booked into their respective schedules.

The following table sets out the number of Board and Board Committee meetings held during the FY13 and the attendance of the respective Director. Based on the attendance, all Directors have complied with the minimum requirements of 50% attendance at Board meetings as prescribed under the Main LR.

Name of Director	Total No. of Meetings:	BOD 10	BAC 4	BNC 6	BRC 3	SSC 1
Tan Sri Dato' Azman Hj. Mokhtar		9/10	n/a	n/a	n/a	n/a
Dato' Sri Jamaludin Ibrahim		10/10	n/a	n/a	n/a	n/a
Tan Sri Ghazzali Sheikh Abdul Khalid		10/10	n/a	6/6	3/3	1/1
Datuk Azzat Kamaludin		10/10	3/4	6/6	3/3	1/1
Dato' Abdul Rahman Ahmad <sup>1</sup>		9/9 <sup>3</sup>	n/a	4/4	n/a	1/1
David Lau Nai Pek		10/10	4/4	n/a	n/a	n/a
Juan Villalonga Navarro		6/10	3/4	n/a	n/a	n/a
Kenneth Shen		10/10	4/4	6/6	3/3	0/1
Ann Almeida <sup>2</sup>		6/8 <sup>3</sup>	n/a	4/6	2/3	1/1

### Notes:

n/a - Not Applicable

<sup>1</sup> Appointed as Director on 17 January 2013 and BNC & SSC member on 22 May 2013

<sup>2</sup> Appointed as Director on 21 January 2013

<sup>3</sup> Number of Board/Board Committee meetings held after his/her appointment

Non-attendance at Board and Board Committees' meetings are an exception, normally attributed to unavoidable circumstances such as meetings being called or rescheduled at very short notice and for newly appointed Directors, due to prior appointments which could not be rescheduled.

Whenever necessary, Management or external advisors are also invited to attend the Board and Board Committees' meetings to explain matters within their competencies and provide clarity on agenda items being discussed to enable the Board and/or Board Committees to arrive at a considered and informed decision.

As the Group's quarterly results is one of the regular annual schedule of matters which are tabled to the Board for approval at the quarterly Board meetings,

notices on the closed period for trading in Axiata's securities are also circulated to Directors, key management personnel and principal officers who are deemed to be privy to any sensitive information and knowledge in advance of whenever the closed period is applicable based on the targeted date of announcement of the Group's quarterly results. This is to comply with the Main LR and CMSA2007 requirements whereby key management personnel and principal officers of the Company and the Group are prohibited from trading in securities or any kind of property based on price sensitive information which have not been publicly announced within 30 calendar days before the targeted date of announcement of the quarterly results up to the date of announcement. In the FY13, none of the Directors dealt in Axiata's securities during the closed period.

In accordance with the formal procedures for managing compliance on conflict of interests, where the Board is considering a matter in which a Director has an interest, the relevant Director immediately discloses the interest and abstains from participating in any discussion or voting on the subject matter and, where appropriate, excuse himself/herself from being present in the deliberations. In the event a corporate proposal is required to be approved by shareholders, interested Directors will abstain from voting in respect of their shareholdings in Axiata on the resolutions relating to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions. This is recorded in the minutes of the meetings.

As a result of feedback received from the Senior INED, Datuk Azzat, the Board recently took a step back to analyse the number of hours spent at Board meetings. This is to establish whether the length of meetings was appropriate and whether the right amount of time was spent on relevant topics. An analysis was done by the Group Company Secretary and it was found that of the 72 hours spent in 2013, more than 50% was spent on strategic matters, indicating that the Board's allocation of time was appropriate. Based on other parts of the findings, the Board concluded that going forward, more time should be allocated for human capital management and risks. In FY13, these areas were mostly dealt with in detail by the BNC and BAC respectively, instead of the Board.

- **Supply of Information**

In line with the Green Book guidelines, the Board receives the Board meeting agenda and meeting papers within at least 14 days and seven days respectively prior to Board meetings. This allows sufficient time for the Board members to peruse the Board papers and seek any clarification or further details from Management or the Group Company Secretary, if required. This also enables the Board meetings to be run more effectively by focusing on the deliberations and any questions from the Directors on the subject matter. In special and exceptional circumstances, additional or supplementary items are permitted to be taken up as any other business. In order for Board meetings to be more effective and to enable in-depth deliberations of matters, the meeting agenda at Board meetings are sequenced in such a way taking into consideration the complexity of the proposals and/or whether they are items for approval, discussion or notation by the Board. Time allocation is also determined for each agenda item.

Presentations to the Board are prepared and delivered in a manner that ensures clear and adequate presentation of the subject matter. The Board paper format includes an Executive Summary which outlines the salient key points of matters to be deliberated. For more effective administration of the Board papers, it is made accessible electronically through secured means. This is to support the group-wide initiative of leveraging on information technology for effective dissemination of information.

All issues raised, discussions, deliberations, decisions and conclusion, including dissenting views, made at Board meetings, with clear actions to be taken are recorded in the minutes.

The Board has adopted a rating process for Board papers and presentations by Management at each Board meeting with constructive feedback on the quality of information and analysis covered. During FY13, the overall average of Board ratings on the quality of Board papers and presentations was 4.0 points out of 5.0 points.

The Directors also receive regular updates on the latest developments in statutory and regulatory requirements pertaining to their duties and responsibilities, and matters affecting the Company. As and when the need arises, the Directors are also provided with ad-hoc reports, information papers and relevant training to ensure they are well informed on key business, operational, corporate, legal, regulatory and industry matters.

- **Board Access to Management, Company Secretary and Independent Professional Advice**

The Directors enjoy complete and unrestricted access, either collectively or in their individual capacities, to Management and the Group Company Secretary. Directors may seek briefings from Management on specific matters, in addition to regular presentations by Management to the Board and Board Committees. Directors may also interact directly with, or request further explanation, information or updates on any aspects of the Company's operations from Management. Selected Board members were invited by Management on several occasions to deliberate and/or provide their inputs on matters which Management intends to propose to the Board for approval.

# Statement on Corporate Governance

The Board has strong support from an experienced, competent and knowledgeable Group Company Secretary who works closely with the President & GCEO and Management to ensure timely and appropriate information flow within the Board and Board Committees, and between the NEDs and Management. The Group Company Secretary is also responsible to give clear and sound advice to the Board, through the Chairman, on all governance matters and to assist the Board and Chairman in the implementation of an effective corporate governance system. The Group Company Secretary attends all meetings of the Board and Board Committees and is responsible for the accuracy and adequacy of records of proceedings of the Board and Board Committees and the resolutions. The appointment, remuneration and removal of the Group Company Secretary are also a matter for the Board to decide to ensure a qualified and suitable individual is selected.

The profile of the Group Company Secretary is provided in page 060 under Profile of Management Team.

In ensuring uniformity of Board conduct and effective boardroom practices, the Group Company Secretary has oversight on the overall corporate secretarial functions of the Group, both in Malaysia and in the countries where the Group operates. The Group Company Secretary also serves as an adviser and support centre to the named secretaries in the countries where the Group operates on matters pertaining to governance, and facilitates the flow and sharing of information.

In addition, the Board is also authorised, whether as a full Board or in their individual capacities, to seek independent professional advice, if necessary, at the Company's expense from time to time to enable the Board to discharge its duties in relation to matters being deliberated. Similar access is also extended to all Board Committees on the same basis. Appropriate procedures are in place to allow access to such advice. During FY13, certain Board matters were referred to external legal counsels for advice.

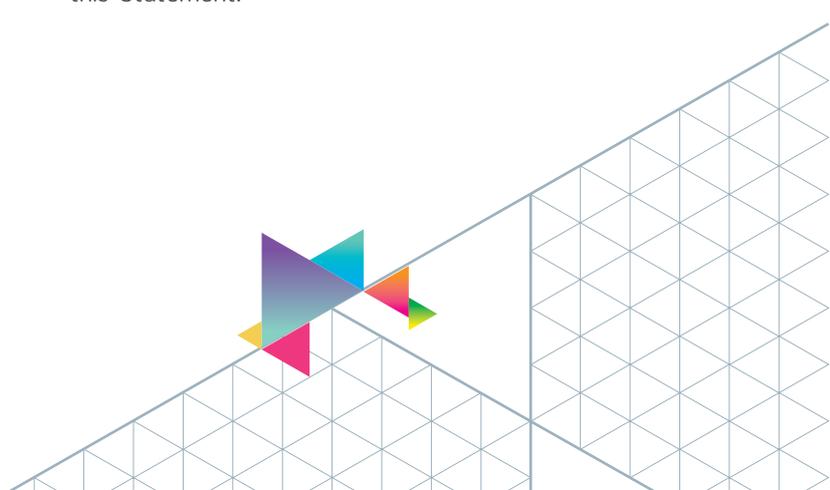
- **Directors' Training & Education**

Axiata encourages its Directors to regularly update their knowledge and refresh their competencies to enhance the Board's skills, credibility and familiarity with the Company's business and challenges to remain competitive. A dedicated training budget is allocated every year for Directors' continuing education. The Guidelines for Axiata Board Training Programme (BTP Guidelines) adopted by the Board, provides a framework to effectively address the training needs of the Board, including types of training applicable to Directors (newly appointed and existing Directors), budget provision, internal process and reporting on Directors' Training.

The BNC identifies the training needs of Axiata's Directors based on feedback provided by the Board during the annual Board evaluation and the Group Company Secretary has the responsibility of ensuring relevant training programmes are identified for the Board. Training attended by Directors is reviewed semi-annually to ensure Directors' training needs are met. Key areas of focus for training programmes and seminars attended by the Directors during FY13 included areas relating to corporate governance, corporate innovation and entrepreneurship, telecommunications and the mobile landscape as well as corporate sustainability.

Internal briefings on key corporate governance requirements and updates on changes to the Main LR, laws and regulations are also provided to ensure Directors are fully informed of the impact of such developments or changes to the Company and/or the Directors.

Some of the training/conferences/seminars and/or workshops which members of the Board have participated in during FY13 are listed in Appendix 1 of this Statement.



- **Board Assessment**

From 2009 onwards, a year after its listing in 2008, Axiata has undertaken an annual process to assess the Board's effectiveness. The exercise covers evaluation of the Board as a whole, Board Committees, as well as individual Director. This is done against a set of criteria that is important for the Board to function effectively. The BNC is entrusted with the responsibility of carrying out the annual BEE and to decide on the appointment of external consultants to facilitate and/or validate the evaluation process to ensure objectivity, and that the process remains robust and thorough.

The 2012BEE was facilitated by the Group Company Secretary using a similar set of criteria developed with external consultants. Evaluation areas covered included Board composition, responsibilities, administration and process, training, conduct at meetings, engagement and communication with the SLT and shareholders, Board Committees and peers' review. The findings of the 2012BEE indicated that the Board comprised of high performing Independent Directors with strong dynamism amongst Board members, and has been effective in discharging its oversight responsibilities. Suggested areas for improvement were in respect of remuneration framework and enhancement of Board composition to meet future corporate plans. These findings were validated by the external consultants and presented to the Board in May 2013.

As the Board had throughout the years only been benchmarked against local listed companies, the Board requested for a more comprehensive evaluation in 2013 and to be benchmarked against leading international corporations and global best practices. This reflects the Board's seriousness in enhancing its performance and not viewing the BEE merely as a checklist for compliance.

As a comprehensive BEE would be time consuming, the process was started in August 2013 through a selection of external consultants who each presented its proposal to the BNC. The selection process itself took a considerable amount of time and a global recruitment specialist firm was eventually appointed in November 2013.

The agreed approach and methodology for this comprehensive exercise is as follows:-

- i) To review the Board's overall performance and corporate governance in terms of practices and policies;
- ii) To conduct an in-depth evaluation of Axiata Board including Board Committees and individual Directors with an intent to recommend enhancements based on insights gained. This includes, inter-alia, review of the Axiata Board Charter/Board Committees ToR, composition, meeting calendar and agenda, and Board Committees' responsibilities;
- iii) Benchmark Axiata Board against selected Boards, international trends and/or best practices after agreeing on some ideal benchmarks; and
- iv) Inclusion of wide ranging one-to-one interviews against agreed competencies with the Board including a 360 degree review with selected SLT for feedback on the performance of the Board/ Board Committees/Directors.

The exercise is ongoing under the supervision of the BNC and its Chairman and, due to the complexity and breadth of the exercise, will only be concluded in May 2014.

#### **Board Committees**

In compliance with the Main LR and MCG2012, and to focus effectively on issues to be delegated to the Board Committees, the Board has constituted various Board Committees which are governed by their own set of ToR duly approved by the Board. The ToR clearly describes their duties and responsibilities, function, authority and powers and is subject to review from time to time to ensure it remains relevant and up-to-date. The latest revisions were made to the ToR of the BNC and Board Remuneration Committee (BRC) in 2013. The members and Chairman of each Board Committee are appointed by the Board.

*The ToRs of the Board Committees are available on the Company's website at ([www.axiata.com/about-us/corporate-governance.html](http://www.axiata.com/about-us/corporate-governance.html))*

There are four main Board Committees namely:-

- BAC;
- BNC;
- BRC; and
- Share Scheme Committee (SSC).

# Statement on Corporate Governance

The Board also delegates certain specific matters to other ad hoc Board Committees as and when necessary.

Normally, all Board Committee meetings are held in conjunction with the Board meetings. All deliberations, recommendations and decisions of the Board Committees' meetings are recorded and minuted, and subsequently confirmed by the Board Committee at the subsequent meeting. During Board meetings, the Chairman of the various Board Committees provides summary reports of the decisions and recommendations made by the Board Committees, and highlights to the Board should any further deliberation be required at Board level. Verbal reports are provided if Board Committee meetings are held on the same day as the Board meeting.

A brief description of each Board Committee is provided below:-

## BAC

The members of the BAC are as follows:-

- i) David Lau Nai Pek - Chairman, INED
- ii) Datuk Azzat Kamaludin - Senior INED
- iii) Juan Villalonga Navarro - INED
- iv) Kenneth Shen - NINED

All BAC members are financially literate, well above the level needed for a BAC and the BAC Chairman, David Lau Nai Pek who is a member of Malaysian Institute of Accountants and New Zealand Institute of Chartered Accountants, fulfils the financial expertise as required by the Main LR.

Further details on the summary of activities of the BAC during FY13 and the BAC ToR are set out separately in the BAC Report on pages 127 to 134 of this Annual Report.

The Group Chief Financial Officer (GCFO) and Group Financial Controller attend all meetings of the BAC except when meetings are held between the BAC and external auditors without Management's presence. During FY13, the BAC met with the external auditors without Management's presence twice.

## BNC, BRC, SSC

The BNC, BRC and SSC currently comprise of the same members as follows:-

- i) Tan Sri Ghazzali Sheikh Abdul Khalid - Chairman, INED
- ii) Datuk Azzat Kamaludin - Senior INED
- iii) Dato' Abdul Rahman Ahmad - INED (BNC & SSC only)
- iv) Ann Almeida - INED
- v) Kenneth Shen - NINED

## BNC

The key responsibilities of the BNC are as follows:-

- i) To oversee the selection and assessment of Directors and to ensure that the Board composition meets the needs of the Group;
- ii) To facilitate and review Board induction and training programmes;
- iii) To recommend or approve, as the case may be, based on the ToR, the appointment of key management of the Group;
- iv) To assess the effectiveness of the Board, Board Committees and individual Directors (including the President & GCEO); and
- v) To review, on an annual basis, the size of the Board and the required mix of skills, experience and responsibilities present on the Board in ensuring continued effectiveness of the Board.

Another key responsibility of the BNC is to review and recommend Board candidates for directorships or the Company's nominees in major OpCos, to ensure that the Company's key directions are cascaded down and implemented in its local and overseas OpCos. All decisions and appointments are made by the respective Board of the companies after considering the BNC's recommendations. During FY13, the BNC had, on a number of occasions, been involved in the review of candidates to fill key positions in the Group and its OpCos such as CEO candidate for one of the OpCos and key positions in Axiata/Axiata Group. Prior to the appointments of the key positions above, the BNC made its recommendations on the candidates.

Succession Planning and Talent Management also comes under the purview of the BNC. The Group manages its Top Management Succession Planning process through the talent management programme, via which high potential employees are identified and developed.

There are three segments of talent based on how they are managed:-

- i) At the graduate entry point level, most of the OpCos hire fresh graduates and will develop them via their own management trainee or apprentice programme to provide a bridge between academics and work place effectiveness for a period of up to 18 months. This will be one of the sources of talent for the Group, others being external hires of professionals at various levels;
- ii) High potentials from amongst executives, first line and middle managers are included in the OpCo Accelerated Development Programme (OADP), managed by the OpCos; and
- iii) High potentials from amongst the senior management are included in the Group Accelerated Development Programme (GADP). Here, talent are managed as a common pool across the Group and governed by a Group Talent Council, made up of the OpCos' CEOs and top key functional heads at the Corporate Centre, including the President & GCEO. The Group Talent Council meets about three times a year.

The three programmes together create a talent pipeline. The talent pipeline is regularly reviewed to ensure that there is sufficient bench strength to succeed leadership positions. The Group consciously benchmarks its top talent to global standards as well as regularly assesses leadership gaps via an internal 360 degree feedback mechanism. Gaps are addressed via four development platforms i.e. personal, education, experience and relationship (coaching and mentoring). There is an extensive curriculum developed for the education platform, including customised programmes in partnership with INSEAD Business School. Experience-based development is done via project, cross-functional and cross-geographic exposure. Personal development is facilitated by Talent Management through leadership awareness, visioning and other leadership effectiveness workshops.

During FY13, the BNC met six times where key activities were as follows:-

- i) Reviewed and recommended proposed changes to Axiata top leadership team;
- ii) Reviewed the ToR of the BNC;

- iii) Reviewed and recommended the proposed appointment of the CEO for Regional TowerCo (RTC);
- iv) Reviewed and discussed Talent Management and Succession Planning;
- v) Reviewed the 2012BEE findings and report;
- vi) Reviewed and recommended the appointment of BNC and SSC members;
- vii) Reviewed and recommended Succession Planning for the OpCos;
- viii) Reviewed and recommended candidates for key positions for Corporate Centre and within the Group, which included, inter-alia the GCFO;
- ix) Reviewed the proposal for the appointment of an external consultant to facilitate the Board assessment for Year 2013;
- x) Deliberated on the findings of the Board assessment and reported the findings to the Board; and
- xi) Reviewed the Talent Management and Senior Management Succession Plan for the Group.

#### **BRC**

The key responsibilities of the BRC are as follows:-

- i) To assist the Board in determining the policy and structure for the compensation of NEDs and remuneration of the ED and key management of the Group; and
- ii) To recommend to the Board the remuneration of the ED in all its forms and compensation of NEDs, drawing from outside advice as necessary.

During FY13, the BRC met three times where the key activities were as follows:-

- i) Reviewed the performance achievements and recommended the rewards for the ED against pre-determined KPIs for FY13;
- ii) Reviewed and recommended the pool for the Company's Corporate Centre bonus and salary increment for FY13 taking into consideration the achievements of the Company's financial performance targets;

# Statement on Corporate Governance

- iii) Reviewed and recommended an additional grant of Restricted Share Awards (RSA) for the President & GCEO;
- iv) Reviewed the ToR of the BRC;
- v) Reviewed and recommended the Long Term Incentive Plan for Dialog;
- vi) Reviewed and recommended the proposed remuneration for the CEO, RTC; and
- vii) Reviewed and recommended payment of Directors' fees for Axiata's NEDs.

An external consultant was engaged to assist the BRC in the review of an additional grant of RSA for the President & GCEO and the Long Term Incentive Plan for Dialog.

## SSC

The key responsibilities of the SSC are as follows:-

- i) Administer the Share Scheme in accordance with the Share Scheme Bye-Laws;
- ii) Construe and interpret the Share Scheme Bye-Laws and review the grant of options;
- iii) Define the terms of the Share Scheme Bye-Laws and recommend to the Board to amend and revoke rules and regulations relating to the Share Scheme and its administration to ensure the Share Scheme is fully effective in accordance with the Bye-Laws; and
- iv) Determine all questions of policy and expediency that may arise in the administration of the Share Scheme, including eligibility of the employees of the Group, and the method or manner in which the grants are granted to and exercised by eligible employees in accordance with the Bye-Laws.

During FY13, the SSC met once where the key activities were as follows:-

- i) Reviewed and recommended the 2013 RSA grants and parameters, and vesting of ESOS;
- ii) Reviewed and approved changes in the implementation of Restricted Share Plan (RSP) Grant Cycles;
- iii) Reviewed and approved the vesting conditions and treatment of RSA;
- iv) Reviewed and approved implementation details and timeline of the RSP; and
- v) Reviewed and approved refinements on implementation of the RSP.

## **Directors' Remuneration**

### • Executive Director

The Company's policy on remuneration for the ED remains similar to previous years to ensure that the level of remuneration is generally set to provide market competitiveness to attract, retain and motivate an ED of the highest calibre to competently manage the Company. The component parts of the remuneration are therefore structured to link the remuneration package with corporate and individual performance as well as relative shareholders' returns and takes into account similar packages at comparable companies (of similar size and complexity to Axiata locally; and in the same industry in the region), based on information prepared by independent consultants and survey data.

The BRC reviews and recommends the remuneration package of the ED for the Board's approval and it is the responsibility of the Board as a whole to approve the total remuneration package of the ED, giving due consideration to laws and corporate governance principles. The current remuneration policy of the ED consists of basic salary, performance-linked bonus, benefits-in-kind, EPF contributions and share awards/share options respectively based on the recommendation of the BRC. The ED is not entitled to monthly fees nor is he is entitled to receive any meeting allowances for the Board and Board Committees he attends.

The performance of the ED is measured based on the achievements of his annual KPIs. These KPIs comprise of not only quantitative targets, such as annual targeted revenue, EBITDA, PATAMI, Return on Invested Capital (ROIC) and relative performance of the OpCos, but also qualitative targets which include strategic milestones and initiatives that need to be achieved and implemented on areas such as strategy, innovation, business development, synergy, human capital management and financial management. The weightage of the qualitative and quantitative targets may be adjusted to accommodate the Group's aspirations.

The evaluation on the achievement of each of the KPIs against an agreed performance standard is reviewed by the BRC and the recommendations of the BRC are then tabled for approval by the Board. The rewards accorded to the ED for his achievement of the respective KPIs comprise annual bonuses and long term incentive plan in the form of RSA or options over the shares of the Company. In the case of stock options/RSA, its vesting is further subject to performance conditions established by the Board and the final number of shares of RSA will depend on the level of achievement of these targets over the performance period.

- **Non-Executive Directors**

Axiata's NEDs are remunerated with set fees which generally reflects the experience, expertise and level of responsibilities undertaken by the NEDs concerned based on industry standards. NEDs are not entitled to share options, performance based pay or bonuses.

This enables the NEDs to maintain independence and impartiality in making decisions affecting the future direction of the Company. The remuneration of all Directors is decided by the Board collectively after a review by the BRC. Individual Directors do not participate in decisions regarding his/her remuneration package.

The remuneration component, comprising of monthly fees and meeting allowances are provided below:-

Monthly Fees

Chairman	-	RM30,000.00 per month
NED	-	RM20,000.00 per month

Meeting Allowances

Board	-	RM3,000.00 per meeting (Chairman) RM2,000.00 per meeting
BAC	-	RM3,000.00 per meeting (Chairman) RM2,000.00 per meeting
BNC, BRC and Other Board Committees	-	RM1,500.00 per meeting (Chairman) RM1,000.00 per meeting
SSC	-	RM750.00 per meeting (Chairman) RM500.00 per meeting

Meeting allowances are payable on a per meeting basis, notwithstanding any adjournment of meeting.

In accordance with the shareholders' approval, Axiata pays Directors' fees on a monthly basis.

NEDs are also provided common benefits-in-kind prevalent among large groups similar to Axiata. This includes Directors' & Officers' Liability Insurance which indemnifies Directors against any liability incurred by them in the discharge of their duties while holding office as Directors. The Directors shall not be indemnified in the event of any negligence, fraud, breach of duty or breach of trust proven against them.

# Statement on Corporate Governance

The Directors' aggregate remuneration for the FY13 distinguishing between the ED and NEDs with categorisation into appropriate components is set out in the Audited Financial Statements on page 252 of this Annual Report.

The number of Directors of the Company whose total remuneration during the financial year falls within the required disclosure band is as follows:-

<u>Executive Director</u> <sup>1</sup>	<u>No. of Director</u>
RM9,300,000.00 – RM9,350,000.00	1
<u>Non-Executive Directors</u> <sup>2,3</sup>	
RM250,000.00 – RM300,000.00	3
RM300,000.00 – RM350,000.00	2
RM350,000.00 – RM400,000.00	2
RM650,000.00 – RM700,000.00	1

<sup>1</sup> Includes ESOS expenses of RM1,980,000.00

<sup>2</sup> Fees and meeting allowances for representatives of Khazanah on the Board are paid directly to Khazanah

<sup>3</sup> Fees and meeting allowances payable to Ann Almeida is accrued for donation to Axiata Foundation

Following the findings of the 2012BEE, the Board has requested a review of the NEDs' remuneration policy and appointed an external consultant to undertake a review and benchmarking of the remuneration components/structure of Axiata's NEDs.

From the findings of the remuneration review, after much deliberation and having considered a few options, it is proposed that monthly fixed fees for Board Committees be introduced. No increase in Directors' fees and meeting allowance for Board/Board Committees is recommended. The introduction of monthly fixed fees for Board Committees was deliberated by the BRC/Board and was proposed, taking into consideration the following reasons:-

- i) Since its inception in 2008, there has been no increase in Directors' fees. The financial effects of the introduction of monthly fixed fees to the Board Committees is relatively minimal;
- ii) The Board recognises the critical role played by members of these Committees, and to commensurate and compensate the NEDs for the additional responsibilities and their time and effort.

Based on the report by the external consultant, 2/3 of surveyed companies provide NEDs with both monthly fixed fees and meeting allowances for Board Committees, putting Axiata in the minority;

- iii) The introduction of monthly fixed fees for Board Committees is recommended only for Board Committees required/prescribed under the Main LR or MCCG2012; namely the BAC, BNC and BRC; and
- iv) The amount proposed for the monthly fixed fees for Board Committees is within the 75th percentile of large group of companies in which Axiata falls into as provided by the benchmarking results undertaken by the external consultant.

The introduction of the monthly fixed fees for Board Committees is necessary to reflect Axiata's policy to remunerate its NEDs, not only based on the level of responsibility of the NEDs at the Board level but also at Board Committees. As a regional company, it is pertinent for Axiata to develop a remuneration policy appropriate not only to attract/incentivise and retain quality Directors but also to commensurate the Directors' duties and responsibilities while holding position as Members of the Board Committees.

Details on the proposed monthly fees to be paid to the Board Committees are provided under Agenda Item 7 of the 22nd AGM Notice.

## Relationship with other Stakeholders and Shareholders

### • Sustainability

Axiata views sustainability as an integrated long-term management approach to business which is not only aimed towards creating a sustainable competitive advantage and betterment of its corporate performance; particularly profits but also balanced towards people, process, planet and society. As a result, initiatives promoting sustainability encompass a wide array of areas and are not only profit-related such as new sustainable business ventures but also in other areas such as talent development, employee engagement, supply chain management, energy efficiency and green initiatives. All the above is embedded in the Group's business strategies, operations and/or corporate social responsibility activities. Axiata also views its investments in the countries in which it operates as long term and strives to contribute towards nation building. A detailed report of the Group's sustainability initiatives and contributions is provided in the Sustainability Report.

### • Communication with Shareholders and Investors

The Board acknowledges the importance of an effective communication channel between the Board, stakeholders, institutional investors and the investing public at large so as to provide a clear and complete picture of the Group's performance and position as much as possible. In its commitment to maintain effective, comprehensive, timely and continuing disclosure, the Company is fully committed to maintaining a high standard in the dissemination of relevant and material information on the development of the Group. There has also been strong emphasis on the importance of timely and equitable dissemination of information. Disclosures of corporate proposals and/or financial results are made not only in compliance with the Main LR but also include additional items through media releases and are done on a voluntary basis. Whilst efforts are made to provide as much relevant and material information as possible to the shareholders and stakeholders, the Board is cognisant of the legal and regulatory framework governing the release of materials and sensitive information so as not to mislead the shareholders. Therefore, information that is price-sensitive or may be regarded as undisclosed material information about the Group is not disclosed to any party until it is already in the public domain through disclosure.

As with the previous years, Axiata has been using the following formal channels to account to shareholders and stakeholders –

#### 1. Annual Report

The Annual Report remains a major channel of communication disclosing information not only on the Group's business, financials and other key activities but also additional information such as strategies, operations performance, challenges and its management. The Board places great importance on the content of the Annual Report to ensure the accuracy of the information as the Annual Report is a vital source of information for investors, shareholders and the general public. The working committee comprising senior management and personnel from various divisions play a meaningful role to ensure accuracy of information and full compliance with relevant regulatory requirements. The contents of the Annual Report are continuously enhanced to take into account developments amongst others, in corporate governance. At the Board level, the Board Annual Report Committee, chaired by the BAC Chairman, oversees the production of the Annual Report and reviews its contents before it is published.

The Annual Report is also printed in summary form together with a digital version of the Annual Report in CD-ROM format. An online version of the Annual Report is also available on Axiata's own corporate website.

#### 2. Announcements to Bursa Securities

Announcement of quarterly financial results, circulars and various announcements are made via Bursa LINK in full compliance with regulatory authorities' disclosure requirements. The same is also made available on Axiata's own corporate website. Prior to its release, announcements to Bursa Securities are subject to review and approval by the President & GCEO, GCFO, BAC or Board, to ensure that the announcement fulfills the disclosure requirements as well as meets what is intended by Management. In a few instances, announcements are also reviewed by external advisors to ensure that its contents are not only accurate but relevant information is included, taking into consideration disclosure requirements and market perspectives.

*Filings and announcements to Bursa Securities are available online at ([http://www.axiata.com/investor-relations/investor\\_relations.html](http://www.axiata.com/investor-relations/investor_relations.html))*

# Statement on Corporate Governance

## 3. Media Releases

Media releases are also provided to the media on all significant corporate developments and business initiatives to keep the investing community and shareholders updated on the Group's developments. Media releases are subject to approval by the President & GCEO and whenever necessary, also released to Bursa Securities to increase the visibility of media releases.

Primary contact for Corporate Communications:-

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Sentral, 50470 Kuala Lumpur  
Malaysia

*Media releases are available online at (<http://www.axiata.com/media-room.html>)*

## 4. Quarterly Results and Analyst Briefings

Axiata holds analyst results briefings chaired by the President & GCEO and GCFO immediately after each announcement of quarterly results to Bursa Securities. These briefings are normally conducted via conference calls and attended by the senior management of major OpCos as an avenue to provide dialogue between the fund managers and research analysts with the Group's Management as well as provide a platform for the analysts and fund managers to receive a balanced and complete view of the Group's performance and challenges. The holding of analysts' briefings immediately after the release of the results is aimed to facilitate timely publication and/or dissemination of analysts' reports to the investing community. Consistent with equitable sharing of information and treatment of its shareholders, materials intended for analysts briefings are made available immediately after the release of the financial results.

To date throughout FY13, the Group has enjoyed relatively extensive coverage and exposure to the investment community with a total of 35 [32, (FY12)] equity research analysts covering the Company.

This equitable policy is not only prevalent to financial affairs but also extended to major transactions such as the recent M & A undertaken by the Group in Indonesia. An audiocast of the presentation of this transaction was also made available on Axiata's website.

*Presentation materials and audiocasts to analysts are available online at ([http://www.axiata.com/investor-relations/investor\\_relations.html](http://www.axiata.com/investor-relations/investor_relations.html))*

## 5. Media Conferences

Media conferences are held on a half-yearly basis upon release of the half-year and full-year results. The media conferences are held separately from the analyst briefings to address the different requirements of each group and to be more productive and efficient.

## 6. Investor Relations

Axiata's investor relations efforts include scheduling regular engagement sessions with the investing community and is attended either by the President & GCEO and/or GCFO and Investor Relations unit. Such engagement includes conferences, non-deal roadshows, and one-on-one meetings with equity analysts, fund managers and institutional shareholders. The objective is to provide updates on the Company's quarterly financial performance, corporate and regulatory developments as well as to discuss strategic matters and address issues that the investing community may have with respect to the business or operations of the Company.

Some of the investor conferences and non-deal roadshows attended by Axiata were as follows:-

### Conferences

- Malaysia Corporate Day (CIMB), Kuala Lumpur - January 2013;
- ASEAN Access Conference (CLSA), Bangkok - March 2013;

- Asian Investment Conference (Credit Suisse), Hong Kong – March 2013;
- CalGEMS Conference (Bank of America Merrill Lynch), United States – June 2013;
- Invest Malaysia (Bursa Malaysia & Maybank), Kuala Lumpur – June 2013;
- Annual Asia Pacific Conference (CIMB), Kuala Lumpur – June 2013;
- ASEAN Forum (JP Morgan), London – September 2013; and
- CLSA Forum (CLSA), Hong Kong – September 2013

#### Non-Deal Roadshows (NDR)

- CIMB, Europe – March 2013;
- Morgan Stanley, United States – February to March 2013;
- Bank of America Merrill Lynch, Hong Kong & Singapore – June 2013; and
- Bank of America Merrill Lynch, Edinburgh & United States – October 2013

In 2013, Axiata conducted 385 meetings with investors and analysts via face-to-face meetings and conference calls.

In addition to the above, an Analyst Day was also organised on 8 October 2013 in Kuala Lumpur. The event was well received with participation by 60 analysts and investors, both local and foreign based. Key topics covered included data investment and profitability at Group and OpCo levels, key initiatives, strategies and best practices/synergies.

Primary contact for investor relations:-

Navin Sonthalia, Head, Investor Relations  
 Tel : +603 2263 8856  
 Fax : +603 2278 3337  
 Email : [ir@axiata.com](mailto:ir@axiata.com)  
 Postal Address : Axiata Centre, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur Malaysia

#### 7. Company Website

All information on share price, financial reports, stock exchange filings, presentations, financial calendar, ownership profile and media releases are posted on the Investor Relations section. In addition, audiocasts on briefings of quarterly results to analysts are also available for streaming or download from the Company's corporate website at [www.axiata.com](http://www.axiata.com).

For queries regarding shareholding, kindly contact:

Tricor Investor Services Sdn Bhd  
 Tel : +603 2264 3883  
 Fax : +603 2282 1886  
 Email : [is.enquiry@mytricorglobal.com](mailto:is.enquiry@mytricorglobal.com)  
 Postal Address : Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur Malaysia

#### **Annual General Meeting**

The AGM is undoubtedly the primary engagement platform between the Board and shareholders of the Company and has historically been well attended with turn-out on an increasing trend year-on-year indicating a high level of engagement with shareholders.

The venue of the AGM is at a central and easily accessible location in Kuala Lumpur providing ample and free parking space for shareholders.

The notice of AGM provides at least 21 days' notice for all resolutions. The notice of AGM is also advertised in key Malaysian media for the benefit of shareholders in dual language, English and Bahasa Malaysia.

At the AGM in 2013, all Directors were present in person to engage directly with, and be accountable to the shareholders for the stewardship of the Company. Before the commencement of the proceedings, the Group Company Secretary highlighted administrative matters covering the voting procedures, including the procedures for a demand to be made for a resolution to be voted by way of poll and timing of making such a demand.

# Statement on Corporate Governance

The proceedings of the AGM normally commences with a concise but comprehensive presentation by the President & GCEO on the financial performance of the Company for the preceding financial year, preceding quarter and the Company's vision and initiatives. The presentation is supported by visual illustrations of key points and key financial figures to facilitate shareholders' understanding. During the AGM, the shareholders are also at liberty to raise questions on all affairs of the Company unlike the Extraordinary General Meetings where questions raised are on the proposed resolution/s being tabled. The Chairman, subject to the line of questions and relevance, entertains questions raised at the AGM as long as there is sufficient time and they are not repetitive.

Further, the President & GCEO also shares with the meeting the responses to questions submitted in advance by the MSWG. The Board, Management and the Company's external legal counsels and auditors, PricewaterhouseCoopers (PwC) Malaysia, are in attendance to respond to questions raised and provide clarification as required by the shareholders. To ensure transparency, replies to queries made by organisations representing minority shareholders, namely the MSWG are also made available and distributed at the AGM.

At the AGMs, all valid proxy appointments are properly recorded, counted and reviewed by the external auditors. Since its listing in 2008, the Company has also appointed its external auditors to act as independent scrutineers for its general meetings. The appointment comes under a separate engagement letter where the scope of work includes verifying number of shares represented by shareholders and proxy holders present, and voting at general meetings as shown in proxy forms and polling slips against Register of Members/Record of Depositors determined for general meetings, administering poll, counting of votes by show of hands and tabulating the results.

While members of the media are not invited into the AGM meeting hall, a media conference is held immediately after the AGM where the Chairman, President & GCEO and GCFO update media representatives on the resolutions passed and answer questions on matters related to the Group. This approach provides the Company with a more efficient way to address both the shareholders and the media. The results of all resolutions are presented to the audience and the outcome of the AGM is announced on the same day via Bursa LINK. Axiata had, during FY13, made available the minutes of its AGM held during the year on its website.

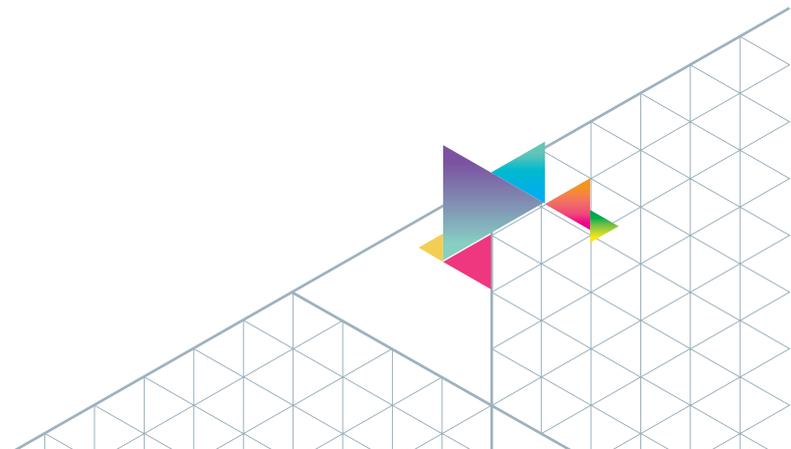
## Dividend Policy

Axiata's existing dividend policy provides that the Company intends to pay dividends of at least 30% of its consolidated profits after taxation attributable to shareholders after minority interest (PATAMI) and endeavours to progressively increase the payout ratio over a period of time, subject to a number of factors including business prospects, capital requirements and surplus, growth/expansion strategy, considerations for non-recurring items and other factors considered relevant by the Board.

As the Company is a holding company, its income, and therefore its ability to pay dividends, is dependent upon the dividends received from its subsidiaries, which in turn would depend on the subsidiaries' distributable profits, operating results, financial condition, capital expenditure plans and other factors that the respective subsidiary Board deems relevant.

Whilst the dividend policy reflects the Board's current views on the Group's financial and cash flow position, the dividend policy will be reviewed from time to time. It is the policy of the Board, in recommending dividends, to allow shareholders to participate in the Company's profits, as well as to retain adequate reserves for future growth.

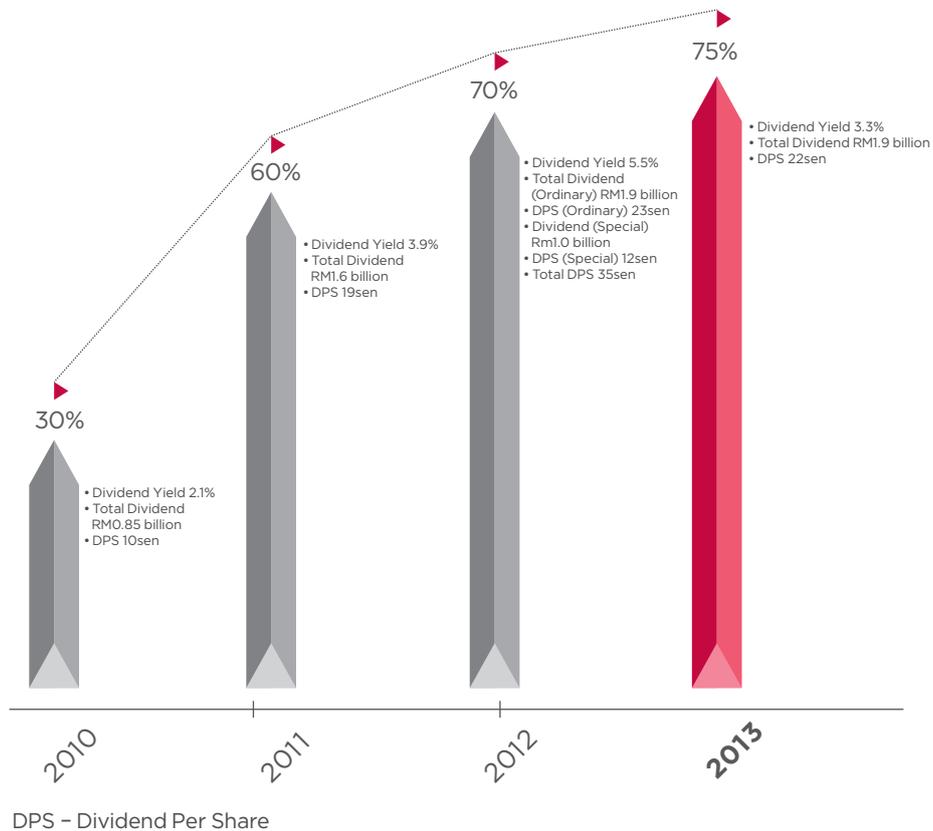
On 20 February 2014, based on the Group's strong financial performance and growth expansion strategies, the Board declared a final dividend of 22 sen, an accumulative increase in dividend payout ratio of 75% (including interim dividend of 8 sen per share paid last year) and a 5% increase from 2012's dividend payout ratio of 70%. Combined with the interim dividend, the total dividend payout for FY13 is tantamount to a cash outflow of approximately RM1.9 billion with a dividend yield of 3.3% (based on a 6 month volume-weighted average price). The final dividend is subject to the approval of the shareholders at the forthcoming AGM.



Dividends paid during the FY13 were as follows:-

Dividend	Date Resolved	Date Paid	Tax Exempt Dividend (Single Tier)	Total Dividend (RM' billion)
Final Dividend FY12	23 May 2013	14 June 2013	15 sen	1.3
Special Dividend FY12	23 May 2013	14 June 2013	12 sen	1.0
Interim Dividend FY13	29 August 2013	10 October 2013	8 sen	0.7

### Dividend Payout Ratio : 2010 - 2013



# Statement on Corporate Governance

## Key Performance Indicators

On 20 February 2014, the Company announced the Headline KPIs for the FY14 set and agreed by the Board and Management of the Group as follows:-

FY14 Headline KPIs	(%)
Revenue Growth	10.1
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) Growth (%)	1.8
Return on Invested Capital (ROIC) (%)	9.3
Return on Capital Equity (ROCE) (%)	7.8

\* The above Headline KPIs are based on 2013 average FOREX rates for the respective currency. However, based on January 2014 average FOREX rates, these Headlines KPIs are estimated to be Revenue 6.9%, EBITDA -1.0%, ROIC 9.0% and ROCE 7.5%

The Headline KPIs shall not be construed as forecasts, projections or estimates of the Group or representations of any future performance, occurrence or matters as they are merely a set of targets/aspirations of future performance aligned to the Group's strategy and which have been derived on the assumption that the Group shall operate under the current business environment under which they had been determined.

In establishing the FY14 Headline KPIs, Management of Axiata has taken into consideration the following challenges:-

- i) No material change in currency volatility, liquidity shortages and interest rates in the Asia Pacific region in general and in Southeast Asia in particular. Accordingly, the Group actual KPI achievement in Ringgit term would be negatively impacted by the strengthening of the RM against the local currency;
- ii) No material increase in competition in the mobile market space of the Group's major operating countries;
- iii) No material regulatory changes impacting the OpCos;
- iv) No material change in CAPEX budget spending in all OpCos; and
- v) Excludes new divestment, merger acquisition impact but includes full PT Axis Telekom Indonesia (Axis) merger impact.

Axiata continuously benchmarks its performance against its competitors within the markets in which it operates. Given that Axiata's overall geographical business mix differs from that of other multinational telecommunications

companies' holding companies, a direct comparison of targets and performance against that of other multinational telecommunications companies is less meaningful. It is more appropriate to benchmark individual OpCo at the individual country level. The OpCos' targets include measures based on relative performance against other operators within the particular markets, on all dimensions. The measures are based on relative financial performance such as revenue, EBITDA, PAT, ROIC and also on relative operational performance such as network quality, customer satisfaction and brand perception.

## Accountability and Audit

### Financial Reporting

The Board is committed to ensuring that a clear, balanced and meaningful assessment of the Group's financial performance and prospects through the audited financial statements and quarterly announcement of results are provided to shareholders and regulatory bodies. In this respect, the Board through the BAC oversees the process and the integrity and quality of the financial reporting, annually and quarterly. The BAC, in this respect, assists the Board by reviewing the financial statements and quarterly announcements of results to ensure completeness, accuracy and adequacy in the presence of external auditors and internal auditors before recommending the same for the Board's approval.

The Directors' Responsibility Statement for the audited financial statements of the Company and the Group is set out in page 202 of this Annual Report. The details of the Company's and Group's financial statements for FY13 can be found on pages 203 to 349 of this Annual Report.

## Related Party Transactions

The Company has an internal compliance framework to ensure it meets its obligations under the Main LR including obligations relating to related party transactions. Processes and procedures are in place, to ensure that Recurrent Related Party Transactions (RRPTs) are entered into on terms not more favourable to related parties than to the public. This is achieved after taking into account the pricing and contract rates, terms and conditions, level of service and expertise required, and the quality of products and services provided, as compared to prevailing market prices and rates, industry norms and standards, as well as general practices, adopted by service providers of similar capacities and capabilities generally available in the open market. The annual internal audit plan incorporates a review of all RRPTs entered into or to be entered into under the shareholders' mandate procured at the AGM, to ensure that all the relevant approvals for RRPTs have been obtained.

RRPT transactions are recorded and the same are presented to the BAC on a quarterly basis. These include the utilisation of the RRPT mandate and/or where applicable and new RRPT transactions for the BAC's review and endorsement.

Axiata had at its 21st AGM, obtained a general mandate for the Group to enter into RRPT with Telekom Malaysia Berhad Group (TM Group) for transactions predominantly related to telecommunications and/or related services. The procurement of mandate for the Group to enter into RRPT with TM Group was obtained as these transactions in aggregate may result with the Company having to obtain shareholders' approval prior to the Group entering into the transactions. As these transactions may be constrained by time-sensitive nature and confidentiality, it would be impractical for the Company to seek shareholders' approval on a case-by-case basis. The procurement of the mandate will also substantially reduce the expenses associated with convening of general meetings and improve administrative efficiency.

Based on the actual amount utilised from the date of the above AGM until 31 March 2014, the actual aggregate value of transaction has not exceeded 10% or more of the estimated amount under the mandate. The amount of RRPT entered into during FY13, pursuant to the RRPT mandate, is disclosed in pages 137 to 138 of this Annual Report.

## Internal Control and Risk Management

The Board has the overall responsibility and accountability for the Group's internal control systems and continues to maintain and review its internal control systems to ensure, as far as possible, the protection of the Group's assets and the Company's shareholders investments. A quarterly updated risk profile of the Group and each of the OpCos is presented to the BAC and Board. The BAC reviews in detail the major risks that the Group faces in its business and operations, and the management controls and processes that are in place to manage those risks. Such systems are designed to manage rather than eliminate risks and provide only reasonable assurance against misstatement or loss.

In addition to the above, a high-level register is maintained which is reviewed and updated annually. This comprises risks specific to the divisional activities of the business, as well as more group-wide risks such as long-term business strategy, regulatory, substitution risks and technology. Focus areas of these risks are deliberated by the Board as they are raised by the Chairman of the BAC at Board meetings.

The Company has also established an enterprise wide risk management (ERM) framework to proactively identify, evaluate and manage key risks to an optimal level. In line with the Company's commitment to deliver sustainable value, this framework aims to provide an integrated and organised approach entity-wide. It outlines the ERM methodology which is in line with the ISO31000, mainly promoting risk ownership and continuous monitoring of key risks identified.

Based on the ERM framework, a risk reporting structure has been established to ensure prompt communication to the BAC and the Board. Axiata has established a Group Risk Management Committee (RMC) comprising of the SLT and chaired by the Chairman of the BAC. The RMC is mainly responsible for managing the overall ERM process and recommends quarterly ERM reports to the BAC for its onward submission to the Board. The RMC ensures continuous review of the key risks of the Group, and monitors the implementation of the mitigation plans on a quarterly basis.

Although many risks remain outside of the Company's direct control, a range of activities are in place to mitigate the key risks identified as set out in the Statement on Risk Management and Internal Control. A significant number of risks faced relate to wider operational and commercial affairs of the Company and the Group, including those in relation to competition and regulatory developments.

# Statement on Corporate Governance

During FY13, the Board decided that updates on Business Continuity Management, Environmental, Occupational Health and Safety should be presented at least once a year to the Board of the respective OpCo and any major issues be escalated to the BAC.

An overview of the state of internal control within the Group, which includes the risk and internal control framework and key internal control structures, are set out in the Statement on Risk Management and Internal Control in pages 116 to 126 of this Annual Report.

## Relationship with Auditors

The BAC manages the relationship with its external auditors on behalf of the Board. The BAC considers the re-appointment, remuneration and terms of engagement of the external auditors annually. Further information on the role of the BAC in relation to both, internal auditors and external auditors are stated in the BAC Report in pages 127 to 134 of this Annual Report. A summary of the activities of the BAC during the year are set out in pages 127 to 129 of this Annual Report.

In safeguarding and supporting the external auditor's independence and objectivity, Axiata has determined policies to restrict the type of non-audit services that can be provided by the external auditors of the Group and the approval process related to them. Under these policies and guidelines, non-audit services can be offered by the external auditors of the Group if there are clear efficiencies and value-added benefits to the Group and a detailed review of non-audit fees paid to the external auditors is undertaken by the BAC on a quarterly basis. These procedures are in place to ensure that neither their independence nor their objectivity is put at risk, and steps are taken to ensure that this does not impede the external auditors audit works. The BAC remains confident that the objectivity and independence of the external auditors are not in any way impaired by reason of the non-audit services provided to the Group.

Details of statutory audit, audit-related and non-audit fees paid/payable in FY13 to the external auditors are set out below:-

## Fees paid/payable to PwC RM '000

### Audit Fees

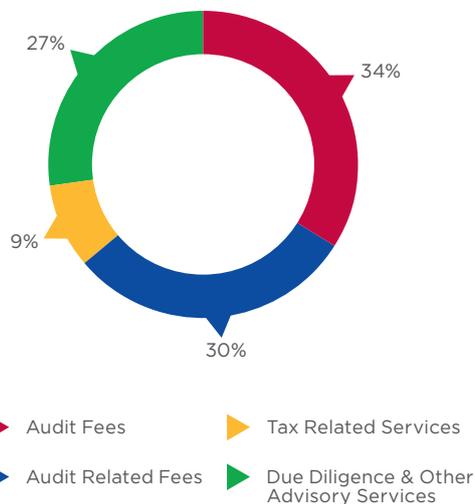
• PwC Malaysia	2,685
• Member firm of PwC International Limited (PwCIL)	2,408
• Others	35

### Audit Related Fees<sup>1</sup>

• PwC Malaysia and member firm of PwCIL	4,512
	9,640

Other fees paid to PwC Malaysia and member firm of PwCIL

Tax and tax related services <sup>2</sup>	1,368
Other non-audit services <sup>3</sup>	3,995
	15,003



1. Fees incurred in connection with performance of quarterly reviews, agreed-upon procedures and regulatory compliance
2. Fees incurred for assisting the Group in connection with tax compliance and advisory services
3. Fees incurred primarily in relation to due diligence and other advisory services

The table to facilitate understanding of Axiata's compliance with the MCCG2012 in respect of FY13 is also available at (<http://www.axiata.com/about-us/corporate-governance.html>)

## APPENDIX 1 – Directors’ Training List 2013

Director	List of Training/Conference/Seminar/Workshop Attended/Participated
<p><b>Tan Sri Dato’ Azman Hj Mokhtar</b></p>	<ul style="list-style-type: none"> <li>• Public Panel Dialogue, organised by The Wharton School – (Panelist) “Economic Opportunities in South East Asia”, Kuala Lumpur – 14 January 2013</li> <li>• UEM Land Holdings Bhd’s Leaders Workshop (Invitation as Guest Speaker), Kuala Lumpur – 15 January 2013</li> <li>• World Economic Forum, Davos – 22 to 27 January 2013</li> <li>• Speaking session with the Young Muslim leaders (Talk at London Muslim Center – Managing Leadership in a Changing World), London – 27 February 2013</li> <li>• LSE – Harvard Islamic Finance Public Lecture: “Islamic Finance and Shari’a Compliance: Reality &amp; Expectations”, London – 27 February 2013</li> <li>• Asian Investment Conference 2013 (AIC Panel) – “Has Malaysia Achieved Enough Economic Reform to Meet its Political Challenges”, Hong Kong – 19 to 20 March 2013</li> <li>• Asia Business Council 2013 Spring Forum, Langkawi – 21 to 24 March 2013</li> <li>• Invest Malaysia 2013, Kuala Lumpur – 14 June 2013</li> <li>• Key Success Factors of Winning Asian Companies, Axiata Mid-Year Strategy Retreat, Singapore – 5 July 2013</li> <li>• Speaking session at Cambridge University’s CELP Programme, London – 16 July 2013</li> <li>• Network ASEAN Forum 2013 (NAF) Plenary Session: (Panelist) “Investing in ASEAN’s Future,” Singapore – 23 August 2013</li> <li>• Asia Business Council (ABC) Forum, Kyoto – 10 to 14 September 2013</li> <li>• Talk at MIT Sloan School of Management, Boston – 19 September 2013</li> <li>• Khazanah Megatrends Forum, The Big Shift “Traversing the Complexities of a New World”, Kuala Lumpur – 1 to 2 October 2013</li> <li>• World Capital Market Symposium by Securities Commission, Kuala Lumpur – 23 October 2013</li> <li>• 9th World Islamic Economic Forum (WIEF) CEO Panel: Doing Business in a Changing World”, London – 29 October 2013</li> <li>• 5th Iskandar Malaysia CEO Forum, Kuala Lumpur – 3 December 2013</li> <li>• Asia Global Dialogue – (Panelist) “The Role of Long Term Investors in Asia’s Growth”, Hong Kong – 4 December 2013</li> </ul>

# Statement on Corporate Governance

Director	List of Training/Conference/Seminar/Workshop Attended/Participated
<b>Dato' Sri Jamaludin Ibrahim</b>	<ul style="list-style-type: none"> <li>• GSMA Leadership Summit/Forum, Barcelona – 25 to 28 February 2013</li> <li>• IBM Innovation Workshop, Kuala Lumpur – 20 March 2013</li> <li>• CEO Rountable with PepsiCo Chairman, Kuala Lumpur – 9 June 2013</li> <li>• GSMA CEO Rountable – Internet Economics, Shanghai – 25 June 2013</li> <li>• Key Success Factors of Winning Asian Companies, Axiata Mid-Year Strategy Retreat, Singapore – 5 July 2013</li> <li>• Axiata Senior Leadership Forum, Kuala Lumpur – 22 to 23 July 2013</li> <li>• M&amp;C Saatchi 10th Anniversary Speaker Series, “The Next Ten Years”, Kuala Lumpur – 12 September 2013</li> <li>• Khazanah Megatrends Forum, Kuala Lumpur – 30 September 2013</li> <li>• 7th Leadership Development Circle – CEOs and HR Heads, Kuala Lumpur – 17 October 2013</li> <li>• Yayasan Khazanah Board Retreat Dialogue, Putrajaya – 18 October 2013</li> <li>• Axiata Top Leadership (ATL) INSEAD Program – “Into a New Future”, Seoul – 13 to 15 November 2013</li> </ul>
<b>Tan Sri Ghazzali Sheikh Abdul Khalid</b>	<ul style="list-style-type: none"> <li>• Directors’ Remuneration Seminar 2013, Kuala Lumpur – 28 February 2013</li> <li>• Finance for Directors and Senior Executives, Kuala Lumpur – 17 to 18 June 2013</li> <li>• Directors’ Training – Advocacy Session on Corporate Disclosure, Kuala Lumpur – 20 June 2013</li> <li>• Key Success Factors of Winning Asian Companies, Axiata Mid-Year Strategy Retreat, Singapore – 5 July 2013</li> <li>• Corporate Directors Advanced Programme: Human Capital, Kuala Lumpur – 18 to 19 September 2013</li> <li>• Nominating Committee Programme, Kuala Lumpur – 10 October 2013</li> <li>• Corporate Governance Reporting Workshop, Bursa Malaysia, Kuala Lumpur – 30 October 2013</li> </ul>
<b>Datuk Azzat Kamaludin</b>	<ul style="list-style-type: none"> <li>• International Corporate Governance Seminar 2013 (ICGS2013), Kuala Lumpur – 6 June 2013</li> <li>• ACCA (Malaysia) Forum “Future of Corporate Reporting”, Kuala Lumpur – 12 June 2013</li> <li>• ASEAN Corporate Governance Scorecard, MSWG, Kuala Lumpur – 13 June 2013</li> <li>• Key Success Factors of Winning Asian Companies, Axiata Mid-Year Strategy Retreat, Singapore – 5 July 2013</li> <li>• Khazanah Megatrends Forum 2013, Kuala Lumpur – 30 September to 1 October 2013</li> </ul>

Director	List of Training/Conference/Seminar/Workshop Attended/Participated
<b>Dato' Abdul Rahman Ahmad</b>	<ul style="list-style-type: none"> <li>• Mastering Financial Negotiations, Kuala Lumpur - 14 to 15 March 2013</li> <li>• Key Success Factors of Winning Asian Companies, Axiata Mid-Year Strategy Retreat, Singapore - 5 July 2013</li> <li>• Effective Corporate Mergers &amp; Acquisitions - "From Complexity To Execution Excellence", Kuala Lumpur - 8 October 2013</li> </ul>
<b>Juan Villalonga Navarro</b>	<ul style="list-style-type: none"> <li>• GSMA Leadership Summit/Forum, Barcelona - 25 to 28 February 2013</li> </ul>
<b>David Lau Nai Pek</b>	<ul style="list-style-type: none"> <li>• ASEAN Corporate Governance Scorecard, MSWG, Kuala Lumpur - 18 June 2013</li> <li>• Key Success Factors of Winning Asian Companies, Axiata Mid-Year Strategy Retreat, Singapore - 5 July 2013</li> <li>• PWC's Board Agenda Series, Kuala Lumpur - 27 August 2013</li> <li>• Khazanah Megatrends Forum, Kuala Lumpur - 30 September to 1 October 2013</li> </ul>
<b>Kenneth Shen</b>	<ul style="list-style-type: none"> <li>• China Renaissance: China Internet &amp; Media CEO Forum, Hong Kong - 24 January 2013</li> <li>• GSMA Leadership Summit/Forum, Barcelona - 25 to 28 February 2013</li> <li>• Anti-Competition Workshop, Kuala Lumpur - 1 March 2013</li> <li>• Key Success Factors of Winning Asian Companies, Axiata Mid-Year Strategy Retreat, Singapore - 5 July 2013</li> <li>• Yayasan Amir Conference, Johor - 24 to 26 August 2013</li> <li>• Khazanah Megatrends Forum 2013, Kuala Lumpur - 30 September to 1 October 2013</li> <li>• Khazanah Strategic Planning Group Year End Retreat, Langkawi - 24 to 26 October 2013</li> <li>• International Association of Amusement Parks and Attractions (IAAPA) Expo 2013, Orlando, Florida - 18 to 22 November 2013</li> <li>• Second Private Equity Fund Investing Workshop by Cambridge Associates, Kuala Lumpur - 3 December 2013</li> <li>• 5th Iskandar Malaysia CEO Forum, Kuala Lumpur - 3 December 2013</li> </ul>
<b>Ann Almeida</b>	<ul style="list-style-type: none"> <li>• Key Success Factors of Winning Asian Companies, Axiata Mid-Year Strategy Retreat, Singapore - 5 July 2013</li> </ul>

# Statement on Risk Management and Internal Control

Pursuant to Paragraph 15.26(b) of the Main LR of Bursa Securities, the Board of Directors of listed issuers is required to include in their annual report, a 'statement about the state of risk management and internal controls of the listed issuer as a group'. Accordingly, the Board is pleased to provide the following statement that was prepared in accordance with the 'Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers' as endorsed by Bursa Securities which outlines the nature and scope of risk management and internal controls of the Group during the financial year under review.

## Board's Responsibility

The Board is responsible and accountable for maintaining a sound process of risk management and internal control practices to safeguard shareholders' investments and the Group's assets. Such process covers not only financial controls but also operational and compliance controls. In view of the limitations inherent in any process, the process and procedures of risk management and internal controls put in place can only manage risks within tolerable levels, rather than eliminate the risk of failure to achieve its business objectives.

Accordingly, the Board has entrusted the responsibility of managing risks to the BAC. The BAC, via the Axiata Group Risk Management Committee (GRMC), has put in place a systematic risk management framework to identify, evaluate and monitor principal risks; and implement appropriate internal control process and procedures to manage these risks across the Group, excluding associate companies and joint ventures which are not within the Group's control.

Following the written assurance from the President & GCEO and GCFO, that the Group's risk management and internal controls are operating effectively, the Board is of the view that the process of risk management and internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard shareholders' investments and the Group's assets.

## Risk Management and Internal Control Framework

### • Axiata Enterprise Risk Management Framework

The Group adopts the Axiata Enterprise Risk Management (ERM) Framework in identifying, assessing, reporting and monitoring the ever changing risks facing the Group and has taken specific measures to mitigate these risks. The framework, which is adapted from ISO31000:2009, stresses the importance of balancing between risk and reward in making business decisions to protect key stakeholders' interests, and to comply with all statutory and legal requirements.

### • Risk Governance Structure

The Group RMC, which consists of all the members of Axiata Group Senior Leadership Team (SLT) and heads of key departments/functions, is primarily responsible for driving the Axiata ERM Framework and acts as the central platform of the Group to undertake the following key responsibilities:

- i. Assist in identifying principal risks at Group level and providing assurance that the ERM is implemented group-wide to protect and safeguard Axiata's interest;
- ii. Review and recommend frameworks and policies specifically to address enterprise risk inherent in all business operations and environment pertaining to the Group;
- iii. Promote cross-functional sharing of risk information;

- iv. Provide guidance and tools relevant to subsidiaries' Risk Management function;
- v. Monitor compliance to ERM Framework, regulatory requirements and status of action plans for both the Group and subsidiaries; and
- vi. Coordinate and promote risk management culture and implementation

The implementation of risk management activities are undertaken at corporate and subsidiary (OpCo) levels and risk reports are reviewed and monitored by the Group Risk Management Department at regular intervals prior to escalation to GRMC.

To ensure the operationalisation of risk management process at the OpCo level, a risk focal person is appointed based on his or her understanding of the business and level of proficiency on governance, risk and compliance.

Each appointed risk focal person owns the responsibility for monitoring and reporting risk management activities in their specific department or business/unit to ensure consistent implementation of risk management process across the Group.

- **Key Risk Management Initiatives**

The following key initiatives were implemented during the year to ensure that ERM continues to generate value for the organisation, and remains pertinent to the Group's strategic management:

- (a) **Annual Group Risk Conference**

The Annual Group Risk Conference was successfully conducted in April 2013 at the Celcom Axiata Infinity Centre. The 3-day conference provided an opportunity for risk and insurance personnel across the Group to review Axiata's core strategic and operational risks; deliberate key risk and insurance issues; align ERM framework and practices across the Group; as well as exchange knowledge and expertise on relevant frameworks and methodologies.

The conference also featured external speakers who focused on topics related to risk management, insurance management and business continuity management.

- (b) **Group-wide ERM Gap Analysis**

A Group-wide ERM gap analysis was conducted during the year to evaluate the effectiveness and completeness of the OpCos' ERM framework and practices.

The key aspect of this exercise was to ascertain the OpCos' ERM maturity position by benchmarking their ERM framework and practices with best standards / practices, and subsequently streamlining them across the Group.

To date, the gap analysis has been completed for three OpCos, while a similar exercise is underway for the remaining OpCos.

The key risks faced by the Group are listed in Appendix 1 of this statement.

The following key internal control structures are in place to assist the Board to maintain a proper internal control system:

## **Key Internal Control Structures of the Group**

### **1.0 Control Environment**

The control environment sets the tone for the Group by providing fundamental discipline and structure. Key elements of the Group's internal control systems include:

#### **1.1 Integrity and Ethical Values**

- **Code of Conduct and Practice**

The Senior Management and Board set the tone at the top for corporate behaviour and corporate governance. All employees of the Group shall adhere to the policies and guidelines as set out in the Code of Conduct of the Group which sets out the principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing within the Group and with external parties. The Group's Code of Conduct covers areas such as compliance with respect to local laws and regulations, integrity, conduct in the workplace, business conduct, protection of the Group's assets, confidentiality, conflict of interest and anti-competition practices.

# Statement on Risk Management and Internal Control

In the later part of 2013, the Group embarked on a major programme to promote the two Axiata Corporate values - “Uncompromising Integrity” and “Exceptional Performance”. These two values are shared across each of the OpCo’s own corporate values. The objective is for employees across the Group to live up to these values in their daily work life. This is a long-term initiative to create a strong and distinguishing culture of integrity and high performance within the Group.

- **Guidelines on Misconduct and Discipline**

Guidelines are in place for handling misconduct and disciplinary matters. These guidelines govern the actions to be taken in managing the misconduct of employees who breach the Code of Conduct and Practice or do not comply with the expressed and implied terms and conditions of employment. The Code of Conduct and Practice has also been extended to contractors and suppliers of the OpCos.

## 1.2 Board Committees

- (a) **Board**

Clear roles of the Board are stated under the Statement of Corporate Governance section of this Annual Report.

- (b) **Board Committees**

To promote corporate governance and transparency, in addition to the Board, the Group has the BAC, BNC and BRC (collectively ‘Board Committees’) in place. These Board Committees have been established to assist the Board in overseeing internal controls, Board effectiveness, nomination and remuneration of the Group’s key positions and directors. The responsibilities and authority of the Board and Board Committees are governed by a clearly defined ToR.

- (c) **BAC**

The primary function of the BAC is to implement and support the oversight function of the Board in relation to overseeing financial reporting and internal controls as set out in the Duties and Responsibilities herein.

It has direct access to the internal and external auditors and full discretion to invite any Director to attend its meetings. Further details of the BAC are stated under the BAC Report section of this Annual Report.

- (d) **BNC**

Please refer to the Statement on Corporate Governance section of this Annual Report.

- (e) **BRC**

Please refer to the Statement on Corporate Governance section of this Annual Report.

## 1.3 Senior Leadership Team (SLT)

The SLT is committed to the identification, monitoring and management of risks associated with its business activities. The GCEO and Management are ultimately responsible to the Board for the Group’s system of internal control and risk management. Each business unit is responsible and accountable for implementing procedures and controls to manage risks within its business.

## 1.4 Organisation Structure

- **Clear Organisation Structure**

The Group has an appropriate organisational structure led by functional SLTs who have clear roles of responsibility and lines of reporting. The proper segregation of duties promotes ownership and accountability for risk taking and defines lines of accountability and delegated authority for planning, executing, controlling and monitoring of business operations. Competent and professional individuals have been selected as part of our SLT to ensure we manage our business well and to deliver business results. Regular reviews of the organisational structure are held to address the changes in the business environment as well as to keep abreast of current and future trending of new technologies, products and services.

- **Corporate Centre**

The Corporate Centre plays an advisory role to add value to the subsidiaries at varying engagement levels. The broad roles of the Corporate Centre are as follows:

1. Supporting role to Axiata Board Representatives at OpCos and OpCos' management; and
2. Supporting role to OpCos Functional Heads.

Besides engaging in continuous day-to-day communication between OpCos and the Group functions, the Corporate Centre also gives appropriate inputs and steers the Group on best practices through sharing of the Group's guidelines and strategies to minimise risk exposure and to increase the efficiency and effectiveness of business operations.

The Corporate Centre is also responsible for key processes and functions including plotting the future path of the Group, strategic planning, mergers and acquisitions, joint development projects, capital raising and allocation, leadership, talent development, group accounts and reporting, procurement, treasury, technology and network.

The Corporate Centre is also involved in leading Group initiatives on behalf of the OpCos to address current and future challenges of the Group.

### 1.5 Assignment of Authority and Responsibility

- **Policies and Procedures**

Documented policies and procedures are now in place for all major aspects of the Group's business and these are regularly reviewed and updated to ensure that they remain effective and continue to support the organisation's business activities at all times as the organisation continues to grow.

These policies and procedures are supported by clearly defined delegated authorities for its operating and capital expenditures, business plan and budget, and procurement of goods and services.

- **Limits of Authority (LoA)**

The Board has approved a clearly defined and documented LoA which is to be used

consistently throughout the Group. These are regularly updated to reflect changing risks or to resolve operational deficiencies. It establishes a sound framework of authority and accountability within the Group, including segregation of duties which facilitates timely, effective and quality decision-making at the appropriate levels in the Group's hierarchy.

Axiata's LOA document clearly sets out the matters reserved for the Board's consideration and decision making, the authority delegated to the President & GCEO, including the limits to which the President & GCEO can execute the authority, and provides guidance on the division of responsibilities between the Board and Management.

### 1.6 Commitment to Competency

- **Competency Framework**

The Group appoints employees of the necessary competencies to ensure that the people driving key operations are sufficiently skilled and exert the required qualities of professional integrity in their conduct.

- **Performance Management**

The Group is committed to attract and retain competent, dedicated and loyal employees. Programmes and initiatives have been established to ensure that the Group's human capital is equipped with the qualities and skills to drive the Group to become a world class company through ongoing emphasis on performance management and employee development.

The Group has in place a KPI performance measure process as prescribed under the Government-Linked Company Transformation (GLCT) programme to link performance and compensation in order to create a high performance work culture. This process also seeks to provide clarity, transparency and consistency in planning, reviewing, evaluating and aligning employee actions and behaviours to that of the Group's vision and mission.

# Statement on Risk Management and Internal Control

- **Training and Development Framework**

It is the Group's policy to train employees at all levels so that they would be able to perform well in their present jobs and also to train those employees who are considered to have the potential to perform duties with wider responsibilities so that they may be ready to assume them when needed. Programmes are also implemented to ensure that employees receive continuous training in various areas of work such as knowledge, health and safety, technical training, leadership and new product development.

- **Talent Development and Succession Planning**

There is a Group Talent Management Framework in place to identify and develop a group talent pipeline within the organisation as a supply for future leadership demands. In this respect, the Group has met its target of identifying 100 C-suite potentials from within the organisation and has been intensifying its efforts in making these talent ready to succeed the current top management across the Group. This is done via intensifying leadership development programmes, mentoring and coaching as well as cross-functional and cross-country assignments. This leadership talent pipeline is also regularly reviewed via the Group Talent Council and assessed as potential successors for key positions in the Group, via internal and external benchmarks.

Succession plans and the robustness of the talent pipeline are regularly reviewed by the Board. The talent pipeline includes fresh graduates and middle management level so as to ensure a continuous supply of talent. As of 31 December 2013, we have had eight internal successors being placed into top positions across the Group.

## 2.0 Risk Assessment

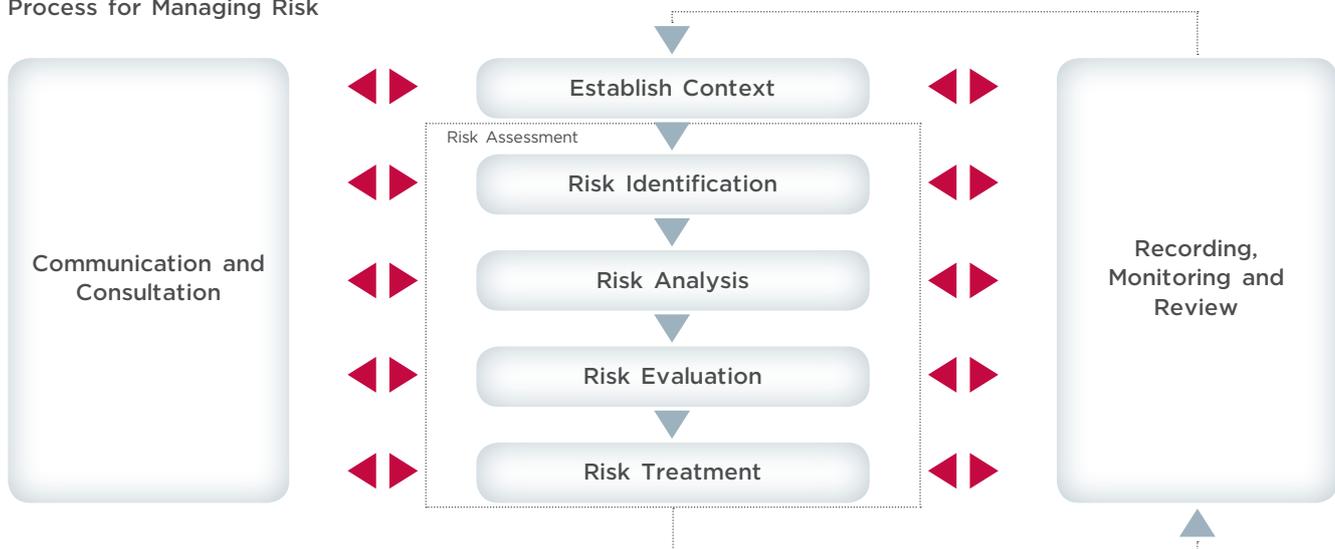
The risk assessment process in Axiata requires management to identify and analyse business risks from strategic, financial, operational and compliance perspectives, and evaluate these risks in terms of likelihood and magnitude of impact, as well as to identify and evaluate the adequacy of mechanisms in place to manage these risks.

This is an ongoing process, aligned to business needs and operations, and is done as part of the objective setting and strategic planning process. The process also involves continuous communication and consultation with external and internal stakeholders during all stages of the risk management process.

Essentially, relevant risk information of risks identified shall be captured and updated into a risk register of the OpCos and the Group, in order to facilitate the monitoring and reviewing process. All risks and treatment plans are summarised to provide an enterprise overview of Axiata's risks and the associated risk management plans.

Axiata's Risk Assessment Process is depicted in the following diagram:

Process for Managing Risk



- **Control Self Assessment (CSA)**

CSA is an effective process used by the Group for improving business internal controls and business processes. It allows employees of the Group to identify the risks involved in achieving the business objectives, to evaluate the adequacy and effectiveness of the controls in place and activities designed to manage those risks. CSA was performed on selected areas in Celcom, XL and Robi in 2013.

### 3.0 Control Activities

Control activities are the policies, procedures and practices that ensure management objectives are achieved and risk mitigation strategies are carried out. Key activities within the Group are as follows:

#### 3.1 Policies and Procedures

- **Financial and Operational Policies and Procedures**

The Group currently maintains two policies, i.e. Limits of Authority and Group Policies encompassing both the Group and OpCo levels, which sets the framework for the development of the respective procedures covering financials and controls. The documented procedures include management accounting, financial reporting, procurement, information systems security, compliance, risk management and business continuity management.

Internal controls are embedded into these policies to ensure consistent application throughout the Group. This serves as a preventive control mechanism whilst allowing the Group to promptly identify and respond to any significant control failures.

- **Budgeting Process**

A comprehensive annual budgeting process is in place to evaluate the feasibility and viability of the Group's businesses and to ensure that the Group's OpCos business plans are in line with the Group's future strategic plans. Annual budgets are prepared by the OpCos and deliberated with their respective Boards. They are then presented and discussed during the Axiata Board

Retreat for approval before the commencement of a new financial year. Upon approval of the budget, the Group's performance is then periodically monitored and measured against the approved budget and ongoing business forecast, which is cleared by the President & GCEO and supported by the SLT. The Group's performance is also reported to the BAC and the Board. Reporting systems which highlight significant variances against plan are in place to track and monitor performance. The results are reviewed on a quarterly basis by the Board to enable them to gauge the Group's overall performance, compared to the approved budgets and prior periods, and to take remedial action where necessary. Similar performance reviews at OpCos Board level takes place on a monthly or quarterly basis.

- **Whistleblower Policy and Procedures**

The Group has in place a whistleblower policy which enables employees to raise matters in an independent and unbiased manner. As part of this whistleblower policy and procedures, there is an anonymous ethics and fraud e-mail, under the administration of the GCIA, to act as a mechanism for internal and external parties to channel their complaints or to provide information in confidence on fraud, corruption, dishonest practices or other similar matters by employees of the Group. The objective of such an arrangement is to encourage the reporting of such matters in good faith, with the confidence that employees or any parties making such reports will be treated fairly, their identity remains anonymous and are protected from reprisal.

- **Insurance and Physical Safeguard**

The Group has an insurance programme in place to ensure that its assets are sufficiently covered against any mishap that will result in material losses. The Group also ensures that its major assets are physically safeguarded.

# Statement on Risk Management and Internal Control

## 3.2 Security (Application and IT Network)

- **Business Continuity Management**

The Board is cognisant of the importance of an effective Business Continuity Management (BCM) programme in ensuring the ability of business operations to recover after a crisis. At the same time, the BCM programme provides a framework for the Group in building organisational resilience that safeguards the interests of its stakeholders whilst incorporating sufficient flexibility to allow for enhancement as technology evolves.

Customisation is one of the key success factors for the Group's BCM programme. As each OpCo operates out of multiple locations, a "one-size-fit-all" business continuity plan (BCP) may not necessarily work. As such, Location Business Recovery Plans are also developed for the site offices within each OpCo's operation regions. The Location Business Recovery Plans documents necessary recovery strategies, steps, personnel, systems and resources required for that location to continue or restore its services during a crisis.

Crisis Management Teams at both Group and OpCo levels are being established, with specific roles and responsibilities. Incident escalation process has also been formalised, covering all key aspects of the organisation such as health and safety, facilities, network etc. The Group has also recently concluded its business impact analysis exercise with updated business priorities. Efforts are currently underway in developing mitigation strategies to meet the revised business priorities, including strengthening all aspects of the Disaster Recovery Plan. At the same time, the Group advocates continuous review, updating and testing of Business Continuity Plans. Notification, desktop and crisis simulation testing are amongst the key activities planned as key milestones for 2014.

- **Information Technology (IT) Policy**

The Corporate IT Policy continues to be a focus item. The Board recognises the importance of a well-formulated IT strategy, architecture and implementation. IT focus in the Company has been augmented with the formation of a Group IT Team in the Technology Division to continue with the ongoing improvement programmes and to implement a holistic IT strategy initiated in 2011, starting with Celcom. Further progress has been made in 2012/2013 by initiating an IT architecture blueprint project for all the OpCos, after incorporating the various best practices from within and outside the Group to make sure that our IT network is always ready for future service requirements and the related challenges. This project will be completed by mid-2014. Another area of focus for this year was to put in place a standard security policy, in consultation with the OpCos, which has been accomplished. In 2014, the implementation of new security policy shall be taken up with each OpCo.

## 3.3 Regulatory and Compliance

- **Group Regulatory Affairs (GRA)**

A four-pronged approach is adopted towards managing regulatory issues confronting our OpCos, supported by regular review of group risk matrix, managed as part of the Enterprise Risk Management process. Risks which are both jurisdictional and international are recognised and managed. The four-pronged approach encompasses:

1. Identification of regulatory priorities for each OpCo focusing on the issues of highest strategic, financial and / or reputational impact;
2. Crafting strong submissions on issues, in conjunction with OpCos, and communicating the same with regulators through active stakeholder engagement;

3. Developing group-wide positions on key issues such as spectrum management, data privacy, digital service regulation, roaming regulation, access pricing and licence renewal; and
4. Ensuring a common baseline of best practice regulatory skills and knowledge group-wide, through the adoption of a Regulatory Best Practices Manual, development of Asian Best Practice models and regular conference calls and annual meetings of regulatory employees group-wide.

The Group Regulatory Policy outlined in the Group Policy document also provides guidance and establishes internal policies and procedures that attempt to avert potential liabilities arising from adverse regulatory decisions. Underpinning the Group Regulatory Policy is the understanding that the Group shall comply with all applicable laws and regulations, regulatory obligations and governmental policies in the jurisdictions in which it operates, and that regulatory advice is obtained in an efficient and cost effective manner as and when required.

It should be noted that the regulatory risks faced by Axiata in most markets are typical of those faced by communications operators in emerging markets, where regulatory frameworks may be nascent or incomplete, where there may be insufficient consultation with stakeholders, or where political influence may affect the operations of competitive markets. Some of the regulatory risks that emerged during 2013 include those associated with spectrum costs and allocation, public policy issues on licensing, taxation, compliance on quality of service and data privacy.

#### 4.0 Information and Communications

Information and communications support all other control components by communicating control responsibilities to employees and by providing information in a form and time frame that allows employees to carry out their duties. The key activities within the Group are as follows:

##### 4.1 Corporate Communication Policy

There is a Corporate Communications Policy in place to ensure that communication across the Group and to investors inside and outside of Malaysia are effectively managed and meets the diverse needs of the organisation.

The Board recognises the need for a robust reporting framework given the growth of the Group's international investments and are working towards further strengthening that element of the internal control system. The Board also recognises the need for more dialogue with investors and analysts as well as with the media moving forward. Details of investor relations activities are listed within the Statement on Corporate Governance section of this Annual Report.

##### 4.2 Business Control Incident (BCI) Reporting

The Group has in place BCI Reporting aimed at capturing and disseminating the lessons learnt from the internal control incidents with the objective of preventing similar incidents from occurring in other OpCos within the Group and to enable monitoring of internal control incidents that have caused significant losses. Seven such incident reporting were shared with all OpCos in 2013.

# Statement on Risk Management and Internal Control

## 5.0 Monitoring

Monitoring covers the oversight of internal controls by management or other parties outside the process or the application of independent methodologies, such as customised procedures or standard checklists, by employees within a process. Key monitoring activities within the Group are as follows:

### 5.1 Performance Reporting

- **SLT Meetings**

The SLT meets monthly and as-and-when required to deliberate on business performance, financial and operating risks and issues which include reviewing, resolving and approving all key business strategic measures and policies. Progress, exceptions and variations are also fully discussed and appropriate action taken. In 2013, there were 13 SLT meetings held at Group level. Similar meetings are held regularly at OpCo level.

Significant matters identified during these meetings are highlighted on a timely basis to the Board, which is responsible for setting the business direction and for overseeing the conduct of the Group's operations.

Through these mechanisms, the Board is informed of all major control issues pertaining to internal controls, regulatory compliance and risk taking. This ensures that business objectives stay on course.

- **Major Control Issues**

Quarterly reports on financial and operational control issues form part of the initiative to inculcate self-awareness of the financial and operational internal control requirements of the Group.

- **Headline Performance KPIs**

Headline Performance KPIs have been set and agreed upon by the Board as part of the broader KPI framework that the Group has in place, as prescribed under the GLCT programme. The headline KPIs represent the main corporate performance measurement targets for the year and are announced publicly as a transparent performance management practice.

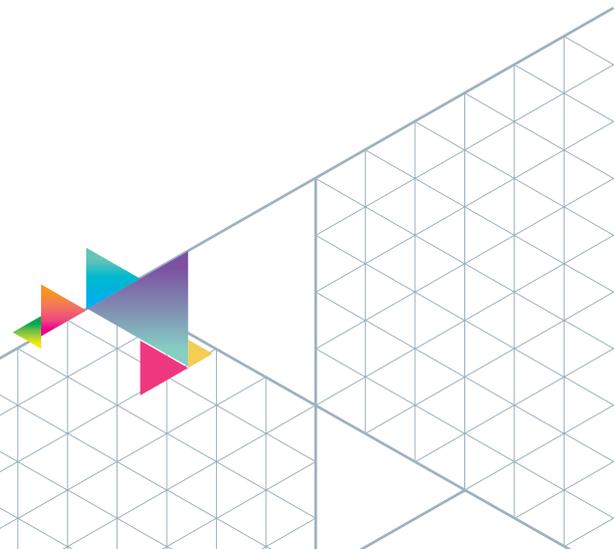
### 5.2 Ongoing Monitoring

- **Financial and Operational Review**

Quarterly financial statements and the Group's performance are reviewed by the BAC, which subsequently recommends them to the Board for their consideration and approval. Monthly management accounts containing key financial results, operational performance indicators and budget comparisons are also issued to the SLT to enable them to have regular and updated information of the Group's performance.

- **Internal Audit (IA)**

The function of IA is highlighted within the BAC Report section of this Annual Report.



## **APPENDIX 1 – Key Risks Faced by the Group**

### **1. Long Term Business Strategy**

Customers' spending behaviour continuously evolves beyond traditional telecommunications services, where smartphones and androids are becoming part of their daily lifestyle. Thus, the Group constantly explores and makes appropriate investments to upgrade its technology and platform to enhance its preparedness in keeping its products and services relevant. The Group is also cognisant of the latest industry and subscriber behaviour, taking innovation to the next level, continuously reviewing and proactively making changes to its business model, fast-tracking ROI on its investments and ensuring the long-term competitiveness and financial performance of the Group.

### **2. Adverse Regulatory, Legal and Political Development**

The Group operates in an industry that is subject to a broad range of rules and regulations, put in place by various governing bodies and regulatory frameworks. Adverse and unexpected changes to these rules and regulations could disrupt the Group's business operations and impair its business returns and long-term growth prospects. To mitigate this risk, the Group emphasises on strict compliance and has instituted dedicated personnel and resources to constantly monitor all relevant developments and maintain regular contact and courteous relationship with the governing authorities.

### **3. Competition Risk**

The advent of smartphones and androids (therefore data traffic) has changed the telecommunications market landscape quite significantly where providers need to look beyond the traditional revenue base of voice and SMS. The Group is continuously monitoring the development of both domestic and international business environments, and taking the necessary measures to ensure it invests appropriately so as to remain competitive in the industry and increase the Group's share of the customers' wallet.

### **4. Dependence on Major OpCos**

The Group' financial result depends primarily on Celcom and XL, which collectively account for close to 80% of the Group's revenue. Any major adverse developments in these two OpCos could materially affect the Group's overall financial performance.

To mitigate this risk, the Group's Strategy team is continuously developing robust business strategies to increase contribution from the other OpCos whilst maintaining Celcom and XL's market share; at the same time, exploring feasible M&A opportunities to expand and diversify its business portfolio.

### **5. Substitution Risk**

The emergence of non-traditional 'Over-The-Top' service providers that provide free VoIP calls and messaging could impact our core revenue base. The Group is proactively looking into mitigation strategies, such as the bundling of voice and data to ensure that the impact of substitution is minimised.

### **6. Technology Obsolescence**

As the telecommunications industry continues to evolve beyond traditional services, the Group strives to be at the forefront in both technology and innovation in all our operating regions. At the same time, the Group recognises the risk of lagging in the development and deployment of new technologies and its related ecosystems. Such lags may result in capital expenditure in technologies in order to expedite deployment of new infrastructures to remain competitive in the respective markets. Alongside with our OpCos, the Group has taken steps to constantly assess the development of these new technology ecosystems and the readiness of the required components.

### **7. Treasury and Funding Risk**

Due to our international presence, fluctuating interest and currency exchange rates across all OpCos could adversely affect the Group's financial performance. Local liquidity constraints and high financing interests for medium and/or long-term borrowing may result in funding constraints for some OpCos in some of the markets. As it is not commercially viable to hedge all the currency and interest exposures, the Group is guided by the Treasury Policy and at the same time, Management is in the midst of establishing a Regional Treasury Management Centre to manage the Group's treasury and funding matters.

# Statement on Risk Management and Internal Control

## 8. System and Network Disruptions/Failure

The reliability of the network infrastructure and systems in each OpCo is crucial in ensuring that the services are delivered without major disruptions/downtime. The Group continues to evaluate and ensure robust operating procedures with appropriate incident escalation procedures and adequate disaster recovery plans are in place at each OpCo to ensure seamless business continuity. The Group has also taken steps to maintain best in class operations through continuous maintenance and upgrades in its efforts to enhance security and service delivery and hence, providing superior quality of services and customer experience.

## 9. Business Continuity Management

The Group relies on a wide range of systems and infrastructure to deliver high quality service to our customers. Whilst the Group continuously reviews and enhances its systems resilience, it is crucial that a holistic Business Continuity Management framework is in place to manage the softer issues resulting from a disaster or service interruption. In addition, the Group maintains a global insurance programme to further mitigate business losses.

## 10. People and Organisation

One of the key pillars of success is having the right talent and mindset within the organisation. Hiring, development / training and loss of key talent remain a challenge for the Group. Our Talent Management team is on a constant lookout for suitable talent, whilst developing our people through robust talent development programmes, attractive performance-based rewards and providing a safe and healthy work environment.

## 11. Project Management

The Group embarks in ongoing strategic transformation projects which could affect critical business functions and processes. As such, the Group places emphasis on structured and disciplined project management practices to ensure it meets its intended objectives.

## 12. Investment Risk

The Group is on a constant lookout for investment opportunities to enhance its global footprint. At the same time, it recognises the repercussions of incorrect investment decisions such as conflict of interest with main stream business, poor selection of business partners, etc. The Group maintains a robust due diligence process and constantly evaluates the investment risks at hand. Our M&A team is cautious of the common pitfalls associated with new investments and ensure the necessary controls are in place prior to its execution. In addition, the Management is also cognisant of the risks associated with potential capital calls by existing OpCos due to the volatilities in the respective markets and global economic downturn in general.



# Board Audit Committee Report

## Composition and Meetings

In 2013, the Board Audit Committee (BAC), met four times on 20 February 2013, 22 May 2013, 29 August 2013 and 28 November 2013. The composition and the attendance record of the BAC members are listed below.

Name of Director	Status of Directorship/Qualifications	No. of Meetings Attended
David Lau Nai Pek (Chairman of the BAC)	Independent Non-Executive Director	4 out of 4
Datuk Azzat Kamaludin	Senior Independent Non-Executive Director	3 out of 4
Juan Villalonga Navarro	Independent Non-Executive Director	3 out of 4
Kenneth Shen	Non-Independent Non-Executive Director	3 out of 4

### Financial Literacy

The BAC is chaired by David Lau Nai Pek, who has more than 30 years experience with the Royal Dutch Shell Group, leading financial organisations in various countries. David is also a member of the Malaysian Institute of Accountants and a member of the New Zealand Institute of Chartered Accountants.

Datuk Azzat Kamaludin has spent many years in the BACs and Boards of major companies in Malaysia and internationally.

Juan Villalonga was Chairman and Chief Executive Officer of a major telecommunications services provider in Spain. He was also a former Chief Executive Officer of major banking institutions in Spain.

Kenneth Shen has more than 25 years experience in global investment, corporate finance, and mergers and acquisition gained in New York, Hong Kong, Qatar and Malaysia.

### Summary of Activities of the BAC

During the FY13, the BAC discharged its functions and carried out its duties as set out in the ToR. Key activities undertaken by the BAC include the following:

#### Risks and Controls

- The Group's major business risks and remedial actions were reported and deliberated at the BAC each quarter; a summary of which was reported to the Board. In 2013, all OpCos have been asked to look at the worst case scenarios and develop the necessary mitigation plans. A summary of the OpCos' top risks arising from this exercise was then tested against the Group Risk Profile.

#### Internal Audit

- Reviewed and supported the Axiata Group Internal Audit (AGIA) annual business plan inclusive of budget and resourcing plan. The audit plan was prepared using risk-based and strategy-based approaches, whilst ensuring the availability of adequate and competent resources to carry out the audit plan, especially in the areas or entities with high risks.
- Reviewed internal audit reports issued by AGIA on the adequacy, effectiveness and efficiency of risk management, operational and compliance issues, and governance processes across the Group.

# Board Audit Committee Report

- Reviewed the adequacy, effectiveness and timeliness of actions taken by management to resolve material issues raised by internal audit reports across the Group.
- Reviewed the effectiveness of internal audit processes and the resources allocated to the audits.
- Assessed the performance of AGIA against the internal scorecard as approved by the BAC.

## External Audit

- Adopted a collaborative approach in working with the external auditors. Reviewed and approved the external audit plan including the scope and fee for the annual audit.
- Reviewed the results of the external audit and reported issues arising from their audits of the quarterly and annual accounts, made recommendations to the Board for the implementation of remedial actions where necessary.
- Held two private meetings with the external auditors on 20 February 2013 and 29 August 2013 without the presence of management and internal audit.
- Reviewed the performance of the external auditors and made recommendations to the Board for their re-appointment and remuneration.
- Regularly reviewed all non-audit services carried out by the external audit firm to ensure their independence is not impaired.
- The BAC is of the opinion that the external auditors remain independent when carrying out the audit assignments within the Group, within the meaning of the provisions of the Bye-Laws on Professional Independence of the Malaysian Institute of Accountants. In addition, to the best of the BAC's knowledge, the BAC is not aware of any non-audit services that had compromised the external auditors' independence.

## Financial Reporting

- Reviewed the quarterly and annual financial statements including announcements, taking into consideration the external audit findings and recommendations, and recommended them to the Board for their approval. The reviews, together with discussions with the external auditors, were to ensure that the financial reporting and disclosures are in compliance with the provisions of the Companies Act 1965, Main LR and applicable accounting and MFRS standards in Malaysia.
- Reviewed the cashflow assumptions and working papers in order to determine the recoverability of major assets.

## Annual Reporting

- Reviewed and recommended the Statement on Corporate Governance, Statement on Internal Control and BAC Report to the Board for approval.
- Reviewed on a quarterly basis the related party transactions entered into by Axiata pursuant to the shareholders mandate on RRPT procured at the 21st AGM of the Company held on 23 May 2013 and the reporting of these transactions in the 2013 Annual Report.

## Others

- Reviewed and approved revisions to the Axiata Audit Charter;
- Reviewed and supported revisions to the BAC's ToR to be approved by the BOD;
- Reviewed status of resolution of external and internal audit issues every quarter;
- Reviewed latest accounting and reporting standards and policies, where applicable to Axiata;
- Reviewed current matters in relation to compliance with legal, regulatory and statutory requirements;
- Reviewed and approved revisions to the Axiata Group Internal Audit Manual;

- Reviewed business control incidents and identified cases of control weaknesses including fraud for sharing of lessons learnt within the Group to avoid similar incidents; and
- Verified the allocation of 17,669,300 share options or share awards given to the Group's eligible employees in accordance with the Performance-Based Employee Share Option and Share Scheme for FY13. The BAC was satisfied that the allocation of the said share options or share awards was in compliance with the criteria set out in the Bye-Laws of the Performance-Based Employee Share Option and and Share Scheme.
- The Chairman of the BAC is also the Chairman of Celcom's BAC.

### Group Internal Audit

The internal audit function is under the purview of AGIA and headed by the Group Chief Internal Auditor (GCIA), who is independent and reports directly to the BAC. The internal audit reporting structure within the Group has been organised whereby the audit departments of the OpCos report directly to the BAC of the respective OpCo with a dotted reporting line to the GCIA. AGIA has direct control and supervision over internal audit activities in OpCos that do not have an audit function. The GCIA also acts as the secretary to the BAC. AGIA provides independent, objective assurance on areas of operations reviewed, and makes recommendations based on best practices that will improve and add value to the Group. AGIA identifies, coordinates and conducts global audits that are carried out throughout the Group and also provides standards, policies, guidelines and advice to the OpCos' audit function to standardise the internal audit activities within the Group.

AGIA adopts a systematic and disciplined approach to evaluate the adequacy and effectiveness of the risk management, financial, operational, compliance and governance processes. Structured risk-based and strategic-based approaches are adopted in identifying the internal audit activities that are aligned with the Group's strategic plans to ensure those risks facing the Group are adequately reviewed.

In addition, international standards and best practices are adopted to further enhance the relevancy and effectiveness of the internal audit activities.

A total of 112 internal audit assignments were completed at Corporate Centre and all OpCos as compared against the 2013 Audit Plan. The areas of coverage included finance, sales, marketing, information and technology, billing, network, corporate governance, human resources, customer service and procurement. The audit reports of these assignments provide independent and objective assessment of the following:

- adequacy, effectiveness and efficiency of the internal control systems to manage operations and safeguard the Group's assets and shareholders' value; and
- adequacy and effectiveness of the risk management operations, governance and compliance functions to identify, manage and address potential risks facing the Group.

The internal audit reports were issued to management for their comments and to agree on action plans with deadlines to complete the necessary preventive and corrective actions. The reports were tabled at each OpCo's BAC and the summary of the key findings to the BAC for due deliberation to ensure that the management undertakes to carry out the agreed remedial actions.

Members of the management were invited to the BAC meetings from time to time, where necessary, for further clarification purposes. Key audits that were completed in 2013 include:

- Safety
- Advertising & Promotion
- Payroll
- Network Customer Experience
- Win/Defend Initiatives
- Digital Services
- Information Security Management

The total cost incurred by AGIA in 2013, inclusive of all the OpCos, was RM8.3 million. This represents a 1% decrease from last year's total cost of RM8.4 million.

# Board Audit Committee Report

There are a total of 49 internal auditors across the Group whilst AGIA at Corporate Centre has five approved headcount and operates on a resource sharing basis with other OpCos' Internal Audit Divisions. All the internal auditors have tertiary qualifications and the level of expertise and professionalism within AGIA at the end of 2013 is as follows:

Expertise Category	Percentage of total auditors
Finance	29%
IT/MIS	18%
Network/Engineering	22%
Marketing	20%
General/Others	10%

Professional Category	Percentage of total auditors
Professional Certification	
• C PA, ACCA, CA, CIMA	16%
• Certified Internal Auditor (CIA)	8%
• Certified IS Auditor (CISA)	16%
• Internship of CPA, ACCA, CA, CIMA	12%
• Internship of CIA/CISA	41%
• Institute of Internal Auditors Membership	39%
• Others	14%
Post Graduate	
• MBA and other Master	31%
• Masters Internship	4%

## APPENDIX 1

### Terms of Reference – Key Summary

In performing its duties and discharging its responsibilities, the BAC is guided by the ToR. The key roles from the ToR are summarised below:

#### 1.0 Function of the BAC

- 1.1 The primary function of the BAC is to implement and support the oversight function of the Board in relation to overseeing financial reporting and internal controls as set out in the Duties and Responsibilities herein.
- 1.2 It is the objective of the BAC to assist the Board to assure the shareholders of Axiata that the Directors of Axiata comply with specified financial standards and required disclosure policies developed and administered by Bursa Securities and other approved accounting standard bodies. In addition, the BAC needs to ensure consistency with Bursa Securities' commitment to encourage high standards of corporate disclosure and transparency. The BAC will endeavour to adopt certain practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to Axiata's shareholders.

#### 2.0 Composition of the BAC

- 2.1 The BAC must be composed of no fewer than three members, all of whom shall be Non-Executive Directors and the majority shall be Independent Non-Executive Directors.
- 2.2 Members of the BAC shall possess sound judgment, objectivity, management experience, integrity and knowledge of the industry. A member of the BAC shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her. This is to avoid BAC members from participating in matters that will create conflict of interest.
- 2.3 Members of the BAC shall be financially literate and at least one member of the BAC:
  - i. Must be a member of the Malaysian Institute of Accountants (MIA); or

- ii. If he/she is not a member of the MIA, he/she must have at least three years working experience and:
  - a. He/she must have passed the examination specified in Part I of the 1st Schedule of the Accountants Acts 1967; or
  - b. He/she must be a member of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Acts 1967; or
- iii. Have a degree/masters/doctorate in accounting or finance and at least three years post qualification experience in accounting or finance; or
- iv. Have at least seven years experience of being a Chief Financial Officer of a corporation or have the function of being primarily responsible for the management of the financial affairs of a corporation; or
- v. Fulfils other such requirements as may be prescribed or approved by Bursa Securities.

#### 3.0 Duties and Responsibilities of the BAC

In carrying out its responsibilities, the BAC's policies and procedures remain flexible to changes in circumstances and conditions that are in compliance with legal and regulatory requirements.

The following are the main duties and responsibilities of the BAC:

##### 3.1 Financial Reporting and Processes

- i. Review the quarterly interim results, half-yearly results and annual financial statements of the Group prior to reporting and presenting to the Board for approval.
- ii. Review with the external auditors the financial statements of Axiata before the audited financial statements are presented to the Board for approval and report the same to the Board.
- iii. Discuss problems and reservations arising from the interim and final audits and any matters the external auditors may wish to discuss (in the absence of the management or GCIA where necessary).

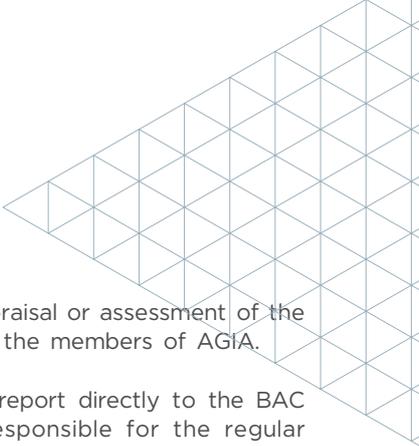
# Board Audit Committee Report

- iv. Propose best practices on disclosure of financial results and annual report of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines.
- v. Review the integrity of the Group's internal and external financial reporting processes and assess significant deficiencies and weaknesses in the design or operations of the Group's internal accounting procedures and controls including review and assess management's follow up actions on the weaknesses of these procedures and controls as highlighted by the external auditors and internal auditors as per the external auditors' management letters.
- vi. Review and discuss with management the Group's major financial risk exposures, and initiatives taken to monitor and control such exposures over financial reporting which may cause adverse effect to the management's ability to record, track changes, process and summarise financial information.

## 3.2 Independent External Auditors

- i. Consider and recommend to the Board, for it to put to the Company's shareholders for approval in General Meetings, the appointment (and the re-appointment) of a suitable accounting firm to act as external auditors including the audit fee payable thereof. Amongst the factors to be considered for the appointment are the independence, qualification, adequacy of experience and resources of the firm and the partners and resources assigned to the audit.
- ii. Consider any question of resignation (including review of any letter of resignation and report the same to the Board.) or removal. In the event of a removal of external auditors, the BAC shall provide reason(s) for the removal to the Board for approval and the external auditors for their records.

- iii. Review whether there is a reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment and report the same to the Board.
- iv. Review the external auditors' audit plan before the audit commences and report the same to the Board.
- v. Discuss nature, approach and scope of the audit before the audit commences and ensure co-ordination where more than one audit firm is involved.
- vi. Review the evaluation of the system of internal control with the external auditors and report the same to the Board.
- vii. Be directly responsible for the compensation, evaluation and oversight of the external auditors or any other auditor preparing or issuing an audit report for the Group and, where appropriate, provide reports to the Board on the terms of engagement, independence and proposed fees of the external auditors.
- viii. Meet with the external auditors at least twice in the financial year (without the presence of other directors and employees, whenever deemed necessary) to discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss.
- ix. Review the external auditor's audit report, and report the same to the Board.
- x. Review the external auditors' management letter and the management's response.
- xi. At least annually assess and report to the Board on the independence of the external auditors, obtaining from the external auditors a written statement delineating all relationships between the audit and the Group and delineating any other relationships that may adversely affect the independence of the external auditors.

- 
- xii. Monitor the extent of non-audit work to be performed by the external auditors to ensure that the provision of non-audit services does not impair their independence or objectivity.

This includes a pre-approval process for any such work and the hiring of employees or former employees of the external auditors.

- xiii. Resolve any disagreement between management and the external auditors regarding financial reporting.

### 3.3 Internal Audit Function

- i. Approve the Internal Audit Charter, which defines the independent purposes, authority, scope and responsibility of AGIA.
- ii. Discuss with the GCIA the annual internal audit scope, plans and objectives, resources, qualifications, independence, reporting structure and performance of AGIA.
- iii. Review and recommend the Internal Audit Business Plan, including the IA Plan and budget, for final approval by the Board, and review the results of the internal audit process. Where necessary the BAC is to ensure:
  - a. That appropriate action is taken on the recommendations of AGIA and reports the same to the Board.
  - b. That the scope, functions, competence and resources of AGIA are adequate and that it has the necessary authority to carry out its work and report the same to the Board; and
  - c. That the goals and objectives of AGIA are commensurate with corporate goals.

- iv. Review any appraisal or assessment of the performance of the members of AGIA.
- v. The GCIA shall report directly to the BAC and shall be responsible for the regular review and appraisal of the effectiveness of the risk management, internal control and governance processes within the Group.
- vi. The Head of Internal Audit at the OpCos report functionally to the OpCo's BAC and on a dotted line basis to the GCIA for purposes of standardising the operations of internal audit in Axiata and its OpCos by furnishing reports to the GCIA in relation to matters including but not limited to, major control issues, audit reports, quarterly reports, and Minutes of OpCos BAC meetings.
- vii. Review internal audit results and reports from the GCIA including the reports on the Group's internal controls, and progress in remedying any material control deficiencies raised by AGIA.
- viii. Approve the appointment or termination of the GCIA and the senior staff members of AGIA.
- ix. Take cognisance of resignations of the GCIA and staff members of AGIA and provide the resigning GCIA or staff members the opportunity to submit his/her reasons for resigning.
- x. Annually review and appraise the performance of the GCIA, including the role and effectiveness of AGIA.

# Board Audit Committee Report

- xi. Be informed, referred to and agree on the initiation, commencement and mechanism of any disciplinary proceeding/investigation, including the nature and reasons for the said disciplinary proceeding/investigation, as well as the subsequent findings and proposed disciplinary actions against the GCIA. As an employee of the Group, the GCIA is subject to the Group's human resources policies and guidelines, including disciplinary proceedings/investigations and actions.
- xii. Ensure that AGIA be independent of the activities they audit and perform audits with impartiality, proficiency and due professional care. The Board or the BAC should determine the remit of AGIA.
- xiii. Discuss problems and reservations arising from the internal audit results, reports or any matters the Internal Audit may wish to discuss in the absence of management where necessary.
- v. Monitor the process for dealing with complaints received by the Group regarding accounting issues, internal control matters or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- vi. Consider and review any significant transactions, which are not within the normal course of business and any related party transactions and conflict of interest situations that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of the management integrity and report the same to the Board.
- vii. Verify the allocation of share options or awards given to the Group's eligible employees is in accordance with the criteria for the employees share option and share scheme and the Main LR at the end of each financial year.
- viii. Report promptly to Bursa Securities if the BAC views that a matter resulting in a breach of the Main LR reported by the BAC to the Board has not been satisfactorily resolved by the Board.

### 3.4 Company Oversight

- i. Review the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, rules, directives and guidelines.
- ii. Review the Company's policies and practices with respect to risk assessment and management.
- iii. Consider major findings of internal investigations and the management's response.
- iv. Review the management's monitoring of compliance with the Company's code of business ethics.

(For details of the ToR, please refer to our website)

# Additional Compliance Information

## 1. Share Buy-Back

Axiata did not carry out any Share Buy-Back exercise for the financial year ended 2013 (FY13).

[Disclosed in accordance with Appendix 9C, Part A item 14 and Appendix 12D of Paragraph 12.23, Main LR]

## 2. Options or Convertible Securities

With the exception of options over ordinary shares of Axiata (ESOS Options) and Restricted Share Awards (RSA) issued under the Performance-Based ESOS and Share Scheme (Axiata Share Scheme), Axiata has not issued any options and/or convertible securities.

The Performance-Based ESOS was approved by its shareholders at an Extraordinary General Meeting held on 24 March 2009 and implemented on 16 April 2009. On 1 June 2011, Axiata's shareholders had, at the 19th AGM, approved the amendments to the Bye-Laws of the Axiata Share Scheme (Bye-Laws) to include a Restricted Share Plan and the same took effect from 15 July 2011. From thereon, Axiata started to offer Eligible Employees the entitlement to receive RSA instead of ESOS Options.

Information on the Axiata Share Scheme is set out in Note 14(a) of the Audited Financial Statements for FY13 on pages 258 to 275 of this Annual Report.

Information on ESOS Options/RSA granted, vested, exercised and outstanding since the implementation of Axiata Share Scheme until FY13 are as follows:-

- Total Number of ESOS Options/RSA granted: 186,908,000 ESOS Options and 37,255,200 RSA

The ESOS Options and RSA granted shall be vested only upon the fulfilment of certain performance criteria by Axiata and individuals as at vesting date. Senior and top management can only vest the RSA at the end of the third year, with a potential multiplier effect on the number of shares to be granted

- Total Number of ESOS Options/RSA vested: 112,869,914 ESOS Options, 478,050 RSA
- Total Number of ESOS Options exercised: 95,030,797 ESOS Options
- Total number of ESOS Options/RSA outstanding: 68,850,592 ESOS Options<sup>1</sup>, 35,500,400 RSA<sup>1</sup>

**Note:**

<sup>1</sup> Excluding 23,026,611 ESOS Options and 1,276,750 RSA declared null and void due to resignation, termination or suspension of employment in accordance with the terms of the Bye-Laws.

As provided below, with the exception of Dato' Sri Jamaludin Ibrahim, Managing Director/President & Group Chief Executive Officer of Axiata, none of the Directors of Axiata have been granted ESOS Options or RSA:-

	Granted		Vested		Outstanding	
	ESOS Options	RSA	ESOS Options	RSA	ESOS Options	RSA
Dato' Sri Jamaludin Ibrahim	4,301,700	2,477,600	3,497,800 <sup>1</sup>	-	4,301,700	2,477,600

**Note:**

<sup>1</sup> None of the ESOS Options vested have been exercised

## Additional Compliance Information

In accordance with the Bye-Laws, not more than 50% of the Company's new ordinary shares made available under the Axiata Share Scheme shall be allocated, in aggregate to Eligible Employees who are Executive Directors of Axiata or any corporation within the Group or who are Senior Management. For the FY13, the actual percentage of ESOS Options/RSA granted to them was 24.3% of the total number of ESOS Options/RSA granted. Since, commencement of the Axiata Share Scheme, the actual percentage of ESOS Options/RSA granted in aggregate to Eligible Employees who are Executive Directors of Axiata or any corporation within the Group or who are Senior Management is 20.5%.

[Disclosed in accordance with Appendix 9C, Part A item 15 and 27, Main LR]

### 3. Depository Receipt Programme

Axiata did not sponsor any depository receipt programme for the FY13.

[Disclosed in accordance with Appendix 9C, Part A item 16, Main LR]

### 4. Sanction and/or Penalty

There were no material sanctions and/or penalties imposed on Axiata and its subsidiaries, directors or management by the regulatory bodies for the FY13.

[Disclosed in accordance with Appendix 9C, Part A item 17, Main LR]

### 5. Non-Audit Fees

The amount of non-audit fees incurred for the services rendered to Axiata and the Group by its external auditors, Messrs PricewaterhouseCoopers and its affiliated companies for the FY13 are RM7,401,573 and RM9,875,154 respectively.

Services rendered by PricewaterhouseCoopers are not prohibited by regulatory and other professional requirements, and are based on globally practiced guidelines on auditors' independence. PricewaterhouseCoopers was engaged in these services when their expertise and experience of the Group are important. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost effective to employ another firm of accountants.

[Disclosed in accordance with Appendix 9C, Part A item 18, Main LR]

### 6. Variation in Results

There were no profit estimates, forecasts or projections made or released by Axiata for the FY13.

[Disclosed in accordance with Appendix 9C, Part A item 19, Main LR]

### 7. Profit Guarantee

There were no profit guarantees given by Axiata for the FY13.

[Disclosed in accordance with Appendix 9C, Part A item 20, Main LR]

## 8. Material Contracts Involving Directors'/Major Shareholders' Interest

There were no material contracts of Axiata and/or its subsidiaries involving directors' and major shareholders' interests either subsisting as at 31 December 2013 or entered into since the end of FY12.

[Disclosed in accordance with Appendix 9C, Part A item 21, Main LR]

## 9. Utilisation of Proceeds Raised from Corporate Proposals

There were no proceeds raised from corporate proposals during the FY13.

[Disclosed in accordance with Appendix 9C, Part A item 13, Main LR]

## 10. Recurrent Related Party Transactions of Revenue in Nature (RRPT)

At the last AGM held on 23 May 2013, Axiata had obtained a general mandate from its shareholders for the Group to enter into RRPT with related parties as set out in the Circular to Shareholders dated 2 May 2013 (**RRPT Mandate**). This RRPT Mandate is valid until the conclusion of Axiata's forthcoming 22nd AGM to be held on 28 May 2014.

Axiata proposes to seek a new RRPT Mandate at its forthcoming 22nd AGM (**Proposed Shareholders' Mandate**). The Proposed Shareholders' Mandate, details as provided in the Circular to Shareholders dated 6 May 2014 sent together with the Annual Report, if approved by the shareholders, would be valid until the conclusion of Axiata's next AGM.

Pursuant to paragraph 10.09 (2) (b) and paragraph 3.1.5 of Practice Note 12 of the Main LR, details of RRPT entered into during FY13 under the RRPT Mandate are as follows:-

Transacting Companies	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of Transaction	Value of Transactions RM'000
Axiata Group	Telekom Malaysia Berhad and/or its subsidiaries ( <b>TM Group</b> )	- Khazanah - Tan Sri Dato' Azman Hj Mokhtar - Kenneth Shen	<b>REVENUE</b> <b>Telecommunication and Related Services</b> - Interconnect payment from TM Group - Leased-line payment from TM Group - Voice Over Internet Protocol ( <b>VOIP</b> ) related services revenue from TM Group - Dark fibre and leased line from Celcom Group to Fibrecomm Network (M) Sdn Bhd ( <b>Fibrecomm</b> ) - Leased-line from Celcom Group to Fiberail Sdn Bhd ( <b>Fiberail</b> ) - Transmission revenue on the services by Axiata Group to TM	34,453  2,539 5,200  806 478 798

## Additional Compliance Information

Transacting Companies	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of Transaction	Value of Transactions RM'000
			<p><b><u>COSTS</u></b>  <b><u>Telecommunications and Related Services</u></b></p> <ul style="list-style-type: none"> <li>- Interconnect cost to TM Group 38,647</li> <li>- VOIP related services by TM Group to Axiata Group 22,592</li> <li>- Leased-line costs to TM Group 18,311</li> <li>- Provision of data and bandwidth related services by TM Group to Axiata Group 25,770</li> <li>- Internet access and broadband charges by TM Group to Celcom Group 1,021</li> <li>- Commission on registration and collection to TM Group by Celcom 572</li> <li>- Provision of contact centre and business process outsourcing services by VADS Berhad to Axiata Group 74,568</li> <li>- Leasing of fibre optic core and provision of bandwidth services from Fiberail 5,510</li> <li>- Purchase of dark fibre, bandwidth, space and facility from Fibrecomm to Celcom Group 12,154</li> </ul>	
			<p><b><u>Non-telecommunications Services</u></b></p> <ul style="list-style-type: none"> <li>- Site rental for telecommunications infrastructure, equipment and related charges by TM Group to Celcom 27,751</li> <li>- Rental of office premises payable monthly by Axiata Group to TM Group 9,839</li> </ul>	
			<b>TOTAL</b>	<b>281,010</b>

## 11. Status of Legalisation of Outdoor Structures

Pursuant to the approval from Securities Commission Malaysia (**SC**) in 2008 in relation to, amongst others, TM Group's Demerger and the listing of Axiata, Axiata is required to obtain the relevant approvals for the transmission towers and rooftop sites (**Outdoor Structures**) of Celcom Group within two years from the date of the SC's approval letter (**Timing Conditions**).

SC had, in 2010 and 2012, granted an extension of time for Axiata to comply with the Timing Conditions until 29 January 2012 and 29 January 2014 respectively.

Following the application submitted by CIMB Investment Bank Berhad, on behalf of Axiata, for further extension of time for the legalisation of the remaining 28 Outdoor Structures, SC had, via their letter dated 12 February 2014, granted an exemption to Axiata from complying with the Timing Conditions, subject to, amongst others, Axiata disclosing the status of the legalisation in its annual report until such time the necessary approvals are obtained.

Pursuant to the above, the status of 28 Outdoor Structures as at 31 March 2014 is as follows:-

- Initial applications for the approval of the local authorities in respect of the 27 Outdoor Structures have been declined. The Group is in the midst of appealing to the relevant local authorities with respect to such applications; and
- 1 Outdoor Structure was permanently dismantled.

[Disclosed in accordance with letter from SC dated 12 February 2014]

A young girl with dark hair is looking upwards with a joyful expression, her mouth open in a smile. She is wearing a light-colored top and a dark necklace. In the background, other people are visible, including a man in a blue shirt and a woman in a blue headscarf, suggesting a community or outdoor setting. The image is overlaid with a red geometric pattern in the bottom-left corner.

# Operating Companies

A photograph of tea plantation workers in a field, with a large red diagonal graphic overlay at the bottom right. The workers are wearing colorful clothing and are engaged in tea picking. A large woven basket is visible in the foreground. The background shows rows of tea bushes under a bright sky.

# Business Review



## Malaysia Celcom Axiata Berhad

### About Celcom

Celcom Axiata Berhad is Malaysia's premier and most experienced mobile telecommunications company with the widest coverage in the nation. It provides both prepaid and postpaid mobile services to more than 13 million subscribers and is the leading mobile broadband service provider in Malaysia with over 1 million subscribers. Celcom is also growing its position in content and value-added services (VAS), enterprise solutions, bulk wholesale services, digital services and machine-to-machine (M2M) solutions, in line with evolving technologies and changing consumer behaviour in Malaysia.

Celcom has the widest network in Malaysia, covering 95.2% and 82.6% of the population with its 2G and 3G networks respectively. Celcom continues to invest in network coverage, capacity and performance and intends to maintain its technology leadership and position as the country's best mobile service provider.

Celcom has also been a pioneer in Malaysia for industry leading partnerships which include Mobile Virtual Network Operators (MVNOs) as well as domestic and international roaming. Celcom currently has six MVNO partners that provide Celcom with additional channels to the market, covering niche segments with strong growth potential.

**RM2.4<sup>\*</sup>billion**  
profit, industry's highest

**31** consecutive quarters  
of revenue growth

**13.1 million** subscribers  
leading industry in subscriber base

Celcom rolls out **4G**  
and optimises its platform  
for high speed data services

Data revenue grew by **16%**,  
Mobile Internet revenue grew strongly by 58%



Long-standing partnerships between Celcom and local and global operators have resulted in economies of scale, optimised network coverage, and unrivalled mobile experience for its customers. Celcom subscribers today enjoy roaming services in 193 countries via over 550 network partners. The company's collaboration with Vodafone and the Axiata Group allows its customers to enjoy great rates and consistent experience while roaming.

Through initiatives such as its industry-leading Consumer Lab, Celcom has a firm focus on customer needs that has led to higher levels of product and services innovation, customer service excellence, and industry accolades at local and regional levels.





## Business Review 2013

2013 was an exceptional year for Celcom. The company continued to gain momentum as the market leader in Malaysia whilst maintaining its position as the most reliable mobile network in the country. Recording 31 consecutive quarters of revenue growth, Celcom grew faster than the market, and continued to register record profits. Celcom's strong performance in 2013 was on the back of strong mobile data growth, with enhanced customer experience, better pricing strategies, and attractive campaigns.

Celcom closed the year in the lead position with the highest number of mobile subscribers in Malaysia. The company registered stellar subscriber growth of 4%, or more than 456,000 new subscribers, to reach a total subscriber base of 13.1 million. Including MVNO subscribers, which grew by more than 61%, Celcom closed the year with a total base of 14.4 million on its network.

The company also defended its market dominance in mobile broadband closing the year with 1.2 million subscribers, a growth of 17% YoY. The year saw strong growth in data services (excluding SMS and VAS), now contributing 17% to revenue, a growth of 16% from 2012. The uplift was driven by increased smartphone penetration and positive response towards attractive data services offerings. Smartphone users on Celcom's base increased by 48% YoY. At 6 million, data users now represent 46% of Celcom's total subscribers.

On the retail end, the company introduced a string of innovations realising the consumer paradigm shift of 'walk & talk' to 'sit & play'. This includes introducing digital innovations for better online consumption whilst continuing to revive voice resuscitation across all segments. Targeted campaigns throughout the year were driven towards dynamic offerings personalised to customers' usage and needs which are enabled through successful key IT transformation projects.

Core investments under Celcom's IT transformation programme has matured into end-to-end solutions that help the company further differentiate customer and channel experiences. This includes the deployment of new Business Support Systems (BSS) which supports its Best Sales and Services Infrastructure objectives complimented with a complete re-organisation of the sales force and trade structure. Additionally, in an effort to embed customer experience in all products and services, Celcom established its own unique set of customer experience values known as the SURFER to establish greater customer intimacy.

Additionally, Celcom continues to strengthen its network advantage through nationwide deployment of network modernisation, Next Generation Packet Core, fiberisation and 3G utilisation improvements. Several collaborative efforts with key industry players were also initiated with a view to building a more sustainable ecosystem to manage cost effectively whilst providing optimum network coverage.

With the allocation of the 2600MHz spectrum to Celcom by the Malaysian Communications and Multimedia Commission (MCMC), Celcom is now 4G LTE-enabled making it the fastest and widest mobile network in the country. This has also paved the way for the roll out of more 4G sites and Home Fibre in the country.

## Products and Services

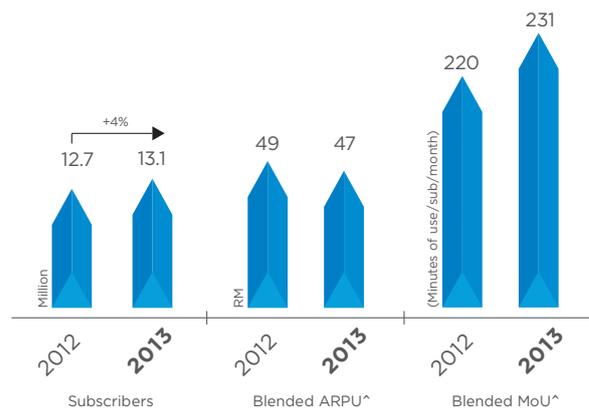
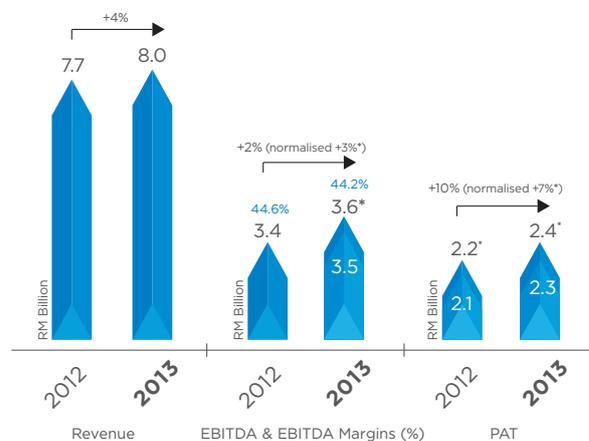
A significant milestone for Celcom in 2013 was the launch of Celcom 4G LTE Experience Hubs at selected Blue Cube outlets. The launch was intended to give customers first hand preview of the fast speeds of 4G LTE. The launch was well received and reaffirms Celcom's position as the fastest and widest network in Malaysia. Along with this, Celcom launched the Celcom Fastest Territory marketing campaign, featuring world record breaking sprinter Usain Bolt.

In the first quarter, Celcom's main prepaid brand for youth introduced two versions of the Reload Kaw Kaw credit top-up card each to cater to heavy social media users or voice callers, packed with additional freebies and airtime.

Meanwhile as part of the commissioning of a better business solution platform, Celcom signed a strategic teaming agreement with nTels Co. Ltd, a global provider of integrated wired and wireless business solutions for the provision of Celcom's own machine-to-machine (M2M) business solutions platform, to give customers more control over deployed devices within their organisation.

Celcom also became the first, exclusive service provider to offer the latest personal computing offering from Samsung with the functionality of a notebook PC on Windows 8 in a convertible design.

Celcom further enhanced its youth proposition by refreshing its Xpax offer. The new Xpax not only offers the best voice and SMS rates but also free calls and Facebook access to customers.



<sup>(1)</sup>PAT and EBITDA exclude holding company charge, interests/charges on Sukuk, ESCAPE and HQ tax relief if any

<sup>(2)</sup> Normalisation - excludes additional accelerated depreciation for modernisation

<sup>^</sup> 2012 blended ARPU and MOU are normalised for domestic roaming



### Business Solutions

In 2013, Celcom commissioned a new M2M billing platform, empowering its Enterprise customers to better manage their billing usage and resolve issues in real time through an easy-to-use customer portal. The main objective of this platform is to improve customer experience and satisfaction as customers would be able to monitor and control their data usage on near real-time basis.

With this, Celcom customers would be able to perform self-service activation or deactivation via a web portal, change product packages, gain strategic insights to improve their cost management via web analytics and reporting tools.

Moving forward, Celcom will look towards developing solutions and products in three main areas; Telemetry, Smart Cities and Smart Security, whilst continuously enhancing its existing products and capabilities.

### Advanced Data and Digital Services

On the back of the LTE launch, increase in data usage and higher adoption of smartphone and tablets, Celcom saw strong growth in data services in 2013. Data revenue grew by 16% whilst Mobile Internet revenue grew strongly by 58%. 6 million or 46% of Celcom's total subscribers are now data users.

Celcom led the shift toward data and digital services from traditional voice and SMS based services by expanding new avenues to its core business. These include new digital services such as gaming, music, social network applications, mobile commerce, mobile remittance and mobile health services with a spotlight on mobile content and VAS on The Cube and Air Cash mobile remittance.

Celcom strengthened its focus on digital services via a new venture into mobile personal entertainment through its subsidiary ESCAPE. This was followed by the introduction of three new e-commerce portals Bachabooku, Buzzaar and the Crescent in 2013. The Buzzaar is an online specialty store that offers delivery of popular regional specialties from all parts of Malaysia to the customers doorstep. Bachabooku, is an online store providing local electronic books and magazines, whilst the Crescent is an Islamic lifestyle hub offering a variety of products such as an online hijab store and digital content for Muslims.



In 2013, Celcom also clinched the prestigious award for The Best of The Best Outsourced Contact Centre from the Customer Relationship Management & Contact Centre Association Malaysia (CCAM). Additionally Celcom also took home 12 awards for the Contact Centre Corporate and Individual categories. Other industry awards, accorded to Celcom's customer service team, included the Most Outstanding Merchant of Financial Process Exchange (FPX) award by Malaysian Electronic Clearing Corporation Sdn Bhd (MyClear), a wholly-owned subsidiary of Bank Negara Malaysia. The award was given based on Celcom's achievement as the second highest total transaction volume generated using FPX via the Online Customer Service (OCS). FPX is an online payment gateway system to facilitate payment transactions with all major banks, allowing customers to make real time online payments using their current or savings account.

### Technology and Network

In 2013, Celcom undertook several platform optimisation initiatives to cater towards the growth in high speed data services whilst investing in new technologies and innovative ways to manage costs effectively.

Celcom enhanced its coverage further, deploying additional sites bringing the total number of 3G/HSDPA+ sites to more than 7,000 sites, thus maintaining Celcom as the widest 3G/HSDPA+ network, covering 82.6% of the population. The 3G/HSDPA+ sites were provisioned with data speeds of up to 42Mbps and 5.8Mbps for downlink and uplink respectively. Packet Core capacity was also upgraded to 50Gbps to support the growing surge in mobile data traffic thus providing better connectivity and performance. In addition, there have been almost 700 LTE sites rolled out in 2013. 3G Femto cells were also integrated with the existing 3G network to pave the way for 3G coverage improvement in blind spots. To ensure more superior 3G performance and better backhauling scalability, 99% of the 3G node Bs have been upgraded from TDM (E1) to IP(FE) LuB. Celcom has also rolled out more WiFi sites to complement its 3G services at shopping complexes, hotels and restaurants.

Celcom also initiated smart industry collaborations to build fibre optic infrastructure to gain better services and long term cost savings. Over 1,000 km of fibre optic infrastructure was jointly built with Digi and another 1,000 km is at the initial rollout stage. Also, under the ongoing network collaboration with DiGi, a total of more than 350 sites in the Central, Northern and Southern regions have been consolidated in which all sites were successfully migrated.

The Broadband for General Population project was also awarded to Celcom to provide high-speed broadband connectivity to the rural population and this initiative was completed in 2013.

### Financial Performance

2013 was another excellent year for Celcom. Revenue remained healthy, growing faster than the market, up 4% YoY, surpassing the RM8 billion mark for the first time. Normalised EBITDA stood at RM3.6 billion, an increase of 3%. PATAMI was the highest recorded in the industry.

Along with this, Celcom also surpassed the industry in terms of number of subscribers, defended its market dominance in mobile broadband with 1.2 million subscribers and achieved double digit revenue growth of over 18% at RM1.1 billion in 2013 as compared to RM927 million in 2012. This surge was driven by increased smartphone penetration and the positive response towards attractive offerings and data services.

In order to increase LTE uptake and improve network quality and capacity for better customer data experience, Celcom invested RM923 million in 2013, the highest in the industry, mainly on network modernisation, LTE and IT transformation to reflect the company's pledge to deliver superior customer experience.

## Outlook for 2014

For 2014, Celcom will enhance its focus on mobile data and digital services. Work has already begun on improving network quality and capacity to enhance customer data experience.

Driven by high penetration in the mobile and broadband markets, the telecommunications industry dynamics are continuously being influenced by the OTT players and Internet of Things (IoT). Celcom recognises this and is geared towards driving new digital service innovations and virtualisations to complement the demand for data. Mindful of the importance to adapt and shape its role in a digital society, Celcom will continue to leverage on its unique position in the communications value chain, as a converged provider of network, device channel and digital services.

Celcom recognises the declining trend of voice, SMS, and landline share in the industry, which is translating into a growth of non-traditional communications over data connections. With this in mind, Celcom will continue its focus in the non-traditional sector with a focus in the M2M segment whilst reinvigorating the 'new economy' of content, digital advertising, digital money and digital commerce. At the same time, whilst the company anticipates a slowdown in voice revenue, Celcom remains optimistic of sustaining growth in voice and SMS via its innovative plans. Mobile broadband, Wifi services, home fibre network and the new Celcom 4G LTE will continue to play important roles to meet the exponentially growing demand for data services and content.

Celcom will continue to invest in new core technologies to support its expanding infrastructure. Several key transformation initiatives that were operationalised before will now translate into a stronger ecosystem to deliver better customer experience. With this, Celcom is expected to continue its high performance journey with the monetisation of Big Data through its Celcom Business Intelligence (BI) system, a seamless integrated data source that delivers beyond reporting to drive sales productivity. Apart from this, a granular macro and micro geographical approach will be embedded into technology roll outs, network Qos, marketing, channel Planning and effective sales programmes.

Equal focus will be placed on cost optimisation through several initiatives including industry collaborations, as well as focusing on data roll out for all technologies towards building the best and most customer centric network. Celcom will continue to invest in new core technologies to support its expanding infrastructure. With all these in place, IT and network transformation investments are highly geared to maintain Celcom's position as the best mobile network in Malaysia.





## Indonesia PT XL Axiata Tbk

### About XL

As one of Indonesia's leading telecommunications service providers, XL offers an array of innovative telecommunications products and services ranging from voice, SMS and VAS to mobile data covering more than 90% of the population throughout Indonesia. With over 17 years of experience, XL armed with deep understanding of its subscribers needs, and is credited with bringing cellular services to ordinary Indonesians when it introduced the budget 'IDR1/second' programme in 2007, allowing more middle and lower income groups access to cellular services. XL has grown from a small company offering basic telephony services into one of the country's largest telecommunications companies, with extensive network infrastructure and services.

XL's network runs on GSM 900/DCS 1800 and IMT-2000/3G technologies and it holds several licenses, including Closed Regular Network (Leased Line), Internet Services Protocol (ISP), Voice over Internet Protocol (VoIP), Internet Interconnection Services (NAP), and an e-Money (Electronic Money) license from the Central Bank of Indonesia, which enables XL to provide remittance services to its subscribers. As one of the leading market players in Indonesia, XL continues to innovate and is transforming itself into a leading mobile data provider, serving the burgeoning demand for data amongst Indonesians. XL is dynamic in managing and operating its business, and fast in adapting to changes in the industry and market landscape, to deliver excellent service quality to its customers.

Strong data traction with  
data revenue growth of **16%** YoY

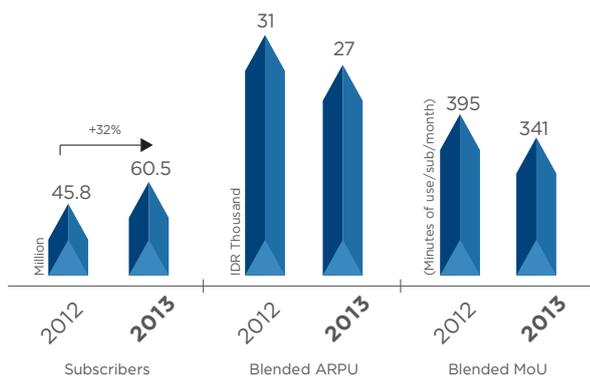
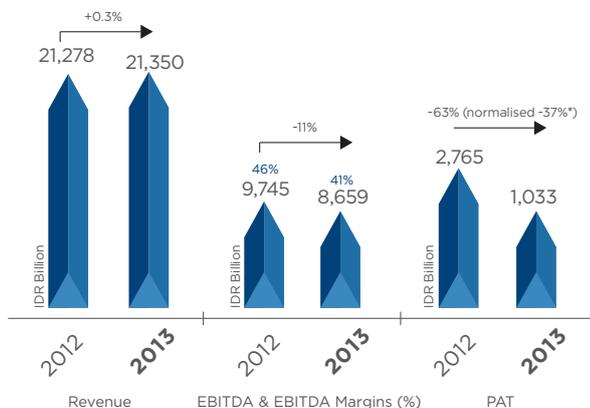
Active Data subscribers  
now at **33 million**  
more than 1/2 of the total base

Enhanced digital services offering  
with a portfolio of  
over **50** services

The second largest  
**3G** coverage in Indonesia,  
adding 15% more 3G base stations in 2013

Network upgrades and trials  
make XL  
**4G LTE** ready





\* Normalised PAT - excludes unrealised forex transaction and accelerated depreciation

**Business Review 2013**

After recording exceptional growth for the past seven years, 2013 proved to be a challenging year for XL due to competition and changing industry dynamics. Despite this, with the execution of key repositioning strategies, XL recorded revenue growth driven by strong data traction in Indonesia.

Data remains the fastest growing segment, increasing 16% YoY, contributing 23% to usage revenue compared to 20% in the previous year. Non-voice revenue (data, SMS and digital services) contributed 54% to total usage revenue, an increase from 50% a year ago. In addition, data traffic saw high growth of 142% YoY with data subscribers reaching 33 million or more than half of the total base. XL recorded customer growth of 32% YoY and ended the year with 60.5 million subscribers.

**Big on Data**

With more than half of its subscriber base actively using data, XL saw smartphone users reach 10.2 million or 17% of its total base.

XL's revenue composition continues to reflect consumer communication trend which is becoming increasingly data-centric. Over the last three years, XL has focused all its business transformation strategies to capitalise on the demand for data. Key transformation strategies were channelled towards building a new-generation data strong network, including being 4G LTE ready, and providing the best mobile data and digital services for its customers.

**Network Modernisation and 4G LTE Readiness**

Investments in data infrastructure continued in 2013 to ensure quality of services, XL rolled out 15% more 3G base stations from the previous year. In addition, XL continued its efforts to upgrade its network through modernisation in majority of 2G and 3G sites across Indonesia, to deliver better network speed, capacity and improve cost efficiency.

Overall, XL rolled out 5,494 new BTS in 2013, bringing the total number of 2G and 3G BTS to 44,946. XL's node Bs in selected areas are DC-HSPA+ enabled which provides fast Internet access to subscribers with speeds of up to 42 Mbps.

Coverage for its 2G network is now more than 90% and 3G network is more than 40%. From a capacity point of view, total capacity for 2G is now 7.75Gbps and total capacity for its 3G network is 226.02Gbps. The BTS are also located strategically for easy traffic management without affecting network quality.

During the APEC Summit in October 2013, XL conducted successful trials to gauge its readiness to provide LTE services. Aside from having its network ready for the eventual rollout of 4G LTE in Indonesia, XL has been preparing and gearing itself towards supporting the ecosystem for 4G LTE. This include the regulatory sector requirements, supporting industries such as affordable handsets that support 4G LTE technology, and a creative industry that will supply innovative content.

### Data-centric Products and Services

As data growth and smartphone adoption in Indonesia steadily increases, customers are also starting to have higher expectations for better services and more non-traditional services with more offerings at affordable prices. To meet this demand and expectation, XL introduced a host of data-centric products and services in 2013.

One of its most attractive and successful campaigns to increase data adoption and usage was the introduction of an innovative data entry package called 'XL Bebas'. This is a starter pack where new subscribers top-up a minimum of IDR5,000 per month to enjoy 75Mb of data for free every month for 6 months.

Social media is often seen as one of the main motivators for the rapid growth of data in Indonesia. To enhance its customers' social media experience, XL introduced "myXL store", a service that integrates customers' social networking accounts to XL's selfcare portal. myXL which allows subscribers to use their Facebook accounts to access their XL information such as their profile information, Internet package and pricing details, and remaining balance. Customers can also purchase other services using the portal.

Similarly, XL also collaborated with popular social media channels such as WeChat and KakaoTalk to offer special data packages that allows XL users to use the applications at affordable tariffs. These collaborations have strengthened XL's position in providing the best in social networking packages for its customers.

**Gratis Internetan 1 Tahun**  
Tanpa syarat

Untuk memainkan

**RUMAHNYA ANDROID**

Photography Music Games

**Beli**

Paling cocok buat semua hape Android

Powered by **HOTROD 3G+**

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**Bebas Internetan 6 Bulan**  
Plus **Nelpon Sepuas-puasnya**

**Bonus Pulsa Rp. 5rb** cukup daftar KakaoTalk

**Beli Perdana Bebas sekarang!**

Syarat dan ketentuan berlaku www.xl.co.id | Periode mulai 23 Mei 2013  
XL Contact Center: 817 (Rp 350), (Call) atau 021-57929817 - 08178617707 (Berbayar)

## Digital Services

Over the last two years, XL started reviewing adjacent businesses to complement its core services. Taking advantage of the advanced network that XL has built to support its data ecosystem, XL has been pioneering and enhancing the digital services experience in Indonesia, introducing several new and innovative products in the areas of D-Entertainment and Advertising, M-Payment, M-Banking, M2M, Cloud services and online shopping.

In 2013, XL Digital Services expanded its partnership with major industry players in building the ecosystem with more than 6,000 partners. XL now carries a portfolio of more than 50 solutions which are available to both consumers and corporate clients. XL currently provides digital solutions to more than 300 corporate clients.

XL Tunai, its money remittance and payment service has now expanded its services to allow online shopping, utilities payment, airline ticket purchases and many more.

The service was also ranked the second most popular e-money service by leading banking magazine, InfoBank at its Digital Brand Awards. The win is a testament that XL Tunai is widely acknowledged by customers and the banking industry as a superior product, setting XL apart from its competition in the digital services space.

XL also launched its location-based digital advertising service, AdReach in 2013. AdReach collaborated with other mobile operators in Indonesia to deliver commercial mobile advertising campaigns from several leading consumer products and brands.

The company continues to develop new platforms in M2M solutions to cater to the demands of its corporate users. As a result, XL's M2M services saw significant growth in the number of connections, increasing to more than 460,000 connections in 2013. In late 2013, XL launched its online shopping service, Elevenia, a joint venture with Korean-based SK Planet, to offer a host of popular consumer products.

## Sales and Distribution

In 2013, XL implemented its best-in-class distribution initiative to enhance its distribution channels. XL continued to partner with its best-performing dealers, providing them exclusivity in managing the distribution of XL products in designated cluster areas.

As of end 2013, XL had 116 dealer partners responsible for managing 238,159 independent retail outlets across 132 cluster areas. XL also had more than 70,000 non-traditional retail outlets with Mobile Data Service (MDS) modern channel dealers, responsible for managing over 1,175 modern channel outlets. XL increased its retail outlet participants for selling data package from 2,500 at the beginning of 2013 to 75,000 at the end of 2013. Apart from expanding its dealer network, the company also grew its own retail stores 'XL Centre' by 118 in 2013.

**Internet Tercepat**

# Bebas Semauku Kuota Berlimpah

Pilihan Paket Internetnya:

Gaul		
Harian	Rp. 500	2 MB
	Rp. 1ribu	5 MB
	Rp. 2ribu	15 MB
Mingguan	Rp. 10ribu	200 MB
Bulanan	Rp. 5ribu	100 MB
	Rp. 25ribu	600 MB
	Rp. 49ribu	1.5 GB
	Rp. 99ribu	3.6 GB
SuperNgebut & Begadang		
Bulanan	Rp. 25ribu	5 GB
	Rp. 49ribu	11 GB

**Pake XL Bebas & mau NOAH konser di kotamu?**  
Ayo vote sekarang!

KLIK DAN BUKA

KLIK KOTA PILIHANMU DIPETA

JAWAB PERTANYAAN UNTUK MENAMBAH POIN KOTA PILIHANMU

PERHATIAN

Dapatkan hadiah merchandise NOAH, pulsa dan gadget setiap harinya!

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Konten NOAH lainnya di \*123\*800# atau klik <http://m.musik.com/noah>

### Enhancing Customer Service

XL recognises the need to provide superior service quality to its growing customer base. The company has always aimed to ensure excellent end-to-end customer experience resulting in a reduction in complain rates by as much as 3% from the previous year. XL conducted a Net Promoter Score Survey (NPS) to evaluate XL's customers satisfaction levels and if they would recommend XL to others.

XL showed significant improvement in the NPS Survey with the NPS index going from -10 in 2012 to +20 in 2013. XL also received several industry accolades for its customer service, and contact centre management during the year.

### Financial Performance

Despite the challenges in 2013, XL recorded revenue of IDR21.4 trillion, a growth of 0.3% YoY driven by its data segment which grew 16%. Usage revenue increased by 1% to IDR16.6 trillion, contributing 78% to total gross revenue.

In 2013, EBITDA decreased by 11%, totalling IDR8.7 trillion whilst EBITDA margin declined to 41% from 46%. This was mainly due to the introduction of SMS interconnect and expansion of the data infrastructure on a lease model thus impacting infrastructure costs and full year impact of managed services fees. Excluding the impact of SMS interconnection, EBITDA margin in 2013 stood at 44%. Despite the challenges in revenue, efforts on cost management helped maintain margins at a stable level throughout the year.

XL achieved a profit of IDR1.0 trillion in 2013. This was lower than 2012, due to continued acceleration of investments in data, which led to higher operational expenses as well as higher accelerated depreciation from the network modernisation project and foreign exchange loss.

Normalised profit for 2013, excluding the impact of foreign exchange transactions, accelerated depreciation, provision of severance payments and its tax impact, decreased by 37% to IDR1.8 trillion.

### Outlook for 2014

XL's acquisition of AXIS is expected to drive industry consolidation and provide better quality service to its customers. More importantly, the additional spectrum will relieve the pressure on XL to build more sites, creating better capex efficiencies.

XL's advantage lies in its technology and network readiness to cater to the surge in data consumption in Indonesia. To date, XL has one of the most advanced core networks in the market with next generation network capabilities. This allows the company to better manage capacity and network operations and is able to scale-up its network features to match the future technology requirements of Indonesian consumers.

With a stronger network that is 4G LTE ready and able to support future technology requirements from data usage, XL is looking to expand its data and digital business further over the coming years. XL believes it has the foundations in place for shaping its future as a leading mobile data service provider.



## Sri Lanka Dialog Axiata PLC

### About Dialog

Dialog operates Sri Lanka's largest and fastest growing mobile telecommunications network. The company is also one of the largest listed companies on the Colombo Stock Exchange in terms of market capitalisation.

Dialog has been at the forefront of innovation in the mobile industry in Sri Lanka since the late 90's, driving the country's mobile telephony infrastructure to a level of advancement on par with the developed world. The company delivers advanced mobile telephony and high speed mobile broadband services to a subscriber base of 8.7 million Sri Lankans via its 2.5G, 3G/3.5G and 4G networks. Dialog was the first service provider in South Asia to launch 3G, HSDPA as well as mobile 4G LTE services.

Dialog provides a comprehensive suite of International roaming services across a global footprint comprising of more than 200 countries, along with a wide portfolio of international telecommunications services, including retail and wholesale international voice and data services. Recently, Dialog became a member of the Bay of Bengal Gateway (BBG) consortium to increase international bandwidth to Sri Lanka with a submarine cable landing point in South Colombo.



Dialog supplements its market leading position in the mobile telecommunications sector with a robust footprint and market presence in Sri Lanka's fixed telecommunications and digital television markets through its fully owned subsidiaries Dialog Broadband Networks (Private) Ltd (DBN) and Dialog Television (Private) Ltd., (DTV).

Dialog is also the leader in the digital services and digital commerce space. With a strategic stake in Digital Commerce Lanka, Dialog has consolidated its strong portfolio of leading Sri Lankan e-commerce properties including Anything.lk, ibuy.lk, and tradenet.lk into one portal, WoW.lk.

Dialog has been ranked first on Sri Lanka's Corporate Accountability Ratings for several years in succession. The Dialog brand has been voted Sri Lanka's Peoples Awards for the most preferred telecommunications brand, Sri Lanka's most valuable brand of the year by Brand Finance and winner of SLIM-Nielsen Peoples Service Brand of the Year, Telecom Brand of the Year, Internet Service Provider of the Year.

Double-digit revenue growth of **12%**

Data revenue grew **59%**, voice revenue grew 8%

Subscriber base hits **8 million**

Launched mobile **4G LTE**

**1st** and only authorised partner for Apple iPhone in Sri Lanka



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The Future.Today. **Dialog**

## Business Review 2013

Dialog closed 2013 with another year of strong market performance and strengthened its position as the market leader in Sri Lanka. During the year, Dialog registered double digit revenue growth of 12% and increased its subscriber numbers by 13% to hit 8.7 million total base.

Data revenue mobile business grew by 59% YoY, whilst voice usage continued to increase, posting robust revenue growth of 8%. Continuous growth in Sri Lanka's high-speed mobile broadband sector saw Dialog chalk up 96% YoY growth to 900,000 subscribers at the end of 2013.

In 2013, Dialog sustained its lead in product innovation by introducing a host of firsts in market mobile products and services. In partnership with leading global payment providers, Dialog launched the first mobile point-of-sale (mPoS) solution on smartphones and tablets in Sri Lanka. Under its Near Field Communications (NFC) portfolio, the company introduced the country's first electronic travel card called 'Touch Travel Pass'.

Dialog secured a 10MHz tranche of mobile 4G LTE spectrum auctioned by the Telecommunications Regulatory Commission of Sri Lanka in March 2013. Dialog was the first operator to launch mobile 4G LTE services in the region.

Further to this, the company upgraded its 3G network to HSPA+ and increased backhaul to cater to exponential growth in data usage. In addition, the company also expanded the number of 3G and Mobile 4G LTE base stations by 25% YoY.

Given its market leadership, Dialog also became the first and only authorised partner and service provider for Apple iPhones in Sri Lanka. At the same time, Dialog became the first operator to launch an operator branded smartphone in the country, making smartphones more affordable for every Sri Lankan.

As Dialog continues to expand and strengthen its mobile network across Sri Lanka, the company entered into an agreement with the Bay of Bengal Gateway Consortium to land a high capacity submarine cable in the south of Colombo. The investment brings the largest capacity of international bandwidth to Sri Lanka to date.

Dialog's international roaming services grew to reach 600 operators in 217 countries around the world. The company enabled its customers to have connectivity at all times, home and away, by expanding its 3G, GPRS and prepaid roaming destinations to 132, 176 and 124 countries and territories respectively.

In July 2013, Dialog was once again the first in South Asia to launch LTE roaming services with an Axiata affiliate company, M1 in Singapore. With this service, Dialog's roaming customers are able to enjoy continuous high-speed data services. This was followed by roaming services with operators within the Axiata footprint and also in Canada, Hong Kong, Saudi Arabia and South Korea.

The company's infrastructure arm, Dialog Tele Infrastructure (DTI) continued to offer passive infrastructure as well as microwave and fibre optic transmission capacity to telecommunications operators and broadcasters. In view of providing high capacity and reliable backhaul transmission services, Dialog expanded its optical fibre network distance by 48%, connecting cities around the country.

By the end of 2013, DTI had 1,426 sharable tower sites with an external tenancy ratio of 1.12 times. DTI continues to be at the forefront of active and passive telecommunications infrastructure service providers in Sri Lanka, serving the Group's vision of augmenting core business revenue streams by alternative revenue streams.

In 2013 Dialog grew its digital services offering considerably. In D-commerce, the company introduced SMS payment vouchers allowing customers to make purchases through mobile phones at various merchants. Dialog consolidated its online properties, Anything.lk, ibuy.lk and tradenet.lk, into one portal called WoW.lk. The portal offers online shopping, daily deals, event tickets and classified advertisements.

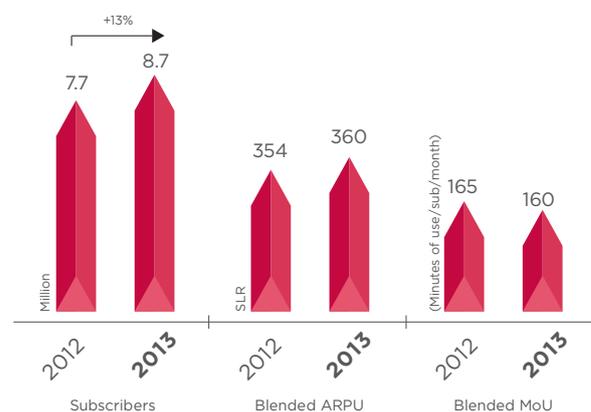
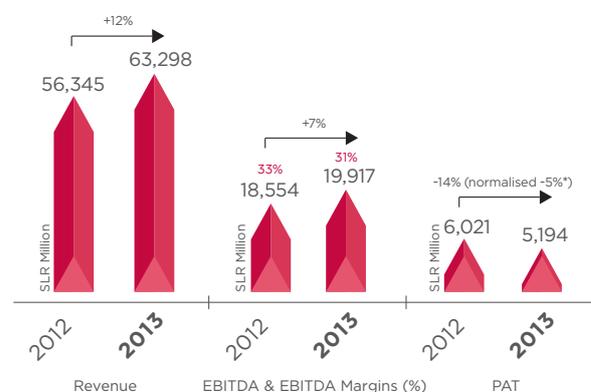
Dialog's fixed telephony and broadband business, DBN, also saw robust growth during the year. It now serves a subscriber base of 477,000. Similarly, its pay-tv business saw a 25% YoY growth in total active subscriber base, reaching over 331,000 households in the country.

## Financial Performance

Dialog demonstrated strong revenue growth across all business segments to record consolidated revenue of SLR63.3 billion, a significant increase of 12% compared to 2012.

Underpinned by the positive revenue and continued operational improvements, the company posted 7% growth in EBITDA at SLR19.9 billion. EBITDA margin declined marginally by 1.5 percentage points to 31.5%. PAT declined by 14% due to revenue-based tax provision of SLR1.1 billion.

In light of Dialog's strong performance, the Board of Directors of Dialog announced a cash dividend of SLR0.29 per share to shareholders, 45% of consolidated income for 2013. The dividend is subject to Dialog shareholders' approval.



\* PAT normalised for translation forex loss SLR731 million in 2013 as well as translation forex loss of SLR2,176 million, deferred tax reversal of SLR2,277 million, and Suntel acquisition related cost of SLR343 million in 2012

## Outlook for 2014

Sri Lanka's telecommunication market will continue to be competitive in both voice and broadband services. The high-speed broadband service sector demonstrates substantial growth potential considering the relatively low penetration level in the country. Growth in traditional telecommunications services such as voice and SMS will be overshadowed by the exponential growth in data services. However, voice and SMS revenue would continue to be a significant contributor of the operators' revenue portfolios.

With its industry leading 3G and 4G networks in operation, Dialog is well positioned to seize the market opportunities in broadband and innovative products and services. 2014 will see Dialog fortifying its position as the leader in digital services in the country.



## Bangladesh Robi Axiata Limited

### About Robi

Robi, the most dynamic and fastest-growing telecommunications operator in Bangladesh, has been developing its services to meet increasing customer needs, ranging from voice and high-speed Internet services to tailor-made telecommunications solutions. Robi is a joint venture company between Axiata Group Berhad of Malaysia and NTT DoCoMo Inc. of Japan. It commenced operations in 1997 as Telekom Malaysia International (Bangladesh) with the brand name 'Aktel'. In 2010, the company was rebranded 'Robi' and changed its name to Robi Axiata Limited.

Robi's services support 2G and 3.5G voice, CAMEL Phase II & III and 3.5G Data/GPRS/EDGE/HSPA services with high-speed Internet connectivity. Its GSM service is based on robust network architecture and cutting edge technology. The company has the widest international subscribers to roaming coverage in Bangladesh, connecting 400 operators across more than 150 countries. Robi's customer-centric solutions include value-added services (VAS), quality customer care, digital network security and flexible tariffs.

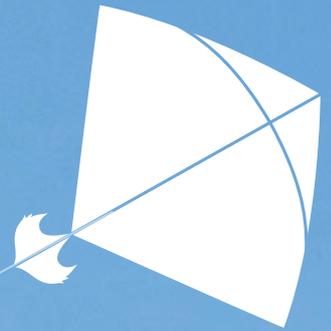
As a subsidiary of Axiata, Robi draws from the international expertise of Axiata, using leading edge technology to provide the best-of-its-kind services in Bangladesh, covering almost 100% of the population. Robi is committed to providing the best data and voice quality, and will continue to ensure that its subscribers enjoy the best experience through leading edge technology, and innovative products and services.

Strong  
**16%** YoY revenue growth

Emerged as  
**no. 2** player in  
revenue market share

First to launch  
**3.5G**  
network in Bangladesh

Asia Pacific **Emerging Market  
Service Provider** of the Year  
Emerging Market Initiative of the Year  
for m-Insurance product



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**আমরা  
রেডি সবাই**

টর্নেডোর মেয়ে  
অনেক বেশি শক্তিশালী আমরা

ইচ্ছে ছিল আমায়ও,  
ওদেরও...

একটি মডেল হল  
উভে সব স্থান

সবাই মিলে হাত লাগালে  
মিলে যায় দুই স্থান

কেই ভিজবে, কেই ভিজবে না  
কে বসে বসে না

**রবি**  
an asutaka company

যেটা একটা জননে কাজেই হতে পারে হাজারো জননে কাজের অনুপ্রেরণা।  
আর তা স্বাক্ষরে দিতে দেশজাতক স্কিমের নেটওয়ার্ক এবং মেগা সব সুবিধা নিয়ে  
প্রতি রেডি আছে সবসময়, সবখানে।

রবি  
ক্লাসে ইকন জ্ঞান পরিচি

**Business Review 2013**

2013 was a year of strong business performance at Robi. The company saw double digit revenue growth, strong EBITDA margins and its highest PAT despite operating in an increasingly competitive market and challenging business environment.

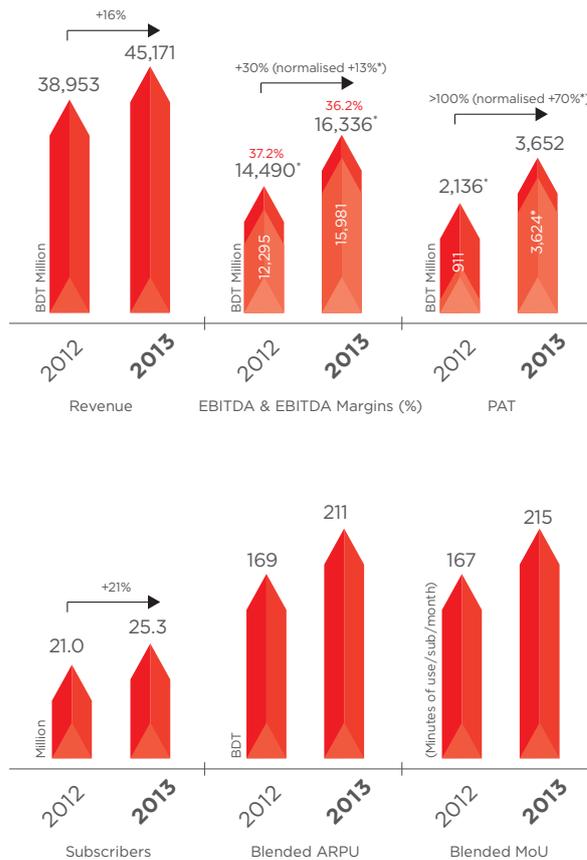
Robi ended the year with 22.3% subscriber market share, a 25.4 million active subscriber base, gaining about 1 percentage point YoY. Robi also recorded the highest subscriber market share gain among the top three players, with a 0.7 percentage point increase.

Robi took a focused and strategic approach in its acquisition drive and win-back campaigns to gain and win market share. This was well executed through a strong tactical approach of innovative value propositions, enhanced distribution, and aggressive marketing campaigns. In 2013, Robi's Revenue Generating Base (RGB) grew 19% and add-back grew by 53%. Furthermore, gross activation increased by 22% from 2012.

Throughout the year, Robi kept its focus on customer-centric value propositions. Its popular 'ghechang' campaign with attractive call rates was hugely successful in driving usage, whilst its 'ghechang store', an easy to use one-stop online store introduced innovative campaigns to further drive customer acquisition and loyalty.

Competing in a challenging telecommunications environment, Robi had to increase market presence through aggressive advertisements, trade marketing and ground level activities, such as distribution and retail engagements.

Distribution efficiencies and improvements were made to increase Robi's outlet base by 31% in 2013. In line with the market dynamics, Robi increased its Point of Sales (POS) base in key and strategic market areas by 21% and 40% respectively.



\* Normalised EBITDA and PAT exclude SIM tax reduction, late payment fees, forex and swap losses

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মন থেকে চাইলে  
সবই সম্ভব

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নিম্নল ভাইয়ের মোবাইল মূল

অতিরিক্ত ক্রিয়াকর্ম মোবাইল ডেজার

ব্যস্ততা অকারণেই, কিন্তু মন থেকে চাইলে আমরা সবাই করে দেখাতে পারি এমন অনেক কিছুই। বিস্তৃত নেটওয়ার্ক আর সেরা মূল্য সুবিধা নিয়ে রবি পাশে আছে সবসময়।  
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 an axiata company

কুলে উইথ অংশ পছিন্ডে

## Business Review

Robi increased its “Retailers per Lakh” ratio by 24% in 2013, by expanding the accessibility of products and services through its sales channels, pushing its direct sales representatives’ productivity up by 9% across Bangladesh. Robi’s Active Easy Load outlets increased by a healthy 20% during the period and rural distribution officers accounted for a strong 42% growth in adding new outlets to the base.

In terms of brand health, 2013 saw a 10% growth in brand first timers, thus increasing the user share by 7%. Consistent and single-minded brand communication propelled Robi’s brand awareness by 9% in the same period.

Significant improvements were also made in Robi’s customer service. During the year, the company saw a 42% reduction in average wait time and a 51% drop in call abandoned rates at its call centre. This helped to push its overall service levels by 20%. Robi Service Desks, its service touch points across Bangladesh, increased by 8,000 during the year, marking a significant service channel growth for the company.

In 2013, Robi signed several strategic partnerships to provide loyalty benefits to its subscribers. This included, partnerships with the British Council/Care International and leading local NGOs along with several consumer brands to strengthen Robi’s loyalty programmes.

Robi continued its investments on its network throughout the year to enhance voice and data quality as well as network capacity. Robi currently operates its nationwide network with more than 6,300 base stations.

In September 2013, Robi became the first operator to launch 3.5G services in Bangladesh. The company is currently working to aggressively roll out its 3G network across its target market.



### Financial Performance

2013 was a strong year for Robi with exceptional results in all its financial indicators. The company exceeded all its financial targets for the year with a strong 16% and 30% growth in revenue of BDT45.2 billion and BDT15.9 billion EBITDA respectively. This was mainly from strong voice and non-voice revenue growth, combined with efficient cost management through structured and organisation-wide initiatives.

2013 marked the highest yearly PAT for Robi as a result of strong revenue growth as well as effective bottom-line management. Although continuous investment in network and operations has increased pressure on depreciation and amortisation, management of non-operating expenses and substantial reduction in interest expenses have contributed to PAT development over the year.

Revenue growth of BDT6.2 billion was driven by voice and interconnection revenue. A 70% growth in data revenue was driven by small screen data packs, 47% growth in VAS revenues driven by content and 'ghechang' store campaigns, as well as 85% growth in revenue from wholesale business.

EBITDA margin for the year 2013 was 35.4%, a 3.8 percentage point improvement from last year. This was mainly attributed to revenue growth and opex management. In the national budget for 2013-14, the Government had reduced SIM tax from BDT605.32 to BDT300, with effect from 16 May 2013. This resulted in reduced subscriber acquisition costs. Similarly, increase in market spending and network maintenance was offset by cost savings from all other controllable areas.

At the end of 2013, Robi had established itself as a strong number two player in Bangladesh in terms of revenue market share with a 3 percentage point share gap.

### Outlook for 2014

With the 3G business coming into play as a major competitive factor in 2014, rollout of network, new product innovation, and tactical campaigns will be critical for all operators to keep the growth momentum. There is market hype on 3G services and Robi will have to monetise on this opportunity in order to maximise return on investment.

However, the voice market is still expected to dominate the growth curve whilst operators go further down to the bottom of the pyramid. In this environment, market growth is expected to be at mid-high single digit levels. Despite the fact that top-line growth will be voice dominated, substantial investments in the 3G network and data capacity is also necessary to cope with market demand for data moving forward. Robi plans to continue to invest in the market to expand its network capacity.

In 2014, Robi also plans to continue to monitor its cost management to ensure a healthy bottom line for its shareholders. Efficient fund management also plays a vital role in contributing to bottom line enhancement.





## Cambodia

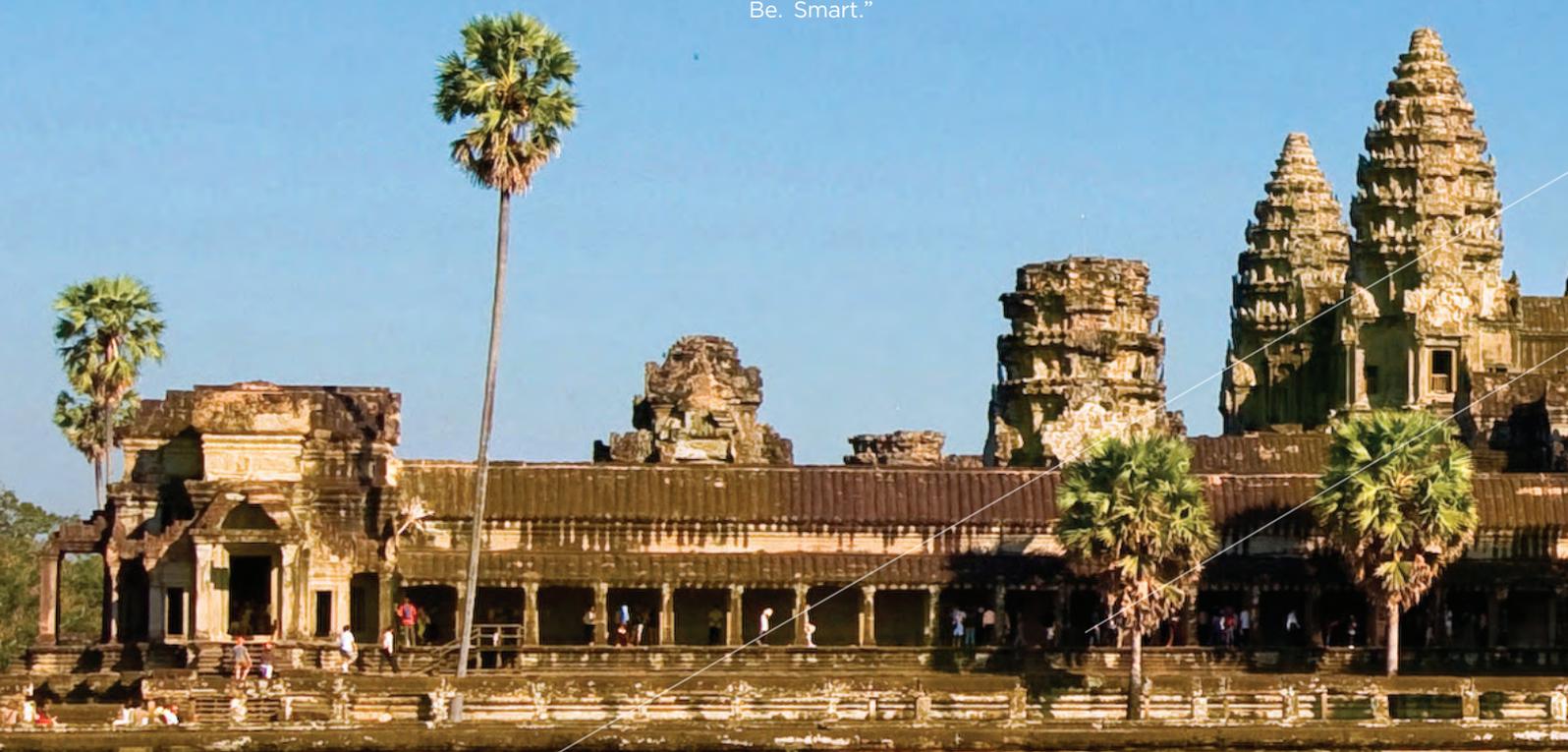
### Smart Axiata Co., Ltd.

#### About Smart

Smart is Cambodia's second largest mobile telecommunications company serving over five million subscribers under the 'Smart' brand. In January 2014, Smart launched its 4G LTE network and became the first mobile operator in Cambodia to provide true 4G services. Smart also provides 2G, 2.5G, 3G and 3.75G mobile services, supporting the very latest in multimedia and mobile Internet services as well as international roaming across more than 150 countries. Its extensive nationwide network coverage is available in all 24 provinces in Cambodia.

The Smart of today became part of Axiata after the strategic merger of Latelz Co., Ltd., operating under the brand Smart Mobile, and Hello Axiata Company Limited, with its Hello brand, in early 2013. In order to reflect the merged brand also in the corporate appearance, the company formally renamed itself from Latelz Co., Ltd. to Smart Axiata Co., Ltd. with effect September 2013.

The company's workforce consists of more than 800 people including local and foreign experts. Smart is committed to its customers, employees and the people of Cambodia in delivering its promise of improving their lives. "Live. Life. Be. Smart."



Revenue growth and EBITDA grew

**>100%**

# Successful merger

brings significant synergies and strengthens market competitiveness

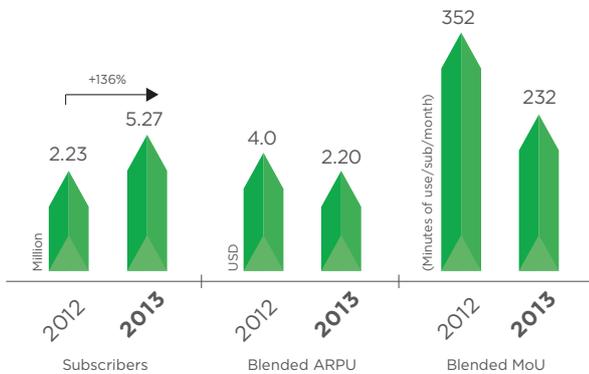
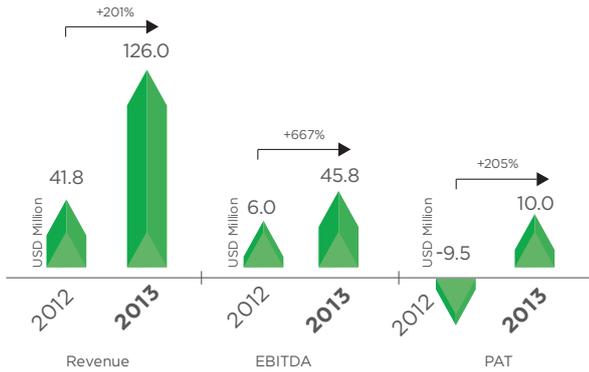
First to launch

**4G**

in Cambodia



# Business Review



**Note:**  
2012 figures are based on Hello Axiata Company Limited



## Business Review 2013

Upon completion of the merger between Latelz Co., Ltd. and Hello in February 2013, Smart emerged as the second largest operator in Cambodia with a customer base of over 5 million. The months following the transaction completion saw a period of intense integration of the two companies and its networks to operational efficiencies with a strong focus on competing in the market. The successful merger brought significant synergies and strengthened Smart's market competitiveness.

Smart closed the year with a strong 201% revenue growth in 2013, despite operating in a crowded and highly competitive eight player market with all operators targeting the same mass segments. The company strived to become a market differentiator which was achieved through several first mover initiatives as well as campaigns within specific segments for faster acquisition.

Smart remained firm in its efforts to provide affordable mobile products and services to Cambodian subscribers. In 2013, Smart made telecommunications services more affordable with products and promotions such as SmartLaor and Smart Xchange, exciting VoIP packages for international calls as well as a vast array of VAS such as SmartLoan, iCall uPay, 3G Box or Smart Box.

Smart continued its focus in growing its subscriber base even during the integration process with support from its extensive distribution and dealer networks. Through its attractive promotions and targeted campaigns for the youth and urban segments, Smart fostered its market leadership in the youth segment as well as lifted Smart to be the biggest Internet provider in Cambodia.

## Financial Performance

In 2013, Smart recorded revenues of USD126.0 million, representing a growth of 201% YoY. Beside the consolidation effect of the merger of Hello Axiata and Smart Mobile, Smart's growth was mainly driven by expansions in the prepaid, mobile data, interconnect and international business fields. Despite the significantly enlarged network and scale, Smart's direct cost and operational costs as percentage of revenue improved from 86% in 2012 to 64% in 2013, driven mainly by the positive synergies realised from the merger.

Similarly, EBITDA significantly improved from USD6.0 million in 2012 to USD45.8 million in 2013. The improvement in EBITDA was on the back of positive revenue growth as well as strict cost control and synergies achieved. As a result, net income of the company also grew by more than 100%.

**Get more with Smart Xchange**

Amount	Get	Activate
\$0.10	\$0.50	*656*10# ♣
\$0.20	\$2.00	*656*20# ♣
\$0.50	\$7.00	*656*50# ♣
\$1.00	\$15.00	*656*100# ♣
\$2.00	\$30.00	*656*200# ♣

The Xchange packages can be used for calls, messaging within network and standard network.

More info: 888 or 010 200 888  
an axiata company | www.smart.com.kh

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## Outlook for 2014

Given the challenges arising from the high levels of competition in the market and in the absence of a strong regulatory and legal framework, the Cambodian government has established a telecommunications regulator, Telecommunications Regulator of Cambodia (TRC).

Together with the Ministry of Posts and Telecommunications of Cambodia (MPTC), TRC plays the role of policymaker and has been tasked to regulate the sector, primarily by updating the rules and regulations, managing disputes between licence and introducing reforms in spectrum management, licencing and interconnection. The industry sees this move as a positive one for the growing Cambodian market.

Given the continuous growth of data connectivity demand and based on Smart's enlarged network, overall brand popularity and innovation drive including the market introduction of 4G LTE, and despite several uncertainty factors related to the economy outlook in Cambodia as such, the regulatory environment as well as the lively competition, Smart is cautiously optimistic to set forth in 2014 the delivery of strong results and does accordingly expect a further growth of the company's revenues.

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## India

### Idea Cellular Limited

#### About Idea

Idea is an Aditya Birla Group company, India's first truly multinational corporation. The group operates in 36 countries, with more than 136,000 employees belonging to 42 nationalities. Idea is a publicly listed company, listed on the Bombay Stock Exchange and National Stock Exchange.

Idea is India's third largest national mobile operator, with an annual revenue of over USD5 billion and revenue market share of over 16%. With traffic in excess of 1.75 billion minutes of use per day, it ranks among the top 10 country operators in the world.

Idea is a pan-India integrated GSM operator offering 2G and 3G services, and has its own national long distance (NLD) and international long distance (ILD) operations, and an Internet Service Provider (ISP) licence. Idea's robust pan-India coverage is built on a network of 121,504 2G and 3G cell sites, spread across 7,327 towns and 337,056 villages. Using the latest technology, Idea provides world-class service delivery through the most extensive network of subscriber touch points, comprising of over 5,800 exclusive Idea outlets. Idea's strong growth in the Indian telephony market is supported by its high penetration in non-urban and rural markets.



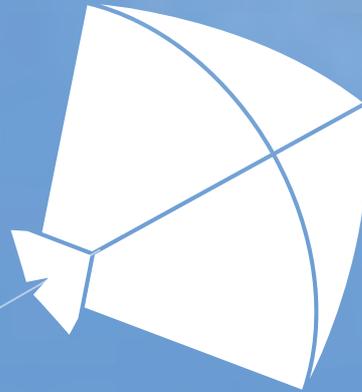
CAGR of **21%** in revenue,  
higher than the 12.5% of the industry

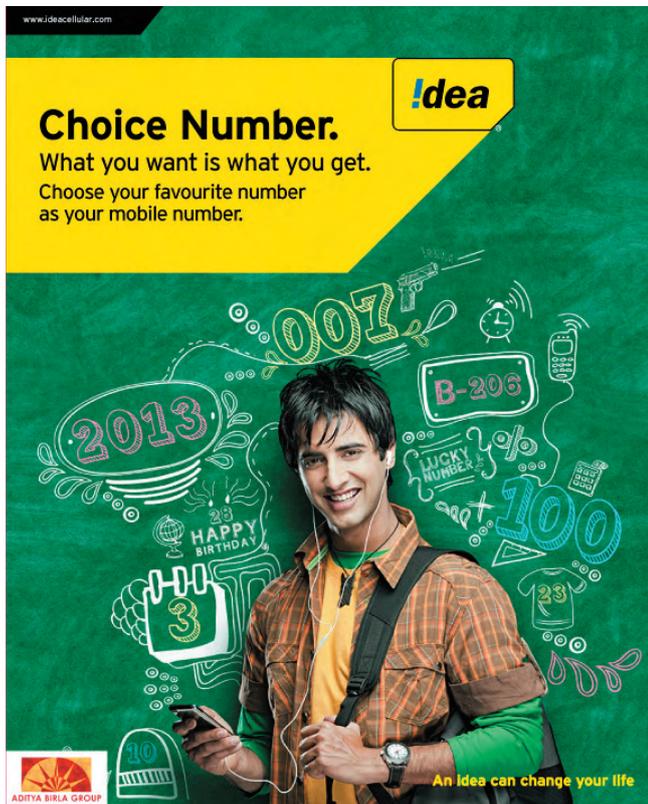
**3rd** largest mobile operator in India,  
both in terms of revenue and subscriber base

**Highest Net Additions**  
resulting in 46% incremental revenue market share

With traffic in excess of  
1.75 billion minutes a day,  
Idea ranks among the

**Top 10**  
country operators in the world.





### **Business Review 2013**

Despite operating in a highly competitive telecommunications market, Idea posted strong performance for the nine months ending December 2013. Idea further consolidated its position, strongly retaining its number three ranking in market share, both in terms of revenue and subscribers. The company grew its revenue market share by over 1% YoY, making it the only operator to record over 1% growth in RMS, and performed better than the industry across all major parameters.

Throughout the year, Idea remained focused on five critical performance parameters, growth in revenue, EBITDA, MoU, VLR improvement, continued growth momentum on mobile number portability (MNP) as well as 3G leadership. Idea performed consistently on each of these parameters and performed better than the industry. Idea also continues to focus on growing its voice business while actively promoting data on both its 2G and 3G networks.

Idea is the only mobile operator in India to offer a wide portfolio of affordable 3G devices which are targeted at first time data users and priced to suit their affordability. Idea entered the devices business two years ago. In 2013, the company saw the strengthening of this segment with the introduction of over a dozen Idea branded 3G smartphones in the Indian market. Last year, Idea announced a reduction of almost 90% in data tariffs to drive data adoption in the country. Idea brought 2G and 3G data tariffs to par, further fuelling data usage amongst mobile consumers.

### **Financial Performance**

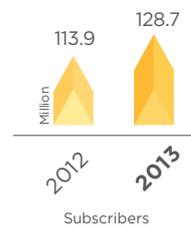
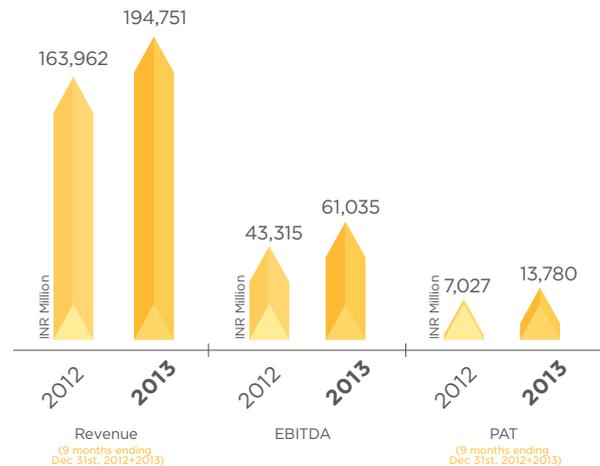
For the three quarters of 2013 (April - December), Idea posted a total revenue of INR194,751 million, which is a CAGR of 21%. EBITDA was at INR61,035 million, while PAT was INR13,780 million.

## Outlook for 2014

The Indian telecommunications industry is now at another inflection point, and Idea is optimistic of better times ahead. The Indian telecommunications regulator has taken initial steps to improve the regulatory conditions.

India is close to hitting the milestone of one billion mobile subscriptions this year. This presents immense opportunity for the government and businesses, to reach out to the entire population of the country, for socio-economic development of the nation. The telecommunications industry has put in place a pan-India infrastructure which enables basic and critical services such as m-commerce, m-health, m-education, and m-Governance which will gain from the mobile broadband boom in India.

Idea will continue to focus on growth from all its key verticals such as voice, 2G and 3G data services, devices, MNP, enterprise business, as well as NLD and ILD.





## Singapore M1 Limited

### About M1

M1 is Singapore's most vibrant and dynamic communications company, providing mobile and fixed services to over 2 million customers. Established in 1997, M1 achieved many firsts, including the first operator to offer nationwide 4G services, as well as ultra high-speed fixed broadband, fixed voice and other services on its Next Generation Nationwide Broadband Network (NGNBN). With a continual focus on network quality, customer service, value and innovation, M1's mission is to link anyone and anything; anytime, anywhere.

The M1 Group holds Facilities-Based Operator and Services-Based Operator licences issued by the Infocomm Development Authority of Singapore (IDA), for the provision of telecommunications systems and services. M1 also has a Telecommunications Dealer's Class Licence, for the import and sale of telecommunications equipment as well as Internet Access Service Provider and IPTV licences issued by the Media Development Authority, for the provision of fixed broadband and MiBox Internet TV services.

M1 operates nationwide 4G, 3G/High Speed Packet Access (HSPA) and 2G mobile networks, capable of download speeds of up to 150Mbps and upload speeds of up to 50Mbps. Through these networks, it provides customers with a wide range of voice, data and value-added postpaid and prepaid mobile services. To cater to its customers' varied needs, M1 offers service plans with a choice of voice, SMS and data bundles.

Launched Singapore's  
**first 4G**  
prepaid mobile broadband

Singapore's **first**  
symmetric upload and  
download residential fibre  
broadband

Unveiled an **enhanced Internet**  
**TV service MiBox**



## Business Review

M1 makes available to its mobile and fixed-line customers International Direct Dial (IDD) services through the 002 and 021 prefixes, as well as an International Calling Card service using the prefix 1818. M1 also trades wholesale voice minutes with other international and local service providers, as well as provides dark fibre services to carriers and data centres. Since September 2010, M1 has been offering residential customers a range of fibre broadband services with speeds of up to 1Gbps, including fixed voice and other value-added services.

In the enterprise segment, M1 offers an extensive suite of mobile and fixed services, managed services and data centre services. It also offers enterprise Software as a Service (SaaS) solutions to meet its customers' business needs in areas such as storage, accounting, and human resources. M1 maintains a dedicated team of enterprise account managers to service the needs of its customers, as well as a technical team that provides support on provisioning and technical-related matters.

### Business Review 2013

The mobile segment remains the main contributor to M1's overall revenue. In 2013, its postpaid mobile segment, which made up 53.6% of its mobile customer base, contributed 86.7% to mobile telecommunications revenue. During the year, M1 added 35,000 postpaid customers growing its postpaid base to 1.13 million, with a 25.0% market share.

Driven by the growth in the adoption of smartphones, faster networks and proliferation of data-centric applications, mobile data revenue continued to grow. Mobile data revenue accounted for 28.9% of mobile services revenue in 2013, compared to 24.1% in 2012. As at end 2013, 49% of M1's postpaid customers had migrated to its tiered mobile data bundles for mobile broadband and smartphone plans launched in September 2012.

M1 continued to work closely with device manufacturers to make new phones, tablets and mobile accessories available to its customers in a timely manner. The company also works with content and services partners to further enhance its suite of fixed products and services. These include the extension of the Mobiroo mobile gaming service for mobile customers, and the launch of the Deezer Premium+ music service.



**ONLY M1 GIVES YOU THE TELCOM EXPERIENCE YOU WANT.**

At M1, we have built our network and services around our customers, so that everyone gets to choose what they want.

Whether it's being the first to offer Fibre Broadband with symmetric upload and download speeds and without an international speed cap, or simply being the first nationwide 4G network, we at M1 aim to give you the best telcom experience.

m1.com.sg



FOR EVERY ONE.

As at end 2013, M1 had 979,000 prepaid customers. This was a marginal decline of 35,000 YoY, due to higher termination of expired cards. Migrant workers form a major segment of its prepaid customer base. To expand its market reach, M1 conducts regular roadshows at high-traffic areas such as heartland estates, shopping malls, and at migrant worker dormitories. The segment's interest in mobile data services has grown, and M1 introduced SunSurf prepaid data plans to enable its prepaid customers to enjoy full mobile Internet experience, with access to instant messaging applications, social media networks, web surfing, email, and music and video streaming services.

Fibre services continued to gain traction with customers in 2013. Efforts to drive take up of fibre broadband services saw M1 add 33,000 customers in 2013, increasing its fibre customer base to 85,000.

In May 2013, M1 launched Singapore's first residential fibre broadband service with symmetric upload and download speeds. This allows customers to enjoy superior usage experience, such as uploading and sharing large files, play games, and stream HD videos, all at the same time.

M1 also introduced MiBox, an exciting new Internet TV service that offers affordably priced video-on-demand entertainment and educational titles, games, e-books and applications in July 2013. The service is targeted at customers who prefer an on demand, a-la-carte model of TV content consumption. Take up of the service has been encouraging, and it will continue to add content to the service.

As at end 2013, there are 15 M1 Shop outlets islandwide, which provide customers convenient access to its products and services. To further enhance its reach and accessibility, M1's products and services are also distributed through a number of exclusive distributor outlets.

M1 continued to focus on customer service excellence in 2013. In recognition of its adoption of a holistic and systematic approach to provide service excellence, M1 Shop achieved the Singapore Service Class (S-Class) certification from SPRING Singapore in March 2013.

The company continually invests in upgrading and modernising its networks to further enhance the performance and reliability of the mobile and fixed services delivered to customers. In 2013, M1 committed SGD120 million to upgrade its networks.



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At M1, we have built our network and services around our customers, so that everyone gets to choose what they want.

Whether it's being the first to offer Fibre Broadband with symmetric upload and download speeds and without an international speed cap, or simply being the first nationwide 4G network, we at M1 aim to give you the best telcom experience.

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FOR EVERY ONE.

# Business Review

## Financial Performance

M1's service revenue grew 6.3% YoY to SGD819.8 million. Operating revenue declined 6.4% to SGD1.0 billion due to lower handset sales. Revenue from non-voice services for 2013 grew 4.0 percentage points YoY to 41.6% of service revenue, driven by growth in mobile data usage. Fixed service revenue increased 28.0% to SGD61.6 million, driven by a larger customer base.

Net debt-to-EBITDA for the company was lower YoY at 0.6 times, with net debt at SGD195.5 million compared to SGD260.4 million in 2012. M1's net PAT for the full year grew 9.4% to SGD160.2 million, driven by higher service revenues across both the mobile and fixed segments. Free cash flow for the full year grew 15.5% to SGD176.0 million.

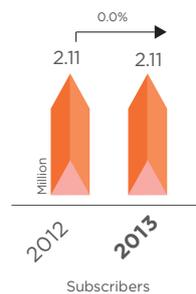
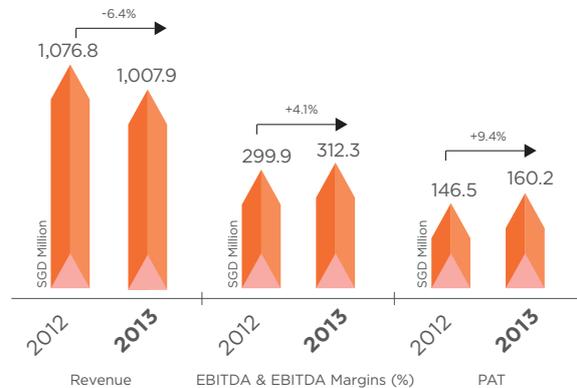
## Outlook for 2014

The global economy ended 2013 on an optimistic note with renewed growth in key markets such as the United States and China. Should the growth momentum be sustained, it will augur well for the telecommunications industry, as it will lead to increased business activity and consumer spending.

In the mobile segment, faster networks, smarter devices and data intensive applications will continue to drive mobile data usage and revenue. Smart devices are an integral part of customers' lives today, and M1 will continue to offer products and services that bring value.

Household fibre penetration grew from 23% last year to about 40% today. With increasing fibre adoption in both the consumer and enterprise segments, there are opportunities for M1 to grow its base. The company will continue to enhance its products and services offerings to deliver attractive and effective solutions.

The completion of a purpose-built data centre in the second quarter of 2014, as part of M1's existing building extension, will enable the company to further meet the needs of its enterprise customers in areas such as managed cloud services, co-location and hosting services, and disaster recovery services.





THAILAND  
SAMART I-MOBILE  
PUBLIC  
COMPANY LIMITED



PAKISTAN  
MULTINET PAKISTAN  
(PRIVATE) LIMITED

### About SIM

Samart I-Mobile Public Company Limited (SIM), a company listed on the Stock Exchange of Thailand (SET), is a majority-owned subsidiary of Samart Corporation Plc.

SIM offers instant wireless information services and mobile content, along with the distribution of mobile phones and accessories. Its business operations are divided into three core segments: mobile business, multimedia business and Mobile Virtual Network Operator (MVNO).

### Financial Performance

For the year ended 31 December 2013, SIM recorded total revenue of THB10.3 billion, and net profit was THB0.8 billion.

### About Multinet

Multinet is a leading independent telecommunications solution provider in Pakistan, operating a nationwide optical fibre cable network, connecting the major cities across Pakistan. The network enables Multinet to offer multiple and leading edge business services solutions for the carrier and Enterprise B2B segments such as point-to-point data connectivity, domestic and global Multi Protocol Label Switching (MPLS), broadband data, two-way video, data centre facilities and secure bandwidth solutions for businesses. Over its 10 year history, the company has transformed and grown to become a successful enterprise with a workforce of over 750 telecommunications professionals with a blue chip carrier client portfolio, both domestic and international. The Multinet team has an unbeaten track record of consistently delivering better than 99% availability and uptime. The key to Multinet's success has been its unshaken B2B focus and its vision to be the leading IT/infostructure company in Pakistan.

### Financial Performance

For the financial year ended 31 December 2013, the company recorded a revenue of PKR7.0 billion and EBITDA of PKR2.2 billion.



The background of the slide is a photograph of a festive display. On the left, there are colorful streamers and tinsel. In the center, a display case contains various products, including what appears to be a red chili pepper. The right side of the image is dominated by a large, bright pink geometric shape that overlaps the photograph. The text 'New Business Units' is overlaid on the photograph, with 'New Business' in white and 'Units' in pink.

# New Business Units

# Telecommunications Industry Outlook

The mobile industry is evolving rapidly, touching almost every aspect of the consumer's daily life and operations. The overall market environment is changing fast, and thus driving a change in customer behaviour vis-a-vis telecom services, which subsequently impacts the business and operating models of telecommunications companies the world over, and Axiata in certainly no exception.

Since the launch of the smartphone more than five years ago, the telecommunications industry and the way it operates has been changing rapidly, as smartphones have created an incredible platform for large and small application developers alike to create new opportunities. As such, we are seeing voice revenue slowly tapering off, while SMS revenues have started to drop. Alongside this, data continues to grow exponentially as new technologies and spectrum availability evolve to further enhance the speed, capacity and efficiency of data networks.



The digital data revolution in our markets is now at the inflection point with the ecosystem of high-speed networks, smartphones, and applications in place. Asian smartphone penetration may rise substantially faster than growth rates for Europe and from a lower base in Axiata's markets. According to Informa Telecoms & Media, smartphone connections compound annual growth rate (CAGR) for 2012 to 2017 for Asia Pacific developing countries is 19% against 13% for Western Europe. Similarly, the market structures in Asia are often more favourable to enable ARPU accretion upon smartphone adoption. This bodes well for the Group given our footprint and strategic investments in the past few years. In 2013, Axiata's data revenue, contributed 18% of total revenue, and is expected to be 20-30% by 2015. Numerous new applications and services are being developed each day to generate more demand. For telecommunications companies, many adjacent services, such as m-payment, m-advertising, machine-to-machine applications, are offering new opportunities for growth.

We expect to continue to face challenges from the changing marketplace, new and existing competition and adverse regulatory and global economic conditions. Competition with existing and new OTT players is expected to remain tough and will continue to emerge as substitution to our services, as voice and SMS in maturing markets are declining. The regulatory environment in our markets continues to be demanding, though we have seen new and positive developments.

These factors have made the industry outlook conversely challenging and full of opportunities at the same time. To capture these opportunities, we will transform our traditional core business to adapt to the new challenges, manage our operational cost, invest aggressively in data and moderately in new digital services, while adapting to specific country situation depending on the market maturity, regulatory condition and economic condition. At the same time, we will continue to pursue inorganic growth opportunities, primarily focusing on in-country consolidation.



### **Axiata's Strategic Objective**

In its pursuit of becoming a regional champion by 2015, Axiata has identified key revenue growth opportunities and cost management initiatives that would effectively transform its business into a new generation telecommunications company.

One of Axiata's new strategic approaches is to improve capital and operational efficiencies of its largest assets – its infrastructure network. This brought about the establishment of edotco Group (edotco), its new communications infrastructure solutions and services company in 2013. edotco will also be generating new opportunities for the Group by providing best-in-class infrastructure solutions for telecommunications operators and other businesses.

Given its network of over 13,000 sites in Malaysia, Bangladesh, Cambodia and Sri Lanka, and 12,000km of fibre network in Pakistan, edotco is one of the largest

independent telecommunications passive infrastructure companies in Southeast Asia and amongst the top 10 largest network infrastructure companies globally.

In addition to managing Axiata's extensive passive network for operational efficiencies across the Group, edotco provides end-to-end infrastructure solutions and services to telecommunications and non-telecommunications operators, diversifying Axiata's revenue stream.

With a portfolio that includes towers, energy, transmission, operations and maintenance, edotco is focused on providing environmentally conscious energy solutions and innovative products that ensure the lowest total cost of ownership to its customers. edotco will also be providing a first-of-its-kind regional accessibility to its customers within an infrastructure presence in five countries within Asia with a vision to further expand within the region.

## edotco's products and services include:



### towers

offering speed-to-market and reach in multiple countries in Southeast Asia with different structures and heights to meet network requirements.



### roof tops

for strategic end-to-end coverage in all major cities within our markets.



### in building solutions (ibs)

an extensive list of sites in all operating countries for enhanced coverage inside high-rise structures or in large commercial complexes.



### transmission & last mile connectivity

end-to-end solutions with extensive fibre and microwave connectivity to our sites to accommodate current and future broadband technology.



### energy

environmentally sound and innovative solutions that protect the network from interruptions during power outages, allowing focus on core business.



### regional tower operations centre (rtoc)

state-of-the-art 24/7 operations and maintenance centres using modern remote monitoring solutions so that status of sites can be checked and necessary actions can be taken.



### services

a dedicated service team to ensure that leasing solutions are delivered on time and that customer experiences are satisfactory. Teams also facilitate safe, reliable, compliant and environmentally sound engineering and operations solutions for customers.

## Green Solutions for the Future of Telecommunications

The vision of edotco is to enable communications in a responsible manner. In doing so, the company has identified energy-saving solutions on its networks for the customers it serves. Innovative and forward-thinking solutions are being developed by edotco to promote green business practices. These include:

### Design and Construction

- o Using composite building materials to create structures that are durable and green.
- o Designing and constructing telecommunications towers in accordance with the health and safety standards.
- o Leasing antenna space to other wireless service providers.
- o Equipment efficiency.

### Renewable Energy

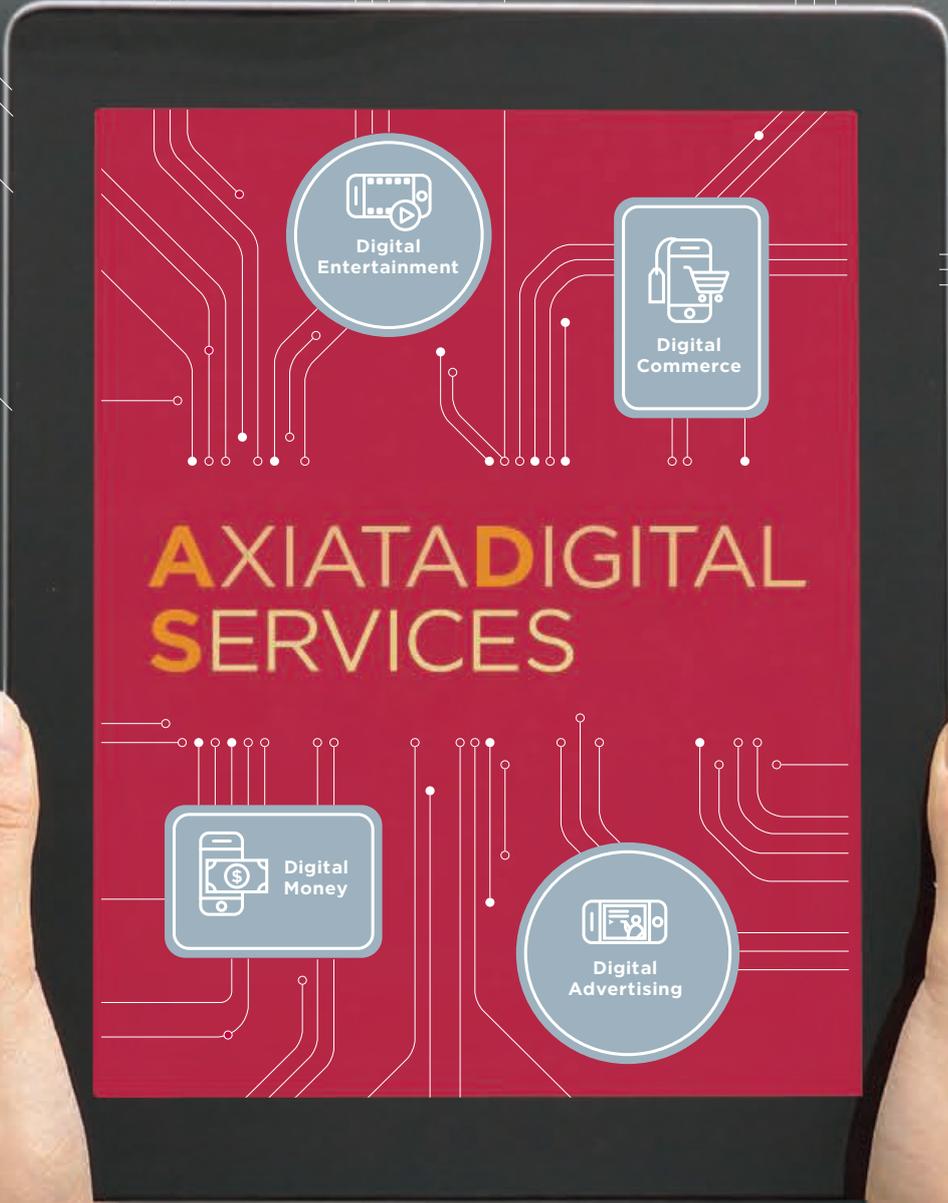
- o Using solar energy, wind and other renewable sources to power the telecommunications towers.

### Energy Consumption

- o Promoting infrastructure and passive-site sharing among the network operators to reduce the number of masts, which in turn reduces energy consumption.

### Equipment Efficiency

- o Long-term investment on more environmentally-friendly equipment.
- o Thorough equipment checks to enhance the life span of equipment and get optimum usage.



## Axiata's Strategic Objective

The evolution of the communications industry and the shift in consumer behaviour from offline to online led to the establishment of Axiata's digital services unit in late 2012, and further consolidated in early 2014, making the new business area a strategic focus across the Group.

The new business unit was set up to focus on driving new revenues from digital services such as in entertainment, commerce, money and advertising, and is now operating in four of Axiata's markets.

This essentially places Axiata in the same space as OTT service providers, enabling the Group to expand its portfolio of services to cater to online customers on smartphones, tablets and fixed Internet. The move opens up new opportunities to capture increased share of customer wallet and reach beyond Axiata's traditional mobile services and own subscriber base of over 240 million.

Axiata's strategic and measured investments in digital services is important in positioning the Group in the 'Digital World', providing synergies, complementing and evolving its existing business, and paving the way for its transition into a new generation telecommunications company.

In 2012 and 2013, Axiata Digital Services set up the necessary foundations to establish itself as a serious mobile digital lifestyle provider and partner through a systematic approach to ecosystem and organising build. Several milestones were achieved in all areas of focus for the Group during the period.

### Axiata Digital Services milestones for 2012 and 2013:

 <p>Digital Entertainment</p>		<p>Celcom strengthened its focus in digital services via a new venture in mobile personal entertainment through its subsidiary ESCAPE. ESCAPE offers a wide variety of entertainment programmes such as movies, sports and special events that are available on smartphones, tablets, laptops and PCs.</p>
 <p>Digital Commerce</p>		<p>XL launched its online shopping service, Elevenia in early 2014, which offers a host of popular consumer products through an anchor partnership with SK Planet, a subsidiary of SK Telecom. The site had close to 7,000 merchants and over 600,000 products for sale at launch.</p> <p>Similarly, Celcom introduced three new digital-commerce portals Bachabooku, Buzzaar and the Crescent in late 2013. The Buzzaar is an online specialty store that offers delivery of popular regional specialties from all parts of Malaysia to the customers' doorstep. Bachabookuu is an online store providing local electronic books and magazines and the Crescent is an Islamic lifestyle hub offering a variety of products such as an online hijab store and digital content for Muslims.</p> <p>Dialog made a strategic investment into a newly launched entity Digital Commerce Lanka (DCL) that was launched under the Wow.lk brand. DCL encompassed and absorbed the business operations and brand properties of Anything.lk and the e-commerce businesses of the Dialog Group. Accordingly, the joint venture facilitated the merger of daily deals category leader Anything.lk, most visited online mall iBuy.lk, B2B and C2C trading portal Tradenet.lk and myTrader.lk, an aggregated and unified e-commerce site present Sri Lankan consumers with an unparalleled digital commerce experience spanning daily deals, branded store offerings, B2B and C2C trading.</p>
 <p>Digital Money</p>		<p>XL Tunai, XL's money remittance and payment service has now expanded its services to allow online shopping, utilities payment, airline ticket purchases and many more. XL Tunai was ranked the second most popular e-money service by Infobank, a leading banking magazine at its Digital Brand Awards.</p> <p>Dialog enabled the world's first inter-operable mobile money service on its digital-money platform, eZ Cash in March 2014. This initiative enables over 60% of the total mobile subscriber base in Sri Lanka to access and transact via eZ Cash mobile money accounts.</p> <p>Dialog also introduced SMS payment vouchers allowing its customers to make purchases through mobile phones at various merchants. In partnership with leading global payment providers, Dialog launched the first mobile point-of-sale (mPoS) on smartphones and tablets in Sri Lanka. Under its Near Field Communications (NFC) portfolio, the company introduced the country's first electronic travel card called 'Touch Travel Pass'.</p> <p>In Bangladesh, Robi established the largest portfolio of mobile financial services in collaboration with six partners.</p>
 <p>Digital Advertising</p>		<p>Axiata Digital Services was quick to make its mark in the digital advertising space with a comprehensive portfolio of digital advertising services including SMS, Banner, In-APP and Video Advertising.</p> <p>Celcom, and XL were first to launch location-based digital advertising services in Malaysia and Indonesia. In Indonesia, XL introduced AdReach and collaborated with other mobile operators to deliver commercial mobile advertising campaigns for several leading consumer products and brands.</p>



# Corporate

# Responsibility



# Corporate Responsibility at Axiata

Many things change in our rapidly evolving industry, however Axiata's commitment to conducting business responsibly remains constant. We are mindful of our responsibility towards our stakeholders, particularly shareholders, customers, communities and employees, and as such our sustainability and corporate responsibility efforts integrate social, environmental, and economic concerns to ensure that we continue to deliver sustainable value for our long-term growth and success.

Our first standalone Sustainability Report, *Towards Sustainability*, was published in 2012 and laid the foundation for the Group's sustainability and CR journey. This year's report, *Our Commitment to Development*, reports against the Global Reporting Initiatives (GRI) G4 guidelines for the first time and is published separately with this Annual Report.

This chapter carries key extracts and selected case studies from our 2013 Sustainability Report, to cover the following perspectives: Marketplace, Workplace, Environment and Community as outlined by Bursa Malaysia Securities Berhad.

## Marketplace

### **Commitment to Services Beyond Commercial Motivation – Towards Less Developed Communities**

With Asia accounting for 60% of the global mobile revenue growth, Axiata is well placed to capitalise on this trend, providing our customers with affordable telecommunications connectivity and digital services. In 2013, Axiata continued to introduce innovative and attractive data services and applications to our customers, bringing applicable mobile-based services to connect rural communities, thus bridging the digital divide and improving customer experience.

We also made strides in the development of digital services such as m-money, m-health, m-advertising, m-insurance and social networking. EzCash, an m-money service operated by Dialog, allows those without access to banks to perform a wide array of financial transactions. In Indonesia, we collaborated with Western Union and mini market chain, Alfamart, to provide mobile-based remittance services to customers through XL-Tunai. Our m-insurance service has provided insurance coverage to more than 4.6 million customers for the first time in Indonesia, Sri Lanka and Bangladesh. Kolony and Circle allows non-smartphone users to communicate and interact on a social media platform in Malaysia and Bangladesh.

## Affordable Connectivity



### **Extending Our Reach in Indonesia**

Most Indonesians live in rural areas, where transportation is limited, and mobile phones are vital in helping micro and small enterprises reduce operational costs in conducting their business and increasing productivity, thus leading to more inclusive economic growth. The island topography of Indonesia means that fixed services are limited, so wireless is relied upon for providing connectivity. XL remains focused on expanding coverage and capacity to extend their reach into more rural areas in Indonesia. XL's network is now available to 227.1 million people across Indonesia.



### **Affordable Products and Services in Cambodia**

Smart serves more than 5 million subscribers in Cambodia, and has seen constant growth of its subscriber base. For the average Cambodian, mobile phones were considered a luxury product, but with Smart's affordable rates and tariffs, more and more Cambodians are now more owning mobile phones. Mobile Internet became the second key service through the availability of 3G, especially through Smart's HSPA+ in all 25 provinces of Cambodia. Smart is taking a key role in connecting Cambodians to the internet, especially considering the vast absence of other possibilities to go online except in major cities.

## Digital Inclusion



### **M-Money**

Dialog's eZ Cash is the first mobile payment service in Sri Lanka that enables customers to carry out financial transactions on their mobile phones. eZ Cash enables a subscriber to perform a wide array of financial transactions using their mobile phones irrespective of the time or location they are in. Through eZ Cash a subscriber has a Cash Account in his/her mobile phone which he can top-up and use to carry out a range of cash transactions including utility bill payments, transfers and insurance. 1.2 million Dialog customers have already subscribed to this m-money initiative.



### **M-Insurance**

Robi has launched an innovative service to offer free life insurance coverage for all of its prepaid subscribers. It is a joint effort between Bima and Robi to create value added services to mobile subscribers, who would otherwise have no access to insurance.

The Life Insurance policy is a cumulative life insurance package offered to all Robi Prepaid registered subscribers. Each registered subscriber is entitled to his or her insurance coverage every calendar month depending on his or her airtime usage. This has been the first ever insurance policy for 78% of the subscribers insured under this scheme.

Robi has been awarded with the Emerging Market Initiative of the Year Award for its "BIMA and Robi - Life Insurance" service. The award is based on the achievements of Asian telecommunications companies and their ability to innovate and transform to build a better tomorrow within the industry.

Similarly, XL is providing free life insurance to its registered customers. M-insurance has been well accepted by low to mid income subscribers and to date.

# Corporate Responsibility at Axiata

## Supply Chain Management

At Axiata, it is important to develop a sustainable supply chain network that embodies the Group's values and practices. We are committed to promoting responsible business practices in our dealings and relationships with our suppliers. By adhering to our Code of Ethics and Conduct, we also make it a priority to ensure we develop local suppliers and entrepreneurs within the markets we serve.



### *Celcom's Procurement Transformation Roadmap 2010-2015*

*Celcom has embarked on a procurement transformation roadmap for 2010-2015 to build a high performance culture within the company. The changes involve automating manual processes with tools and technology to streamline workflow, and enhance performance, compliances and efficiencies. Celcom has also adopted best practices and industry benchmarking in line with internal procurement standards. In fact, Celcom's efforts were recognised with the 2012 Asian Supply Chain Excellence Awards' Collaborative Supply Chain Special Award from the International Institute for Advanced Purchasing & Supply (IIAPS). It has since established a 39-member procurement team with skills and expertise in the areas of sourcing and category management (in network category, IT/billing category, marketing & sales category, facilities and other categories), post contract management and e-procurement capabilities. By focusing on people, organisation, process and technology, it consistently moves up the value chain shifting from an operational mindset towards a strategic orientation through continuous and progressive monitoring and tracking for improvement.*

## Channels and Network

Our products and services can help to transform people's lives and contribute to global sustainable development goals. Mobile technology has become a vital tool for improving livelihoods and quality of life. Over 240 million of our customers are in nine countries. By extending the coverage of our network and building our customer base, we aim to improve the socio-economic conditions of communities in these countries.

The retail and distribution networks in each of these countries form the backbone of our business. Our retail network is vital to our long term success, and we work hard to continually expand our retail operations to allow us to reach a wider and increasingly diverse customer base.

## Customer Experience

The trust of our customers and other stakeholders is essential to Axiata and critical to our brand. To earn and retain that trust, we continuously aim to manage our operations responsibly and conduct our business in an ethical and transparent way.

Each OpCo carries out various surveys and studies on customer experience and satisfaction based on their markets and products.

We have conducted a Net Promoter Score (NPS) tracking survey on customer loyalty. Each OpCo carries out their own specific customer satisfaction surveys.

These customer surveys and our studies of customer interactions enable us to adapt our products and services to the needs of customers in each of our markets. Being customer centric has been identified as a key initiative within all our OpCos.

# Workplace

## Talent Development at Axiata

One of Axiata's regional champion aspirations is to be the top employer, building a talent factory across our footprint. The Group spends more than USD10 million annually in learning and development. We have successfully developed unique leadership development programmes in partnership with global top business schools. These include a joint programme by Axiata and INSEAD, facilitated by INSEAD at its campus in Singapore, a telecommunications mini-MBA programme and a "War Game" business simulation programme. These world class programmes will ensure our talent deepen their industry knowledge and their leadership competencies, especially in strategic thinking, business acumen and execution capabilities.

In establishing the 'Axiata Talent Factory', we are also conscious of developing a regional talent pool that is agile, competitive and committed in effectively driving and transforming our business. Axiata's development and training programmes ensure we have the skills and talent needed to expand our business and sustain our future. We help our employees across the OpCos gain new skills and experiences through formal training, on the job experience, coaching and mentoring.

Our leadership development centres around six Axiata Leadership competencies:

- Strategic thinking
- Business acumen
- Results achievement
- Coalition building
- People management and development
- Personal attributes

The Group manages its top management succession planning through a series of talent management programmes. High potential fresh graduates are being trained at the OpCo level in each respective country. The 18-month development programme aims to promote greater adaptability among fresh graduates. In the long run, this pool of talent will be an asset to our Group.

Types of career progression and development programmes:

Programme	Description	Talent of pipeline as of 31 December 2013
Axiata Group Accelerated Development Programme (GADP)	High potential leaders amongs the senior management team are included in GADP. These high fliers are managed as a common pool across the Group and governed by the Group talent Council. It aims senior managers to accelerate their development and readiness for future top leadership roles across the Group	117
Axiata OpCo Accelerated Development Programme (OADP)	High-potential from executive and middle management levels are included in the OADP. It aims to accelerate the development and readiness of our individual contributors and junior managers for future senior management roles	657

# Corporate Responsibility at Axiata

## Culture of Integrity

Axiata Group intends to create long-term value, both through its traditional business and innovative adjacencies of new business and market-focused solutions. We conduct our business fairly and in full compliance with all applicable laws and regulations in Malaysia and the countries we operate in. With the Board setting the tone for corporate culture of ethical conduct throughout the Group, all our employees are subject to high ethical business standards and guidelines as outlined under the Code of Conduct. The Code serves as a guideline for employee conduct in the workplace, business conduct when dealing with external parties and key issues such as bribery, conflict of interest, insider trading and data integrity.

## UI.EP Culture

At Axiata, we are guided by the values of Uncompromising Integrity and Exceptional Performance (UI.EP). We believe in doing the right thing and fulfilling our promise to earn the trust of our stakeholders. We uphold the highest standards of ethical conduct, and demonstrate honesty, fairness and accountability in our relationships with stakeholders, customers, employees and suppliers.

All employees have a duty to act with integrity and respect towards their colleagues and customers, and in all our operations. We do not condone unfair treatment or discrimination on any grounds. This applies to anyone working for Axiata whether they are employees, suppliers or contractors.

## Conducive Workplace

### *Employee Engagement*

Open and regular communication is fundamental to employee engagement. Our intranet keeps employees up-to-date on company strategy, internal news and events, and promotes discussion among them. We have an Employee Engagement Survey (EES), conducted by a third party, annually across the Group. We use our annual group-wide survey to assess our engagement levels, and identify opportunities to improve ways of working and supporting employees to do their best. Key findings such as training and development, communication strategy and benefits are shared with management and employees. The outcome of our annual EES reflects our objective of building an environment where our people feel a sense of belonging, and that they are given the opportunity to grow and succeed.



# Environment

## Greener Operations

At Axiata, our vision is to integrate environmental practices into all aspects of our business operations. As a telecommunications provider, our environmental impact is relatively moderate compared to other industries. That being said, we are committed to minimising our environmental footprint by reducing our energy and waste consumption, and cutting carbon emissions of our business operations and those of our OpCos.

## Environmentally Friendly Network

Collectively, Axiata serves over 240 million customers in the region. With population coverage of over 95%, we aim to reduce the carbon footprint of our operations while growing our business. Our primary focus is to improve energy and cost efficiencies in our networks, data centres and operations.

Telecommunications equipment and tower operations, account for a large proportion of our total energy consumption. Therefore, we consider cost, energy usage and environmental impact to be the primary considerations when purchasing our equipment. In the long run, we plan to invest significant funds into converting our mobile towers to more energy-efficient technologies and progressively reduce their reliance on non-renewable sources. The roll out of this initiative will be in many stages, and we will continue to monitor our progress to become a more sustainable business entity.

## Energy Management System

We have implemented a number of energy optimisation measures that are cost effective, while at the same time reducing the environmental impact from our mobile networks in the region.

We use free cooling to reduce energy needed for air conditioning at our base stations. The installation of cooling systems at some of our base stations has further improved the energy efficiency of our operations and facilities, resulting in a reduction of 30,282GJ in overall energy consumption in 2013.

We replace network equipment at our base stations with energy-efficient devices where possible to keep pace with technological innovations, and to reduce the carbon footprint of our operations. As this is our first year of formal reporting, we plan to use this initial report as the foundation for future performance monitoring, and will include data on energy consumption in future reports.



### **Green Base Stations in Indonesia**

*Indonesia is a vast archipelago that comprises of 17,000 islands, and around 1.9 million square kilometres. It is the 15th largest country in terms of land area and 4th largest in terms of population. With 278 million subscribers, Indonesia is the fourth largest mobile market in the world. Its vast geographical landscape serves as a huge opportunity for operators. XL currently operates 20,000 base stations in Indonesia. It operates around 9,000 base stations that use non-chlorofluorocarbon air-conditioning, and around 600 base stations that use both batteries and generators to reduce fuel use. XL also operates around 2,700 base stations that use 'Intelligent Ventilation System', which is a cooling system that combines fans and air-conditioning to reduce energy consumption.*

# Corporate Responsibility at Axiata



## Green Operations via edotco

Our new business unit, edotco, was carried out as separate subsidiary as at October 2013 to own manage and share the passive network infrastructure of Axiata Group. Besides driving new levels of operational efficiency in passive infrastructure management and diversifying Axiata's revenue streams, edotco seeks to identify energy-saving solutions for our networks and base stations, with the aim of reducing 40% of total carbon emissions across all operating companies by 2018. It invests in quality and innovation, striving to be lean, green, and clean in the pursuit of a sustainable future.

Innovative and forward-thinking solutions are constantly being developed by edotco to promote green business practices. They include:

- Design and Construction
  - o Using new building materials to create structures that are durable and green.
  - o Designing and constructing the telecommunication towers for multiple tenants while maintaining stringent safety standards
  - o A more focused approach in Leasing antenna space to other wireless service providers to reduce parallel capacity in the industry.

- Equipment Efficiency
  - o Long-term investment on more environmentally-friendly equipment
  - o Thorough equipment checks to enhance the life span of equipment to get optimum usage.
- Renewable Energy
  - o Using solar, wind power, methanol fuel cells and other new technologies to power the telecommunications towers.
- Energy Consumption
  - o Promoting infrastructure and passive-site sharing among the network operators to reduce the number of masts, which in turn reduces the energy consumption.

We recognise the benefits of tower sharing, especially in countries where coverage in rural, sparsely populated areas is needed. To accommodate multiple network operators, small and energy-efficient antennas are installed on mobile towers. This configuration helps to save tower space, reduce power consumption and cooling requirements resulting in more efficient use of diesel generators during times of power failure. We aim to increase the number of towers powered with renewable energy sources in these countries in the near future.

# Communities

## Commitment to the Societies We Operate in

Axiata's anchor CR programme, the Axiata Young Talent Programme (AYTP), where we have pledged RM100 million for the development of local students in Malaysia has now matured into an iconic programme with over 270 participants. The AYTP has now been adopted and implemented by XL in Indonesia as the XL Future Leaders programme which has benefitted over 250 students.

## Axiata Young Talent Programme (AYTP)

We believe in the hidden potential of our youth and would like to help them fulfil their dreams, thus building a pipeline of highly empowered talent for the nation. AYTP is our unique leadership initiative for young Malaysians at National Secondary School, Pre-University and University levels who have demonstrated academic excellence and outstanding involvement in extra-curricular activities.

Under this programme, we have developed the Ax-Factor curriculum that focuses on building the essential values, attitudes, critical and business skills to equip young Malaysians with both personal and leadership competencies needed to become future CEOs. The programme encourages individuals to challenge themselves to create greater impact by leading, inspiring and motivating others. At Pre-University and University levels, we cultivate networking and mentoring relationships amongst peers, mentors and established business leaders.

## National Secondary School

The National Secondary School Programme is a 5-year programme offered in collaboration with Kolej Yayasan Saad Melaka (KYS). Offered to all their Form 1 students, the programme includes workshops and community

projects taking 70 hours spread across 6 weekends, supplemented with online learning, personal reflections, coaching & mentoring. During the critical formative years of secondary school, the students are exposed to and learn values and habits that would guide and form their behaviours in later years.

## Pre-University Programme

The 1-year Pre-University Programme starts to focus on the business elements of leadership to ensure students entering university are more aware of the economic aspects of their academic disciplines. Offered to A-level students studying at Kolej Yayasan United Engineers Malaysia (KYUEM), the programme will be conducted over 8 weekends of approximately 120 contact hours. To ensure that Pre-University students have the same fundamentals as the graduates of the National Secondary School Programme, there is a preparatory session to bridge this.

## University Leadership Development Programme

The University Leadership Development Programme is designed like a 'summer camp' for undergraduates who are studying in local and overseas universities and runs over the course of 15 days or 150 hours. The uniqueness of the programme is the business simulation 'games' where students get to experience in a setting as realistic as possible, what it takes to run a business – be it managing a crisis or running an advertising campaign or pitching a business idea to a panel of judges and business leaders, acting as venture capitalists. A selected group of students who have completed this programme will be given an opportunity to put into practice what they have learnt in the programme through a Structured Internship Programme that will run for 8 weeks the following year in Axiata's Group of Companies.

### **XL Future Leaders: Global Thinking**

*The XL Future Leaders Programme emphasises on grooming leaders, aiming to create and prepare Indonesian youth to become global leaders. The curriculum covers effective communication, sharpening entrepreneurship and innovativeness, and change management. Since the launch of this programme in 2012, 255 students have successfully participated.*

### **XL Future Leaders E-Curriculum**

*This specifically designed online curriculum is for students who are not part of the XL Future Leaders Programme. E-curriculum participants have access to the same materials as XL Future Leaders participants. Every six months, XL holds a workshop in five regions. Devoting a sum of IDR300 million per year, the project currently benefits 1,007 participants.*



# Corporate Responsibility at Axiata



## *Smart – Social Contribution*

Smart participated in a number of fundraising activities in 2013. They were:

- Dream Land Concert to help Kantha Bopha Hospital
- Donation of USD500,000 made to Cambodia Red Cross
- During the year, several activities were held to promote youth leadership and environmental awareness:
- Capacity Building of Cambodian Young People
- Clean and Green Project in Sihanouk Ville
- OCA Fun Run to support Asian Sport Activities
- Coastal Clean Up Programme with CoCa Cola



## *Network Continuity During Floods*

Celcom initiated a Telecommunications Disaster Support Centre, when Kelantan, Terengganu & Pahang were badly affected by floods in late 2013, to assist customers in affected areas ensuring network stability during this crucial time. 48 mobile/portable generators were mobilised to provide alternative power for the sites impacted and 8 COWs (Cell on Wheels) were deployed to provide coverage to the affected areas. An estimated cost of RM1.4 million was spent for this initiative. At national level, Celcom partnered with the Malaysian Communications and Multimedia Commission (MCMC) contributing a sum of RM40,000 to assist flood victims in the Eastern region.

Each of our OpCos champion community initiatives in their respective markets beyond areas relevant to our business. Dialog, for example, connects 2,000 schools via its Nenesa television channel with content from the National Institute of Education. Robi, ensures that almost 50,000 passengers on trains benefit daily from their Clean Water project. Robi also provides solar power and livelihood support to more than 2,500 rural villagers in their Model Eco Villages. In Indonesia, XL, led by their staff and supported by customers, carried out effective relief programmes for Indonesians affected by floods and volcano eruptions in Indonesia in recent years. These are a few of the in-country CR initiatives that further enhance our overall national contribution in each of our markets.

The digital version of the Axiata Sustainability and National Contribution Report 2013, *Our Commitment to Development*, is available on our website, [www.axiata.com](http://www.axiata.com).

The app version can be downloaded on:



# Axiata National Contribution

## Commitment to Long-Term Investment in All Our Countries

Axiata is a long-term investor in all our countries with investments going back more than 19 years in Bangladesh, 18 years in Sri Lanka and 16 years in Cambodia. As a group, Axiata has contributed substantially to the Gross Domestic Product (GDP) of all seven operating countries, amounting to approximately USD63.8 billion from 2008 to 2013.

One of the most significant impacts made by the Group over the period of the last six years would be the jobs we create, both directly and indirectly, and its multiplier effect of these individuals spending their wages in their wider economy. We have generated more than 23,000 jobs across Asia directly and facilitated more than 1.67 million jobs indirectly including vendors, suppliers and retailers.

In parallel, Axiata has spent almost USD12.4 billion on capital investments across our footprint, building necessary telecommunications infrastructure and providing connectivity to more than 95% of the population in our operating countries. Further to this, Axiata has spent more than USD12.4 billion on capital investments and more than USD27.06 billion on operating expenditures.

In late 2013, we commissioned an independent partner to conduct a review of our economic contribution in the countries we operate in. The result of this study is available in our Sustainability Report, Our Commitment to Development, published as an annex to this Annual Report.

**USD63.8 billion**  
GDP Contribution

Capital Investment since 2008  
**USD12.4 billion**

Spent more than  
**USD27.06 billion**  
on operating expenditures

Employed more than  
**23,000**  
employees across Asia

Created more than  
**1.67 million** jobs across Asia

Subscribers:  
**over 240 million**

Network coverage connecting more than\*  
**~450 million people**

\* excludes idea and M1

The digital version of the Axiata Sustainability and National Contribution Report 2013, Our Commitment to Development, is available on our website, [www.axiata.com](http://www.axiata.com).

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# FINANCIAL STATEMENTS

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# Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 so as to exhibit a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- Selected and applied the appropriate and relevant accounting policies on a consistent basis;
- Made judgments and accounting estimates that are reasonable and prudent in the circumstances; and
- Prepared the annual audited financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company.

The Directors also have the overall responsibilities to take such steps to safeguard the assets of the Group and for the establishment, designation, implementation and maintenance of appropriate accounting and internal control systems for the prevention and detection of fraud and other irregularities relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

# Directors' Report

for the financial year ended 31 December 2013

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of mobile communication services and network transmission related services.

The principal activities of the Company are investment holding and provision of technical and management services on an international scale, where it has investments in subsidiaries, joint ventures and associates. The principal activities of the subsidiaries are mainly the provision of mobile communication services and network transmission related services.

The principal activities of the subsidiaries are set out in Note 40 to the financial statements. There has been no significant change in the nature of the activities of the Group and the Company during the financial year.

## FINANCIAL RESULTS

The results of the operations of the Group and the Company for the financial year were as follows:

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit for the financial year attributable to:		
- owners of the Company	2,550,021	2,556,849
- non-controlling interests	188,556	-
	<b>2,738,577</b>	<b>2,556,849</b>

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

## SHARE CAPITAL

During the financial year, the issued and paid-up capital of the Company was increased from RM8,508.2 million comprising 8,508.2 million ordinary shares of RM1 each to RM8,540.7 million. The increase in issued and paid-up capital of the Company was in line with the exercise of options and vesting of restricted share awards ("RSA") granted under the Performance-Based Employee Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ["Axiata Share Scheme"] by the employees of the Company and its subsidiaries as disclosed in Note 14(a) to the financial statements.

The above mentioned ordinary share rank pari-passu in all respects with the existing ordinary shares of the Company.

# Directors' Report

for the financial year ended 31 December 2013

## DIVIDENDS

The dividends paid or declared or proposed since the end of the previous financial year were as follows:

### Tax exempt dividend under the single tier system

	Type	Per ordinary share of RM1 each Sen	Total RM'000
In respect of financial year ended 31 December:			
- 2012	Final	15	1,279,305
- 2012	Special	12	1,023,444
- 2013	Interim	8	682,976
		35	2,985,725

The Board of Directors have recommended a final tax exempt dividend under the single tier system of 14 sen per ordinary share of RM1 each of the Company in respect of financial year ended 31 December 2013, amounting to a total of RM1,195.7 million, based on the issued and paid-up capital of the Company as at 31 December 2013. The proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting ("AGM").

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

## AXIATA SHARE SCHEME

The Performance-Based ESOS of the Company was approved by its shareholders at an Extraordinary General Meeting ("EGM") held on 24 March 2009 and implemented on 16 April 2009.

On 1 June 2011, the Company's shareholders had, at the Nineteenth (19th) AGM of the Company, approved the amendments to the Bye-Laws of the ESOS to include a RSP. Accordingly, the existing Performance-Based ESOS was renamed as Axiata Share Scheme.

The details of the Axiata Share Scheme are disclosed in Note 14(a) to the financial statements.

There is no Performance-Based ESOS granted to the employees of Axiata Group during the financial year.

## DIRECTORS

The Directors who have held office during the period since the date of last report are as follows:

Tan Sri Dato' Azman Hj. Mokhtar  
Dato' Sri Jamaludin Ibrahim  
Tan Sri Ghazzali Sheikh Abdul Khalid  
Datuk Azzat Kamaludin  
David Lau Nai Pek  
Juan Villalonga Navarro  
Kenneth Shen  
Dato' Abdul Rahman Ahmad  
Bella Ann Almeida

In accordance with Article 93 of the Company's Article of Association, Datuk Azzat Kamaludin, Juan Villalonga Navarro and Kenneth Shen retire from the Board at the Twenty-second (22nd) AGM and being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS

In accordance with the Register of Directors' Shareholdings, the Directors who held office at the end of the financial year and have interest in shares or options over shares in the Company are as follows:

	Number of ordinary shares of RM1 each of the Company			
	As at 1.1.2013	Additions	Disposed	As at 31.12.2013
Indirect interest				
Dato' Sri Jamaludin Ibrahim <sup>1</sup>	450,000	-	-	450,000

<sup>1</sup> 450,000 Axiata Shares held under CIMSEC Nominees (Tempatan) Sdn Bhd

	Number of options/shares over ordinary shares of RM1 each of the Company			
	As at 1.1.2013	Granted	Exercised	As at 31.12.2013
Dato' Sri Jamaludin Ibrahim <sup>2</sup>				
- ESOS <sup>3</sup>	4,301,700	-	-	4,301,700
- RSA <sup>4</sup>	1,354,000	1,123,600	-	2,477,600

<sup>2</sup> At the EGM held on 24 March 2009, the shareholders of the Company approved the grant of options to Dato' Sri Jamaludin Ibrahim to subscribe up to 5.5 million new ordinary shares of RM1 each in the Company ("Axiata Shares") to be issued under the Performance-Based ESOS for the Executive Directors and eligible employees of the Group.

Further to the above, the shareholders of the Company had at the 19th AGM held on 1 June 2011, approved the grant of entitlement, allotment and issuance of the remaining 1,198,300 new Axiata Shares to Dato' Sri Jamaludin Ibrahim, under the new Performance-Based ESOS and Restricted Share Plan ("Axiata Share Scheme") as approved at the said EGM.

Subsequently, the shareholders of the Company at the 21st AGM held on 23 May 2013, approved the grant entitlements, allotment and issuance of up to 3.6 million new Axiata Shares to Dato' Sri Jamaludin Ibrahim under the Axiata Share Scheme.

<sup>3</sup> 4,301,700 options of Axiata Shares pursuant to Performance-Based ESOS.

<sup>4</sup> Pursuant to the offer of 1,123,600 (2012: 1,354,000) Restricted Shares during the financial year ended 31 December 2013 ("Offered Shares"). The Offered Shares is the maximum number of Axiata Shares that may be vested to Dato' Sri Jamaludin Ibrahim and are conditional upon the meeting of super stretched individual performance and the Group meeting superior company performance at the point of vesting in addition to the standard vesting conditions applicable to other eligible employees. Based on the lowest performance criteria of vesting conditions, only 280,900 of the Offered Shares (2012: 338,500) shall be vested to Dato' Sri Jamaludin Ibrahim.

# Directors' Report

for the financial year ended 31 December 2013

## **DIRECTORS' INTERESTS (CONTINUED)**

Other than as disclosed above, in accordance with the Register of Directors' Shareholdings, none of the other Directors in office at the end of the financial year have any direct or indirect interest in any shares and options over ordinary shares in the Company, or its related corporations during the financial year.

## **DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the Director has received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in Note 7(d) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company or any of its related corporations, was a party, being arrangements with the object(s) of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate other than the Axiata Share Scheme of the Company, details as disclosed in Note 14(a) to the financial statements.

## **STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

Before the statements of comprehensive income and financial position of the Group and the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

No contingent or other liability of the Group and Company has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and the Company to meet its obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the year which secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the year.

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

In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

## EVENT AFTER THE REPORTING PERIOD

The event after the reporting period is disclosed in Note 45 to the financial statements.

## AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 February 2014.



**TAN SRI DATO' AZMAN HJ. MOKHTAR**  
DIRECTOR



**DATO' SRI JAMALUDIN IBRAHIM**  
DIRECTOR

Kuala Lumpur  
19 February 2014

# Statements of Comprehensive Income

for the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Operating revenue	6	<b>18,370,841</b>	17,651,617	<b>2,359,448</b>	3,125,603
Operating costs					
- depreciation, impairment and amortisation	7(a)	<b>(3,435,330)</b>	(3,339,563)	<b>(43,977)</b>	(4,130)
- foreign exchange gains/(losses)		<b>8,182</b>	(136,184)	<b>417,658</b>	(199,501)
- domestic interconnect and international outpayment		<b>(2,580,197)</b>	(2,284,257)	-	-
- marketing, advertising and promotion		<b>(1,476,660)</b>	(1,439,743)	<b>(35,012)</b>	(29,194)
- other operating costs	7(b)	<b>(5,815,918)</b>	(5,363,165)	<b>(94,905)</b>	(88,230)
- staff costs	7(c)	<b>(1,226,943)</b>	(1,139,955)	<b>(98,971)</b>	(84,704)
- other gains - net	8	<b>203,648</b>	30,155	-	-
Other operating income	9	<b>47,881</b>	94,044	<b>940</b>	656
Operating profit before finance cost		<b>4,095,504</b>	4,072,949	<b>2,505,181</b>	2,720,500
Finance income	10	<b>261,296</b>	262,345	<b>82,620</b>	53,238
Finance cost excluding net foreign exchange losses on financing activities		<b>(720,729)</b>	(717,799)	<b>(30,926)</b>	(32,338)
Net foreign exchange losses on financing activities		<b>(358,118)</b>	(66,214)	-	-
	10	<b>(1,078,847)</b>	(784,013)	<b>(30,926)</b>	(32,338)
Joint ventures					
- share of results (net of tax)		<b>5,329</b>	(1,577)	-	-
Associates					
- share of results (net of tax)		<b>270,823</b>	234,950	-	-
- loss on dilution of equity interests	5(a)	<b>(21,066)</b>	(22,860)	-	-
Profit before taxation		<b>3,533,039</b>	3,761,794	<b>2,556,875</b>	2,741,400
Taxation and zakat	11	<b>(794,462)</b>	(882,217)	<b>(26)</b>	(16)
Profit for the financial year		<b>2,738,577</b>	2,879,577	<b>2,556,849</b>	2,741,384

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other comprehensive expense:					
Items that will not be reclassified to profit or loss:					
- actuarial gains/(losses) on defined benefits plan, net of tax		5,593	(6,592)	-	-
Items that may be reclassified subsequently to profit or loss:					
- currency translation differences		(491,600)	(586,456)	-	-
- net investment hedge, net of tax		(35,280)	(40,354)	-	-
Other comprehensive expense for the financial year, net of tax		(521,287)	(633,402)	-	-
Total comprehensive income for the year		2,217,290	2,246,175	2,556,849	2,741,384
Profit for the financial year attributable to:					
- owners of the Company		2,550,021	2,513,285	2,556,849	2,741,384
- non-controlling interests		188,556	366,292	-	-
		2,738,577	2,879,577	2,556,849	2,741,384
Total comprehensive income/(expense) for the financial year attributable to:					
- owners of the Company		2,242,481	2,047,141	2,556,849	2,741,384
- non-controlling interests		(25,191)	199,034	-	-
		2,217,290	2,246,175	2,556,849	2,741,384
Earnings per share (sen)					
- basic	12(a)	29.9	29.6	-	-
- diluted	12(b)	29.7	29.5	-	-

The above Statements of Comprehensive Income are to be read in conjunction with the notes to the financial statements on pages 216 to 345.

# Statements of Financial Position

as at 31 December 2013

		Group			Company	
	Note	31.12.2013 RM'000	31.12.2012 RM'000 Restated	1.1.2012 RM'000 Restated	2013 RM'000	2012 RM'000
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Share capital	13	<b>8,540,663</b>	8,508,209	8,466,182	<b>8,540,663</b>	8,508,209
Share premium		<b>2,223,076</b>	2,094,125	1,989,885	<b>2,223,076</b>	2,094,125
Reserves	15	<b>8,857,846</b>	9,498,174	9,387,015	<b>5,127,708</b>	5,512,330
Total equity attributable to owners of the Company		<b>19,621,585</b>	20,100,508	19,843,082	<b>15,891,447</b>	16,114,664
Non-controlling interests		<b>1,757,486</b>	1,906,714	1,832,415	-	-
Total equity		<b>21,379,071</b>	22,007,222	21,675,497	<b>15,891,447</b>	16,114,664
<b>NON-CURRENT LIABILITIES</b>						
Borrowings	16	<b>11,752,387</b>	10,765,691	9,231,424	<b>823,333</b>	762,366
Derivative financial instruments	19	<b>109,384</b>	194,181	127,749	-	45,249
Deferred income	20	<b>271,585</b>	247,188	136,056	-	-
Other payables	21	<b>72,119</b>	68,417	177,946	-	-
Provision for liabilities	22	<b>293,102</b>	338,948	343,148	-	-
Deferred tax liabilities	23	<b>1,578,687</b>	1,418,265	1,380,054	-	-
Total non-current liabilities		<b>14,077,264</b>	13,032,690	11,396,377	<b>823,333</b>	807,615
		<b>35,456,335</b>	35,039,912	33,071,874	<b>16,714,780</b>	16,922,279
<b>NON-CURRENT ASSETS</b>						
Intangible assets	24	<b>9,548,554</b>	8,392,514	8,297,978	-	-
Property, plant and equipment	25	<b>17,106,708</b>	16,910,358	16,391,183	<b>14,707</b>	11,425
Subsidiaries	26	-	-	-	<b>14,732,003</b>	13,629,758
Joint ventures	27	<b>56,215</b>	1,618	-	-	-
Associates	28	<b>6,999,122</b>	6,838,467	6,769,135	<b>125,319</b>	124,802
Available-for-sale financial assets		<b>141</b>	892	893	-	-
Derivative financial instruments	19	<b>207,157</b>	33,621	44,891	<b>14,588</b>	-
Long term receivables	29	<b>97,533</b>	98,750	108,858	-	-
Amount due from subsidiaries	31	-	-	-	<b>105,236</b>	85,772
Deferred tax assets	23	<b>241,955</b>	263,842	315,611	-	-
Total non-current assets		<b>34,257,385</b>	32,540,062	31,928,549	<b>14,991,853</b>	13,851,757

		Group			Company	
	Note	31.12.2013 RM'000	31.12.2012 RM'000 Restated	1.1.2012 RM'000 Restated	2013 RM'000	2012 RM'000
<b>CURRENT ASSETS</b>						
Inventories	30	<b>62,805</b>	56,455	112,185	-	-
Amount due from subsidiaries	31	-	-	-	<b>466,927</b>	253,570
Trade and other receivables	32	<b>2,679,905</b>	2,112,098	2,106,281	<b>26,204</b>	26,783
Derivative financial instruments	19	<b>31,403</b>	22,087	-	-	-
Financial assets at fair value through profit or loss		<b>8</b>	8	9	-	-
Tax recoverable		<b>32,822</b>	40,839	55,242	-	-
Deposits, cash and bank balances	33	<b>6,432,918</b>	7,906,204	6,616,788	<b>1,991,480</b>	3,524,358
		<b>9,239,861</b>	10,137,691	8,890,505	<b>2,484,611</b>	3,804,711
Assets directly associated with non-current assets classified as held-for-sale	34	-	252,848	286,807	-	-
Total current assets		<b>9,239,861</b>	10,390,539	9,177,312	<b>2,484,611</b>	3,804,711
<b>LESS: CURRENT LIABILITIES</b>						
Trade and other payables	21	<b>6,108,805</b>	5,730,997	5,556,228	<b>78,834</b>	70,254
Borrowings	16	<b>1,683,988</b>	1,892,371	2,227,939	<b>1,901</b>	2,325
Amount due to subsidiaries	31	-	-	-	<b>680,949</b>	661,610
Current tax liabilities		<b>248,118</b>	115,045	62,382	-	-
		<b>8,040,911</b>	7,738,413	7,846,549	<b>761,684</b>	734,189
Liabilities directly associated with non-current assets classified as held-for-sale	34	-	152,276	187,438	-	-
Total current liabilities		<b>8,040,911</b>	7,890,689	8,033,987	<b>761,684</b>	734,189
Net current assets		<b>1,198,950</b>	2,499,850	1,143,325	<b>1,722,927</b>	3,070,522
		<b>35,456,335</b>	35,039,912	33,071,874	<b>16,714,780</b>	16,922,279

The above Statements of Financial Position are to be read in conjunction with the notes to the financial statements on pages 216 to 345.

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2013

Note	Attributable to owners of the Company											Non-controlling interests RM'000	Total equity RM'000
	Share capital* RM'000	Share premium RM'000	Currency translation differences RM'000	Capital contribution reserve RM'000	Merger reserve RM'000	Hedging reserve RM'000	ESOS <sup>^</sup> and RSA <sup>#</sup> reserve RM'000	Actuarial reserve RM'000	Retained earnings RM'000	Total RM'000			
At 1 January 2013	8,508,209	2,094,125	(554,660)	16,598	346,774	(116,997)	111,044	(4,387)	9,699,802	20,100,508	1,906,714	22,007,222	
Profit for the financial year	-	-	-	-	-	-	-	-	2,550,021	2,550,021	188,556	2,738,577	
Other comprehensive (expense)/income:													
- Currency translation differences arising during the financial year:													
- subsidiaries	-	-	(302,286)	-	-	-	-	-	-	(302,286)	(215,743)	(518,029)	
- associates	-	-	26,429	-	-	-	-	-	-	26,429	-	26,429	
	-	-	(275,857)	-	-	-	-	-	-	(275,857)	(215,743)	(491,600)	
- Net investment hedge, net of tax	19(e)	-	-	-	-	(35,280)	-	-	-	(35,280)	-	(35,280)	
- Actuarial gain for the financial year, net of tax		-	-	-	-	-	-	3,597	-	3,597	1,996	5,593	
Total comprehensive (expense)/income for the financial year		-	(275,857)	-	-	(35,280)	-	3,597	2,550,021	2,242,481	(25,191)	2,217,290	
Transactions with owners:													
- Issuance of new ordinary shares		32,454	92,782	-	-	-	-	-	-	125,236	-	125,236	
- Share issue expenses		-	(255)	-	-	-	-	-	-	(255)	-	(255)	
- Acquisition of a subsidiary	5(a)(i)	-	-	-	-	-	-	-	682	682	52,610	53,292	
- Additional investment in a subsidiary	5(a)(vii)	-	-	-	-	-	-	-	51,786	51,786	(51,786)	-	
- Axiata Share Scheme:													
- value of employees' services	14(a)	-	-	-	-	-	80,678	-	-	80,678	-	80,678	
- transferred from ESOS reserve upon exercise/vest		-	36,424	-	-	-	(36,424)	-	-	-	-	-	
- Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(133,002)	(133,002)	
- Dividends paid to shareholders	44	-	-	-	-	-	-	(2,985,725)	(2,985,725)	-	-	(2,985,725)	
- Dilution of equity interest in a subsidiary	5(a)(xi)	-	-	-	-	-	-	-	6,194	6,194	8,141	14,335	
Total transactions with owners		32,454	128,951	-	-	-	44,254	(2,927,063)	(2,721,404)	(124,037)	(2,845,441)		
At 31 December 2013		8,540,663	2,223,076	(830,517)	16,598	346,774	(152,277)	155,298	(790)	9,322,760	19,621,585	1,757,486	21,379,071

\* Issued and fully paid-up ordinary shares of RM1 each

<sup>^</sup> Employees Share Option Scheme ("ESOS")

<sup>#</sup> Restricted Share Awards ("RSA")

**Attributable to owners of the Company**

Note	Share capital* RM'000	Share premium RM'000	Currency translation differences RM'000	Capital contribution reserve RM'000	Merger reserve RM'000	Hedging reserve RM'000	ESOS* and RSA# reserve RM'000	Actuarial reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012	8,466,182	1,989,885	(133,257)	16,598	346,774	(76,643)	96,838	-	9,136,705	19,843,082	1,832,415	21,675,497
Profit for the financial year	-	-	-	-	-	-	-	-	2,513,285	2,513,285	366,292	2,879,577
Other comprehensive expense:												
- Currency translation differences arising during the financial year:												
- subsidiaries	-	-	(370,861)	-	-	-	-	-	-	(370,861)	(165,053)	(535,914)
- associates	-	-	(50,542)	-	-	-	-	-	-	(50,542)	-	(50,542)
	-	-	(421,403)	-	-	-	-	-	-	(421,403)	(165,053)	(586,456)
- Net investment hedge, net of tax	19(e)	-	-	-	-	(40,354)	-	-	-	(40,354)	-	(40,354)
- Actuarial loss for the financial year, net of tax		-	-	-	-	-	-	(4,387)	-	(4,387)	(2,205)	(6,592)
Total comprehensive (expense)/income financial year		-	(421,403)	-	-	(40,354)	-	(4,387)	2,513,285	2,047,141	199,034	2,246,175
Transactions with owners:												
- Issuance of new ordinary shares		42,027	59,609	-	-	-	-	-	-	101,636	-	101,636
- Share issue expenses		-	(341)	-	-	-	-	-	-	(341)	-	(341)
- Axiata Share Scheme:												
- value of employees' services	14(a)	-	-	-	-	-	59,178	-	-	59,178	-	59,178
- transferred from ESOS reserve upon exercise		-	44,972	-	-	-	(44,972)	-	-	-	-	-
- Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(132,059)	(132,059)
- Dividends paid to shareholders	44	-	-	-	-	-	-	-	(1,954,275)	(1,954,275)	-	(1,954,275)
- Dilution of equity interest in a subsidiary	5(a)(xi)	-	-	-	-	-	-	-	4,087	4,087	7,324	11,411
Total transactions with owners		42,027	104,240	-	-	-	14,206	-	(1,950,188)	(1,789,715)	(124,735)	(1,914,450)
At 31 December 2012		8,508,209	2,094,125	(554,660)	16,598	346,774	(116,997)	(4,387)	9,699,802	20,100,508	1,906,714	22,007,222

The above Consolidated Statements of Changes in Equity is to be read with the notes to the financial statements on pages 216 to 345.

# Company Statement of Changes in Equity

for the financial year ended 31 December 2013

	Note	Issued and fully paid ordinary shares of RM1 each		Non-Distributable		Distributable	Total RM'000	
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Capital contribution reserve RM'000	ESOS and RSA reserve RM'000		Retained earnings RM'000
At 1 January 2013		8,508,209	8,508,209	2,094,125	16,598	111,044	5,384,688	16,114,664
Profit/Total comprehensive income for the financial year		-	-	-	-	-	2,556,849	2,556,849
Transactions with owners:								
- Issuance of new ordinary shares		32,454	32,454	92,782	-	-	-	125,236
- Share issue expenses		-	-	(255)	-	-	-	(255)
- Axiata Share Scheme:								
- value of employees' services	14(a)	-	-	-	-	80,678	-	80,678
- transferred from ESOS reserve upon exercise/vest		-	-	36,424	-	(36,424)	-	-
Dividends paid to shareholders	44	-	-	-	-	-	(2,985,725)	(2,985,725)
Total transactions with owners		32,454	32,454	128,951	-	44,254	(2,985,725)	(2,780,066)
At 31 December 2013		8,540,663	8,540,663	2,223,076	16,598	155,298	4,955,812	15,891,447
At 1 January 2012		8,466,182	8,466,182	1,989,885	16,598	96,838	4,597,579	15,167,082
Profit/Total comprehensive income for the financial year		-	-	-	-	-	2,741,384	2,741,384
Transactions with owners:								
- Issuance of new ordinary shares		42,027	42,027	59,609	-	-	-	101,636
- Share issue expenses		-	-	(341)	-	-	-	(341)
- Axiata Share Scheme:								
- value of employees' services	14(a)	-	-	-	-	59,178	-	59,178
- transferred from ESOS reserve upon exercise		-	-	44,972	-	(44,972)	-	-
Dividends paid to shareholders	44	-	-	-	-	-	(1,954,275)	(1,954,275)
Total transactions with owners		42,027	42,027	104,240	-	14,206	(1,954,275)	(1,793,802)
At 31 December 2012		8,508,209	8,508,209	2,094,125	16,598	111,044	5,384,688	16,114,664

The above Company Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on pages 216 to 345.

# Statements of Cash Flows

for the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from operating activities	35	<b>5,648,243</b>	6,836,981	<b>2,074,688</b>	2,859,935
Cash flows (used in)/from investing activities	35	<b>(5,367,283)</b>	(5,143,299)	<b>(1,124,429)</b>	518,264
Cash flows used in financing activities	35	<b>(2,133,663)</b>	(334,648)	<b>(2,860,744)</b>	(1,852,980)
Net (decrease)/increase in cash and cash equivalents		<b>(1,852,703)</b>	1,359,034	<b>(1,910,485)</b>	1,525,219
Effect of exchange gains/(losses) on cash and cash equivalents		<b>30,357</b>	(69,603)	<b>43,296</b>	(2,809)
Net (increase)/decrease in restricted cash and cash equivalents		<b>(62,667)</b>	558,627	-	418,045
Cash of a subsidiary previously held as non-current assets held-for-sale		<b>1,342</b>	-	-	-
Cash and cash equivalents at the beginning of the financial year		<b>7,894,464</b>	6,046,406	<b>3,524,358</b>	1,583,903
Cash and cash equivalents at the end of the financial year	33	<b>6,010,793</b>	7,894,464	<b>1,657,169</b>	3,524,358

The above Statements of Cash Flows are to be read in conjunction with the notes to the financial statements on pages 216 to 345.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 1. GENERAL INFORMATION

The principal activities of the Group are the provision of mobile communication services and network transmission related services.

The principal activities of the Company are investment holding and provision of technical and management services on an international scale, where it has investments in subsidiaries, joint ventures and associates. The principal activities of the subsidiaries are mainly the provision of mobile communication services and network transmission related services.

The principal activities of the subsidiaries are set out in Note 40 to the financial statements. There has been no significant change in the nature of the activities of the Group and the Company during the financial year.

The address of the registered office of the Company is Level 5, Axiata Centre, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The address of the principal place of business of the Company is Axiata Centre, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 19 February 2014.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in Note 4 to the financial statements.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

### (a) Standard early adopted by the Group and the Company

- Amendment to MFRS 136 “Impairment of Assets” removed certain disclosures of the recoverable amount of the cash generating units (“CGUs”) which had been included in MFRS 136 by the issuance of MFRS 13. The amendment is not mandatory for the Group and the Company until 1 January 2014, however the Group has decided to early adopt the amendment as at 1 January 2013.

### (b) Standards, revised and amendments to published standards that are applicable to the Group and the Company that are effective

#### New and amendments to published standards

The following standards, revised and amendments to published standards have been adopted by the Group and the Company for the first time for the financial year beginning on or after 1 January 2013:

- MFRS 10 “Consolidated Financial Statements” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
- MFRS 11 “Joint Arrangements” requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- MFRS 12 “Disclosure of Interests in Other Entities” sets out the required disclosures for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
- MFRS 13 “Fair Value Measurement” aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, “Financial Instruments: Disclosures”, but apply to all assets and liabilities measured at fair value, not just financial ones.
- The revised MFRS 127 “Separate Financial Statements” includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.
- The revised MFRS 128 “Investments in Associates and Joint Ventures” includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.
- Amendments to MFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities” requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

### (b) Standards, revised and amendments to published standards that are applicable to the Group and the Company that are effective (continued)

#### *Annual Improvements 2009–2011 Cycle*

- Amendment to MFRS 101 “Presentation of Financial Statements” clarifies that an entity is required to present a third statement of financial position only if a retrospective application, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period. Nevertheless, an entity may present comparative information in addition to the minimum comparative financial statements as long as that information is prepared in accordance with MFRSs.
- Amendment to MFRS 116 “Property, Plant and Equipment” clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.
- Amendment to MFRS 132 “Financial Instruments: Presentation” clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 “Income Taxes”.
- Amendment to MFRS 134 “Interim Financial Reporting” clarifies that an entity shall disclose the total assets and liabilities for a particular reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The adoption of standards, revised and amendments to published standards did not have any material impact to the financial statements of the Group and the Company except for amendment to MFRS 116 as stated below:

	Note	As previously reported RM'000	Amendment to MFRS 116 RM'000	As restated RM'000
Consolidated statement of financial position as at:				
<b>31 December 2012</b>				
PPE	25	16,585,314	325,044	16,910,358
Inventories	30	381,499	(325,044)	56,455
<b>1 January 2012</b>				
PPE	25	16,161,531	229,652	16,391,183
Inventories	30	341,837	(229,652)	112,185

## **2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**

### **(c) Standards, amendments to published standards and IC interpretation to existing standards that are applicable to the Group and the Company but not yet effective**

The Group and the Company will apply the new standards, amendments to standards and interpretation in the following period:

#### **(i) Financial year beginning on/after 1 January 2014**

- Amendments to MFRS 10, MFRS 12 and MFRS 127 introduce an exception to consolidation of investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.
- Amendment to MFRS 132 does not change the current offsetting model in MFRS 132. It clarifies the meaning of ‘currently has a legally enforceable right of set-off’ that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.
- IC Interpretation 21, “Levies” sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant registration that triggers the payment of levy.

#### **(ii) Financial year beginning on/after 1 January 2017**

- MFRS 9 “Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities” replaces the parts of MFRS 139 “Financial Instruments: Recognition and Measurement” that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured at amortised cost and those measured at fair value. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The impact of MFRS 9 and IC Interpretation 21 are still being assessed. Aside from MFRS 9 and IC interpretation 21, the adoption of amendments to published standards are not expected to have a material impact to the financial statements of the Group and the Company.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies in the preparation of these financial statements are set out below:

### (a) Economic entities in the Group

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered only if the rights are substantive when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest ("NCI") in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the NCI's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Under the predecessor method of merger accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(a) Economic entities in the Group (continued)**

##### **(i) Subsidiaries (continued)**

The excess of the consideration transferred by the Group, the amount of any NCI in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, NCI recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. The accounting policy of goodwill is stated in Note 3(b)(i) to the financial statements. Goodwill is carried at cost less accumulated impairment losses, if any.

Inter-company transactions, balances and unrealised gains on transactions between the Group's companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### **(ii) Changes in ownership interests in subsidiaries without change of control**

Transactions with NCIs that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to NCIs are also recorded in equity.

##### **(iii) Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in consolidated other comprehensive income are reclassified to consolidated profit or loss.

##### **(iv) Joint arrangements**

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in joint venture is accounted for in the consolidated financial statements using the equity method as stated in Note 3(a)(v) to the financial statements. Where necessary, in applying the equity method, adjustments are made to the financial statements of joint venture to ensure consistency of the accounting policies with those of the Group.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Economic entities in the Group (continued)

#### (v) Associates

Associates are all entities which the Group has significant influence, but no control, generally accompanying a shareholding of between between 20% and 50% of the voting rights. Significant influence is power to participate in the financial and operating policy decisions of the associates but not power to exercise control or jointly control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the post-acquisition results and changes of the associate's reserves in other comprehensive income after the date of acquisition and net off with any accumulated impairment loss. The Group's investment in associates includes goodwill identified on acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Equity accounting is discontinued when the Group ceases to have significant influence over the associates.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The cost of acquiring an additional stake in an associate is added to the carrying amount of associate and equity accounted. Goodwill arising on the purchase of additional stake is computed using fair value information at the date the additional interest is purchased. The previously held interest is not re-measured.

Dilution gains and losses arising in investments in associates are recognised in the consolidated profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the difference in the consolidated profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Intangible assets

##### (i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

##### (ii) Licenses

The Group's licenses are mainly consisting acquired telecommunication licences with allocated spectrum rights and tower operating license. Acquired licenses are shown at cost. Licenses have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using straight-line method, from the effective date of commercialisation of services, subject to impairment, to the end of the assignment period. Licenses are not revalued. The estimated useful lives of the acquired telecommunication licenses with allocated spectrum rights and tower operating license of the Group are as follows:

Malaysia	10 years
Indonesia	10 years
Sri Lanka	10 - 15 years
Bangladesh	15 years
Cambodia	30 years

##### (iii) Subscriber acquisition costs

Subscriber acquisition costs incurred in providing the customer a free or subsidised handset, provided the customer signs a non-cancellable contract for a predetermined contractual period, are amortised over the contractual period on a straight line method.

Subscriber acquisition costs are assessed at each reporting date whether there is any indication that the subscriber acquisition cost may be impaired.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Property, plant and equipment ("PPE")

PPE are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

#### (i) Cost

The cost of telecommunication network includes cost of equipment, site surveys, contractors' charges, materials and related overhead. The cost of other PPE comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset.

PPE also include telecommunication equipment and maintenance spares acquired for the purpose of replacing damaged or faulty plant or spares and supplies to be used in constructing and maintaining the network.

Borrowing costs directly incurred to finance the construction of PPE that takes more than twelve (12) months are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the qualified asset for its intended use.

Subsequent cost is included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying value of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they are incurred.

#### (ii) Depreciation and residual value

Freehold land is not depreciated as it has an infinite life. Other PPE are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives in years, as summarised below:

Leasehold land	3 - 99 years
Buildings	3 - 50 years
Telecommunication network equipment	2 - 20 years
Movable plant and equipment	3 - 10 years
Computer support systems	3 - 10 years

Depreciation on assets under construction or capital work-in-progress commence when the assets are ready for their intended use. Depreciation on PPE ceases at the earlier of derecognition or classification as held-for-sale.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

#### (iii) Impairment

At the end of the reporting period, the Group and the Company assess whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write down is made if the carrying value exceeds the recoverable amount. See significant accounting policies Note 3(e) to the financial statements on impairment of non-financial assets.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(c) Property, plant and equipment (“PPE”) (continued)**

##### **(iv) Gains or losses on disposals**

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount of the related asset and are included in the profit or loss.

##### **(v) Asset exchange transaction**

PPE may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair value unless;

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Group and the Company cannot immediately derecognise the assets given up. If the acquired item cannot be reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

##### **(vi) Repairs and maintenance**

Repairs and maintenance are charged to the profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the Company. This cost is depreciated over the remaining useful life of the related asset.

#### **(d) Investments in subsidiaries and associates**

In the Company’s separate financial statements, investments in subsidiaries and associates are stated at cost less accumulated impairment losses.

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(e) to the financial statements on impairment of non-financial assets.

On disposal of an investment, the difference between the disposal proceed and its carrying amount of the investment is recognised in profit or loss. Disposal-related costs are expensed as incurred.

#### **(e) Impairment of non-financial assets (excluding goodwill)**

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, and as and when events or circumstances occur indicating that an impairment may exist.

Assets with definite useful life are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less cost to sell (“FVLCS”) and value-in-use (“VIU”). For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs). Assets that suffered an impairment are reviewed for possible reversal at the end of reporting period.

For investment in associates, when assessing FVLCS, the unit of account is the investment in associate as a whole. Accordingly, for listed associates, the quoted price is adjusted to reflect management’s estimate of block discounts on similar purchases of non-controlling interests.

The impairment loss is charged to profit or loss. Any subsequent increase in recoverable amount is recognised in the profit or loss.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial assets

#### (i) Classification

The Group and the Company classify its financial assets in the following categories: at FVTPL, loans and receivables, available-for-sale (“AFS”) and held-to-maturity (“HTM”). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

##### (a) *Financial assets at FVTPL*

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. See Note 19 to the financial statements on derivative financial instruments and hedging activities. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

##### (b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve (12) months after the end of the reporting period. These are classified as non-current assets.

##### (c) *AFS financial assets*

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve (12) months from the end of the reporting period.

##### (d) *HTM financial assets*

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s and Company’s management have the positive intention and ability to hold to maturity. If the Group and the Company were to sell other than an insignificant amount of HTM financial assets, the whole category would be tainted and reclassified as AFS. HTM financial assets are included in non-current assets, except for those with maturities less than twelve (12) months from the end of the reporting period, which are classified as current assets.

#### (ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial assets (continued)

##### (iii) Subsequent measurement – gains and losses

AFS financial assets and financial assets at FVTPL are subsequently carried at fair value. Loans and receivables and HTM financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of AFS financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 3(f)(iv)(b)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

##### (iv) Subsequent measurement – Impairment of financial assets

###### (a) Assets carried at amortised cost

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group and the Company use to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial assets (continued)

#### (iv) Subsequent measurement – Impairment of financial assets (continued)

##### (a) *Assets carried at amortised cost (continued)*

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'HTM investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related accumulated impairment losses account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

##### (b) *Assets classified as AFS*

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and the Company uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above.

In the case of equity securities classified as AFS, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as AFS are not reversed through profit or loss.

#### (v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group and the Company are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### (h) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Company designate certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

The Group and the Company document at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group and the Company also document its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 19 to the financial statements. Movements on the hedging reserve in other comprehensive income are shown in the statement of changes in equity of the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve (12) months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve (12) months. Trading derivatives are classified as a current asset or liability.

#### (i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group and the Company only apply fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of cross currency interest rate swaps (“CCIRS”) hedging fixed rate borrowings is recognised in the profit or loss within ‘finance costs’. The gain or loss relating to the ineffective portion is recognised in the profit or loss within ‘other gains/(losses) – net’. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the profit or loss within ‘finance cost’.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used and is amortised to profit or loss over the period to maturity.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Derivative financial instruments and hedging activities (continued)

#### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within 'other gains/(losses) - net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit or loss within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the profit or loss within 'other gains/(losses) - net'. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of PPE.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss within 'other gains/(losses) - net'.

#### (iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within 'other gains/(losses) - net'.

Gains and losses accumulated in equity are included in the profit or loss when the foreign operation is partially disposed of or sold.

#### (i) Inventories

Inventories are stated at lower of cost and net realisable value.

Certain items such as spare parts, stand-by equipment and servicing equipment shall be recognised as PPE when they meet the definition of PPE under MFRS 116. Otherwise, the items are classified as inventory.

Cost is determined on a weighted average basis and comprises all cost of purchase and other cost incurred in bringing the inventories to their present location.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and applicable variable selling expenses. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one (1) year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

#### (k) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three (3) months or less and bank overdrafts. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

Bank overdrafts are included within borrowings in current liabilities in the statements of financial position.

#### (l) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least twelve (12) months after the end of the reporting period.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tax benefit from investment tax incentive is recognised when the tax credit is utilised and no deferred tax asset is recognised when the tax credit is claimed.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(o) Provisions**

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group and the Company expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Provision for liabilities is mainly provisions for dismantling, removal or restoration on identified sites. Provisions are reviewed at the end of the reporting period and adjusted to PPE to reflect the current best estimation. Where the time value of money is material, the amount of a provision is the present value of the future period expenditure expected to be required to settle the obligation.

#### **(p) Contingent liabilities and contingent assets**

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any NCI.

The Group recognises separately the contingent liabilities of the acquirers as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 "Revenue".

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Share capital

#### (i) Classification

Ordinary share with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

#### (ii) Share issue expenses

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

#### (iii) Dividends to shareholders of the Company

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final and special dividends which are subject to approval by the Company's shareholders.

### (r) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

#### *Accounting by lessee*

#### (i) Finance leases

Leases of PPE where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance lease is charged to the profit or loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

PPE acquired under finance leases are depreciated over the estimated useful life of the asset, in accordance with the annual rates stated in Note 3(c)(ii) to the financial statements. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term or its estimated useful life.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

#### (ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the lease period.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) Leases (continued)

*Accounting by lessor*

##### (i) Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return.

##### (ii) Operating leases

When assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Lease income is recognised over the term for the lease on a straight-line basis.

#### (s) Income recognition

The Group's operating revenue comprises the fair value of the consideration received or receivable for the sale of products and rendering of services net of returns, duties, sales discounts and sales taxes paid, after eliminating sales within the Group. The Group's and the Company's operating revenues are recognised or accrued at the time of the provision of the products or services.

##### (i) Mobile and interconnect services revenue

Revenue from mobile telephony services are recognised based on actual traffic volume, net of rebates or discounts.

Revenue from sales of prepaid starter packs and prepaid phone cards are deferred (as disclosed as deferred revenue in trade and other payables) and recognised as revenue based on the actual use of the cards, net of service tax and discounts. Any amounts not recognised are deferred, after which such amounts will be recognised as revenue.

Revenue from interconnection with other operators is recognised on the basis of actual recorded call traffic.

##### (ii) Lease of passive infrastructure

Income from lease of passive infrastructure is recognised on an accrual basis based on prices agreed with customers.

##### (iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using original effective interest rate.

##### (iv) Dividend income

Dividend income from investment in subsidiaries, joint ventures, associates and other investments is recognised when a right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Income recognition (continued)

#### (v) Technical and management services fees

Technical and management services fees comprise of fees for provision of support services to certain subsidiaries, which are recognised on an accrual basis.

#### (vi) Other revenues

All other revenues are recognised net of rebates or discounts upon the rendering of services or sale of products, when the transfers of risks and rewards have been completed.

### (t) Employee benefits

#### (i) Short term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

#### (ii) Contribution to Employees Provident Fund (“EPF”)

The Group’s and the Company’s contributions to EPF are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (iii) Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve (12) months after the end of the reporting period are discounted to present value.

#### (iv) Share-based compensation

The Group and the Company operate an equity-settled, share-based compensation plan for its employees which are Employee Share Option Scheme (“ESOS”) and Restricted Share Plan (“RSP”), (“Axiata Share Scheme”).

Employee services received in exchange for the grant of the share options and/or restricted share awards (“RSA”) are recognised as an expense in the profit or loss over the vesting period of the grant, with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options and/or RSA granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) Employee benefits (continued)

##### (iv) Share-based compensation (continued)

Non-market vesting conditions are included in the assumptions about the number of options and/or RSA that are expected to vest. At the end of reporting period, the Group and the Company revise its estimates of the number of share options and/or RSA that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

When RSA is vested, the fair value is credited to share capital (nominal value) and share premium with the corresponding debit to ESOS and RSA reserve.

Recharges made by the Company in respect of options and/or RSA granted to subsidiaries are accounted for as amounts due from subsidiaries.

##### (v) Post-employment benefit obligations

The Group operates various defined benefit plans in accordance with local conditions and practices in the countries in which it operates. The plans are generally funded through payments to insurance companies or trustee-administrated funds, determined by periodic actuarial calculations. A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past-service costs.

The defined benefit obligation is calculated annually by independent actuaries using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximately to the terms of related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement, comprising actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are charged or credited to equity in other comprehensive income in the period in which they arise and will not be reclassified to profit or loss.

Past-service costs are recognised immediately in income.

##### (u) Deferred revenue

Deferred revenue comprises:

- (i) The unutilised balance of airtime and access fee in respect of prepaid cards sold to customers. Such revenue amounts are recognised as revenue upon utilisation of airtime and activation of access right by the customer.
- (ii) The value of advance billings made to customers in respect of the rental of fibre optic network. Such amounts are recognised as revenue systematically over the period covered by the advance billings.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Indefeasible right of use (“IRU”)

The Group has entered into certain IRU agreements with its customers. An IRU is a right to use a specified amount of capacity for a specific time period that cannot be revoked or voided. Such agreements are accounted for either as lease or service transactions.

Those IRU agreements that provide the lessee with exclusive right to the purchased capacity and limit the purchased capacity to a specified fibre are accounted as lease transactions. Other IRUs are accounted for as service contracts.

IRU agreements that transfer substantially all the risks and rewards of ownership to the lessee are classified as sale-type leases. All other IRU leases are classified as operating leases.

### (w) Foreign currencies

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in RM, which is the Company’s functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities (inclusive of advances to subsidiaries treated as quasi-investments) denominated in foreign currencies are recognised in the net profit for the financial year, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss within ‘finance cost’. All other foreign exchange gains and losses are presented in profit or loss within ‘foreign exchange gains/(losses)’.

Changes in the fair value of monetary securities denominated in foreign currency classified as AFS are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in amortised cost are recognised in the profit or loss for the financial year, and other changes in carrying amount are recognised in other comprehensive income.

#### (iii) Group companies (Consolidated financial statements)

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statements of financial position;
- income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(w) Foreign currencies (continued)**

##### **(iii) Group companies (Consolidated financial statements) (continued)**

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in consolidated other comprehensive income and accumulated in the separate component of equity are reclassified to consolidated profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to NCIs and are not recognised in consolidated profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated profit or loss.

#### **(x) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision maker. The Chief Operating Decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

#### **(y) Non-current assets (or disposal groups) held-for-sale**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered as highly probable. They are stated at the lower of carrying amount and FVLCS.

#### **(z) Government grants**

As a Universal Service Provider ("USP"), the Group is entitled to claim certain qualified expenses from the relevant authorities in relation to USP projects. The claim qualifies as a government grant and is recognised at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to the profit or loss on the straight line basis over the expected life of the related assets.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) Critical judgements in applying the Group's and Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group and the Company. The following accounting policies require subjective judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

#### *Intangible assets - Acquired telecommunication licences with allocated spectrum rights*

The Group has applied judgement in determining the treatment of the annual fees payable over ten (10) years in respect of a 3G spectrum license granted to a foreign subsidiary. The annual fee is charged to the profit or loss when incurred based on management's judgement that future annual fees will no longer be payable upon the decision by the subsidiary to return the license. The Group considers the annual payment to be usage fees based on interpretation of the license conditions, written confirmation from the Directorate General of Post and Telecommunication, Indonesia and current financial year assessment of 3G operations. The annual fees are therefore not considered part of the acquisition cost of the license.

Should the regulations and conditions with regards to the payment of the annual fees be amended in the future with the consequence that payment of the remaining outstanding annual fees cannot be avoided upon the subsidiary surrendering the license, the Group will recognise an intangible asset and a corresponding liability at the present value of the remaining annual fees at that point in time.

### (b) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The Group, and to a large extent the activities, are governed by the legal, regulatory and business environment in the countries which the Group operates in and which the Group has investments in. The business of the Group is subject to a number of risks, many of which are beyond the Group's control.

The main risks relating to the Group's business are as follows:

- Increasing competition in the countries the Group operates in
- Challenges in expanding business in certain emerging markets
- Political, regulatory and social developments in the region the Group operates in
- Significant expansion of capital investments required
- Increasing substitution for traditional voice and data market

To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are mentioned below.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

##### **(b) Critical accounting estimates and assumptions (continued)**

###### **(i) Impairment assessment of goodwill**

The Group tests goodwill for impairment annually in accordance with its accounting policy and whenever events or change in circumstances indicate that this is necessary within the financial year. Recoverable amount is measured at the higher of the FVLCS for that asset and its VIU.

The recoverable amounts of certain CGUs have been determined based on VIU calculations. These calculations require the use of estimates. The calculations are inherently judgemental and susceptible to change from period to period because they require the Group to make assumptions about revenue growth, exchange rates, an appropriate discount rate and terminal growth rate.

The assumptions used, results and sensitivity of the impairment assessment of goodwill are disclosed in Note 24(a) to the financial statements.

###### **(ii) Impairment assessment of PPE and investments**

The Group and the Company assess impairment of the assets or CGUs mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the FVLCS for that asset or CGU and its VIU.

Projected future cash flows used in impairment testing of the assets or CGUs mentioned above are based on Group's and Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

The recoverable amounts of the asset or CGUs have been determined based on VIU calculations. These calculations require the use of estimates. The calculations are inherently judgemental and susceptible to change from period to period because they require the Group and the Company to make assumptions about revenue growth, exchange rates, an appropriate discount rate and terminal growth rate.

###### **(iii) Estimated useful lives of PPE**

The Group reviews the estimated useful lives of PPE based on factors such as business plan and strategies, expected level of usage and future technological developments at the end of each reporting period. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE would increase the recorded depreciation charge and decrease the PPE balance.

The impact of the review of the useful lives of PPE is disclosed in Note 25 to the financial statements.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (b) Critical accounting estimates and assumptions (continued)

#### (iv) Taxation

##### Income taxes

The Group and the Company are subject to income tax in numerous jurisdictions. Judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

##### Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgement regarding future financial performance of a particular entity in which the deferred tax asset has been recognised.

#### (v) Contingent liabilities

Determination of the treatment of contingent liabilities is based on the Group's view of the expected outcome of contingencies after consulting legal counsel for litigation cases and internal and external experts of the Group for matters in the ordinary course of business. Please refer to Note 28 and Note 36(d) to the financial statements for legal proceedings that the Group is involved in as at the end of each reporting period.

#### (vi) Fair value of derivatives and other financial instruments

Certain financial instruments such as investments, derivative financial instruments and certain elements of borrowings are carried on the statement of financial position at fair value, with changes in fair value reflected in the profit or loss.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group and the Company use its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each financial reporting period.

#### (vii) Provision for dismantling, removal or restoration

Fair value estimates of provision for dismantling, removal or restoration generally involve discounted future cash flows, and periodic accretion of such liabilities due to the passage of time is recorded as finance cost. The significant assumptions used in estimating the provision are: timing of assets removals; cost of assets removals; expected inflation rates; and the weighted average cost of capital. There can be no assurances that actual costs and the probability of incurring obligations will not differ from these estimates.

#### (viii) FVLCS of investment in associates

In assessing the impairment testing for the Group's investment in associates, the quoted price has adjusted by applying a block discount.

The unit of account for an investment in associate is the investment as a block, rather than the underlying shares that make up the investment. FVLCS of an investment in associate as a whole is estimated by reference to evidence of past transactions on block purchases of non-controlling interests in various companies across industries and various geographical locations. The range of observable block discount is between 5.0 to 10.0%. The Group estimates a block discount of 8.5% on quoted price as at reporting date, representing the adjusted quoted price. The adjusted quoted price is used to determine the FVLCS of the investment.

## 5. INCORPORATIONS, ACQUISITIONS, MERGERS, DISPOSALS AND DILUTIONS OF INTERESTS

### (a) Incorporation, acquisitions, merger, disposal and dilutions of interests during the financial year

#### (i) Disposal of 49.00% equity interest in Mobile Telecommunication Company of Esfahan (“MTCE”)

On 18 May 2011, the Group entered into a Sale and Purchase Agreement (“SPA”) with Telecommunication Company of Esfahan on the disposal of its entire shareholding in MTCE representing 49.00% of the total issued and paid-up share capital in MTCE financial. The disposal of MTCE was completed on 2 January 2013.

The disposal of MTCE has no significant financial impact to the Group during the financial year.

#### (ii) Acquisition of Glasswool Holdings Limited (“Glasswool”) by Axiata Investments (Cambodia) Limited (“AIC”)

On 13 December 2012, the Company and its wholly-owned subsidiary, AIC have entered into a SPA with Timeturns Holdings Limited for the acquisition of the entire ordinary shares in issue of Glasswool, which became the owner of the entire ordinary shares in issue of Smart Axiata Co., Ltd [formerly known as Latelz Co., Ltd] (“Smart”) in Cambodia upon completion of the acquisition of Smart.

Subsequently, it was the Group’s intention to merge the operations of Hello Axiata Company Limited (“Hello”) and Smart as one combined entity. The acquisition was settled via a combination of cash considerations and a 10.00% stake in a combined entity to be held by the remaining partner. On 19 February 2013, the acquisition and the transfer of Hello’s telecommunication business and assets were completed and Smart became a 90.00% owned subsidiary of the Group effectively.

The following summarises the consideration paid on the acquisition of Smart, the fair value of assets acquired, liabilities assumed and NCI at the acquisition date.

	Note	RM’000
Net purchase consideration in cash		483,290
Fair value of 10.00% of Hello’s identifiable net assets and business transferred to Smart		16,621
Purchase consideration		499,911
Details of the net assets acquired are as follows:		
PPE	25	174,776
Intangible assets	24	278,565
Inventories		2,326
Trade and other receivables		16,245
Cash and bank balances		33,136
Deferred tax liability	23	(55,680)
Trade and other payables		(82,658)
Total net assets		366,710
Less: NCI		(36,671)
Total net assets acquired		330,039
Goodwill on acquisition	24	169,872
		499,911

The goodwill arising from the acquisition is attributable to economies of scale.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 5. INCORPORATIONS, ACQUISITIONS, MERGERS, DISPOSALS AND DILUTIONS OF INTERESTS (CONTINUED)

### (a) Incorporation, acquisitions, merger, disposal and dilutions of interests during the financial year (continued)

#### (ii) Acquisition of Glasswool Holdings Limited (“Glasswool”) by Axiata Investments (Cambodia) Limited (“AIC”) (continued)

In conjunction with the transfer of Hello’s telecommunication business and assets on 19 January 2013, Hello disposed off 10.00% equity interest to NCI of Smart as summarised below:

	RM’000
Consideration received from NCI	16,621
Carrying amount of NCI disposed off	(15,939)
Increase in parent’s equity	682

Acquisition related costs of RM8.8 million have been charged to the consolidated other operating costs during the financial year.

The impact of acquisition of Smart, had it occurred on 1 January 2013, is not material to the consolidated financial statements.

#### (iii) Acquisition of Sky Television and Radio Network (Private) Limited (“Sky TV”)

Dialog Broadband Networks (Private) Limited (“DBN”), a wholly-owned subsidiary of Dialog Axiata PLC (“Dialog”) had, on 13 May 2013, completed the acquisition of the entire ordinary shares in issue of Sky TV at a consideration of RM19.0 million (SLR800.0 million). Subsequently the amalgamation of Sky TV with DBN was completed on 3 July 2013. As a consequence of the amalgamation, Sky TV ceased to exist as a corporate entity from the date of amalgamation and all its assets, liabilities and operations were accordingly succeeded by DBN.

Acquisition of Sky TV was concluded as acquisition of asset and has no significant financial impact to the Group during the financial year.

#### (iv) Incorporation of PT XL Planet Digital (“Planet Digital”)

On 16 May 2013, PT XL Axiata Tbk (“XL”) entered into an agreement with SK Planet Co Ltd (“SKP”) and SK Planet Global Holdings Pte Ltd (“SKGH”) whereby SKP and XL agreed to enter into a joint venture arrangement by incorporating a new limited liability company namely Planet Digital. SKGH and XL were to contribute IDR equivalent of RM59.3 million (USD18.3 million) each for the initial share capital and respectively hold 50.00% of the total share capital of Planet Digital. Planet Digital was incorporated under Deed of establishment No.9 dated 8 July 2013. Effectively, Planet Digital became a joint venture of the Group.

The incorporation of Planet Digital has no significant financial impact to the Group during the financial year.

#### (v) Divestment by Celcom Axiata Berhad (“Celcom”) of its wholly-owned subsidiary, Celcom Childcare Sdn Bhd (“Celcom Childcare”)

Celcom had, on 29 August 2012, completed the incorporation of CCSB, a private company limited by shares, under the Companies Act, 1965.

On 11 June 2013, Celcom entered into a Share Sale Agreement (“SSA”) with Early Impression Sdn Bhd (“Early Impression”) on the divestment of its entire shareholding in Celcom Childcare for a cash consideration of RM0.2 million. The disposal of Celcom Childcare to Early Impression was completed on 18 October 2013.

The above has no significant financial impact to the Group during the financial year.

## **5. INCORPORATIONS, ACQUISITIONS, MERGERS, DISPOSALS AND DILUTIONS OF INTERESTS (CONTINUED)**

### **(a) Incorporation, acquisitions, merger, disposal and dilutions of interests during the financial year (continued)**

#### **(vi) Acquisition of equity interest in Digital Commerce Lanka (Pvt) Ltd (“Digital”)**

On 10 December 2012, Dialog entered into an Investment Agreement (“IA”) for the acquisition of 26.0% equity interest in Digital for a purchase consideration of RM4.9 million (SLR205.6 million). Effectively, Digital became an associate of the Group.

Alongside with the IA, Dialog has also entered into a shareholders’ agreement with the shareholders of Digital to provide opportunities to increase its equity interest in Digital by Dialog in the future.

During the financial year, Dialog further increased its equity interest in Digital from 26.0% to 28.32%.

The above has no significant financial impact to the Group during the financial year.

#### **(vii) Acquisition of additional equity interest in Robi Axiata Limited (“Robi”)**

During the current financial year, the Registrar of Joint Stock Companies and Firms of Bangladesh approved the new allotment of shares by Robi with the date of allotment on 28 July 2013. The new allotment was satisfied via the capitalisation of RM1,035.4 million (USD321.0 million) convertible shareholder’s advance by Axiata Investments (Labuan) Limited (“AIL”). Accordingly, the Group’s equity interest increased from 70.00% to 91.59%. The Group recorded an increase in retained earnings arising from transaction with NCI amounting to RM51.8 million during the financial year.

#### **(viii) Dilution of equity interest in Idea Cellular Limited (“Idea”)**

During the financial year, the Group’s equity interest in Idea, decreased from 19.93% to 19.90% (2012: 19.96% to 19.93%) following the issuance of new ordinary shares under Idea’s ESOS. The Group recognised a loss on dilution of equity interest amounting to RM4.0 million (2012: RM12.2 million) during the financial year.

#### **(ix) Dilution of equity interest in M1 Limited (“M1”)**

During the financial year, the equity interest in M1, held through Axiata Investments (Singapore) Limited (“AIS”), a wholly owned subsidiary of the Company decreased from 29.06% to 28.74% (2012: 29.23% to 29.06%) following the issuance of the shares under M1’s ESOS scheme. The Group recognised a loss on dilution of equity interest amounting to RM15.2 million (2012: RM10.7 million) during the financial year.

#### **(x) Dilution of equity interest in Samart I-Mobile Public Company Limited (“SIM”)**

During the financial year, the Group’s equity interest in SIM, decreased from 24.40% to 24.08% following the issuance of new ordinary shares under SIM’s warrant. The Group recognised a loss on dilution of equity interest amounting to RM1.9 million during the financial year.

#### **(xi) Dilution of equity interest in XL**

The Group’s equity interest in XL, decreased from 66.55% to 66.48% (2012: from 66.61% to 66.55%) following the issuance of new ordinary shares under XL’s Share-Based Compensation Scheme as disclosed in Note 14(c) to the financial statements.

The Group recognised a gain on dilution amounting to RM6.2 million (2012: RM4.1 million) during the financial year.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 5. INCORPORATIONS, ACQUISITIONS, MERGERS, DISPOSALS AND DILUTIONS OF INTERESTS (CONTINUED)

### (b) Incorporations, acquisitions and dilutions of interests in the previous financial year

#### (i) Entry by Celcom into Shareholders' Agreement with PLDT Global Corporation ("PGC") and PLDT Malaysia Sdn Bhd ("PLDT MY")

On 30 November 2011, Celcom, entered into a Shareholders' Agreement ("SA") with PGC and PLDT MY for the purpose of collaborating in establishing mobile virtual network operator services in Malaysia. Under the terms of the SA, the issued and paid-up share capital of PLDT MY shall be RM6.0 million divided into 6.0 million PLDT MY shares of which Celcom and PGC would subscribe in cash in the ratio of 49:51.

The acquisition of 49.00% equity interest in PLDT MY by Celcom was completed on 25 January 2012 and it became a joint venture of the Group.

The above had no significant financial impact to the Group in the previous financial year.

#### (ii) Acquisition of entire equity interest in Suntel Limited ("Suntel")

DBN had, on 14 December 2011 entered into a SPA with the shareholders of Suntel for the acquisition of the entire ordinary shares of Suntel. The acquisition was completed on 22 March 2012. Effectively, Suntel became an 84.97% owned subsidiary of the Group.

Following the completion of the amalgamation of Suntel with DBN effective from 15 May 2012, the shares of Suntel were cancelled with no new shares issued/swapped and Suntel continues to operate as part of DBN.

The following summarises the consideration paid for acquisition of Suntel, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Note	RM'000
Purchase consideration in cash		96,984
Details of the net liabilities assumed are as follows:		
PPE	25	46,566
Intangible assets	24	4,933
Inventories		5,349
Trade and other receivables		32,079
Cash and bank balances		4,110
Trade and other payables		(147,898)
Total net liabilities assumed		(54,861)
Goodwill on acquisition	24	151,845
		96,984

## **5. INCORPORATIONS, ACQUISITIONS, MERGERS, DISPOSALS AND DILUTIONS OF INTERESTS (CONTINUED)**

### **(b) Incorporations, acquisitions and dilutions of interests in the previous financial year (continued)**

#### **(ii) Acquisition of entire equity interest in Suntel Limited (“Suntel”) (continued)**

Acquisition related costs of RM9.0 million (SLR 372.1 million) was charged to the consolidated other operating costs in the previous financial year.

The impact of the acquisition of Suntel, had it occurred on 1 January 2012, was not material to the consolidated financial statements.

During the financial year, the Group has finalised the fair values attributable to the net assets. An amount of RM9.1 million was further adjusted to goodwill.

#### **(iii) Incorporation of Axiata SPV2 Berhad (“Axiata SPV2”)**

The Company had, on 4 June 2012 completed the incorporation of Axiata SPV2, a public company limited by shares, under the Companies Act, 1965. Axiata SPV2 was incorporated with an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1 each of which RM2 had been issued and paid-up.

The incorporation above had no significant financial impact to the Group and the Company in the previous financial year.

#### **(iv) Incorporation of Axiata Towers (Cambodia) Company Limited (“ATC”) [now known as edotco (Cambodia) Co., Ltd]**

Hello had, on 7 June 2012 completed the incorporation of ATC, a private company limited by shares with an authorised share capital of Khmer Riel (“KHR”) 16.0 million (equivalent to USD4,000) subdivided into 1,000 ordinary shares of KHR16,000 each, which had been fully issued and paid-up.

On 10 January 2014, Ministry Of Commerce of Cambodia approved the transfer of its entire equity interest in ATC by Hello to Smart. Accordingly, ATC became a wholly-owned subsidiary of Smart effective on 19 February 2013. On the same day, ATC changed its name to edotco (Cambodia) Co., Ltd (“edotcoC”).

On 14 January 2014, edotcoC increased its paid-up share capital to KHR4.0 billion (equivalent to USD1.0 million) by issuance of additional 249,000 ordinary shares of KHR16,000 each to Smart.

The incorporation above had no significant financial impact to the Group in the previous financial year.

#### **(v) Acquisition of 51.00% equity interest in Digital Milestone Sdn Bhd (“DMSB”)**

Celcom had, on 23 July 2012, completed the acquisition of 255,000 ordinary shares of RM1 each representing 51.00% of the equity interest in DMSB. The acquisition of DMSB shares by Celcom is in accordance with the Teaming Agreement entered by Celcom dated 3 July 2012 in which Celcom and Media Broadcast GmbH will establish a joint-venture entity and jointly act in relation to pre-bid activities and formulation of bid for the development, supply, commissioning, marketing and operation of digital television transmission infrastructure in Malaysia via a common infrastructure provider for the digital terrestrial transmission services to be rolled-out under Malaysia’s National Digitisation Project (“Tender Bid”).

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 5. INCORPORATIONS, ACQUISITIONS, MERGERS, DISPOSALS AND DILUTIONS OF INTERESTS (CONTINUED)

### (b) Incorporations, acquisitions and dilutions of interests in the previous financial year (continued)

#### (v) Acquisition of 51.00% equity interest in Digital Milestone Sdn Bhd (“DMSB”) (continued)

Celcom, through DMSB, had participated in the Tender Bid but was not shortlisted. With this and pursuant to the Teaming Agreement dated 3 July 2012, DMSB which was set-up for the Tender Bid was no longer required. The Company and Celcom approved the winding up on 6 February 2013 and 18 March 2013 respectively.

The Group is in the process of seeking the necessary approvals from members of DMSB to proceed with the winding-up proceedings.

#### (vi) Incorporation of Bangladesh Infrastructure Company Limited (“BICL”) [now known as edotco Bangladesh Co Ltd]

Robi had, on 1 October 2012 incorporated a new subsidiary, BICL, a public company limited by shares, under the Companies Act, 1994 of the Republic of Bangladesh. BICL was incorporated with an authorised share capital of BDT300.0 million represented by 30.0 million ordinary shares of BDT10 each, of which its issued and paid-up capital was BDT100.0 million.

BICL subsequently changed its name to edotco Bangladesh Co Ltd on 18 November 2013.

The incorporation above had no significant financial impact to the Group in the previous financial year.

#### (vii) Incorporation of Axiata SPV3 Sdn Bhd (“SPV3”) [now known as edotco Group Sdn Bhd]

The Company had, on 31 October 2012 completed the incorporation of Axiata SPV3 Sdn Bhd, a private company limited by shares, under the Companies Act, 1965 with an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1 each. The issued and paid-up share capital was RM2.

SPV3 subsequently changed its name to edotco Group Sdn Bhd on 20 September 2013.

The incorporation above had no significant financial impact to the Group and the Company in the previous financial year.

#### (viii) Incorporation of Axiata Investments (Cambodia) Limited (“AIC”)

The Company had, on 7 December 2012 completed the incorporation of AIC, a private company limited by shares, under the Labuan Companies Act, 1990. AIC was incorporated with an authorised share capital of USD100,000 divided into 100,000 ordinary shares of USD1 each. The issued and paid-up share capital was USD2.

The incorporation above had no significant financial impact to the Group and the Company in the previous financial year.

## 6. OPERATING REVENUE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Mobile services	<b>15,391,568</b>	15,101,192	-	-
Interconnect services	<b>1,352,899</b>	1,218,304	-	-
Dividend income:				
- Malaysia	-	-	<b>2,301,815</b>	3,093,837
- Overseas	-	-	<b>8,056</b>	1,038
Lease of passive infrastructure	<b>308,769</b>	331,345	-	-
Technical and management services fees	-	-	<b>49,577</b>	30,728
Others*	<b>1,317,605</b>	1,000,776	-	-
<b>Total</b>	<b>18,370,841</b>	17,651,617	<b>2,359,448</b>	3,125,603

\* Others include revenue from leased services, pay television transmission, sale of devices and other data services.

## 7(a). DEPRECIATION, IMPAIRMENT AND AMORTISATION

	Note	Group		Company	
		2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Depreciation of:					
- PPE	25	<b>3,078,359</b>	2,998,679	<b>3,662</b>	3,702
- PPE of non-current assets classified as held-for-sale		<b>17,869</b>	17,604	-	-
Reversal of impairment of PPE	25	<b>(9,554)</b>	(1,264)	-	-
Impairment of:					
- Investment in a subsidiary	26	-	-	<b>39,982</b>	-
- PPE <sup>^</sup>	25	<b>21,288</b>	155,493	-	-
Write off of PPE	25	<b>60,524</b>	587	<b>333</b>	428
Amortisation of:					
- intangible assets	24	<b>264,909</b>	167,674	-	-
- intangible assets of non-current assets classified as held-for-sale		<b>882</b>	444	-	-
Others		<b>1,053</b>	346	-	-
<b>Total</b>		<b>3,435,330</b>	3,339,563	<b>43,977</b>	4,130

<sup>^</sup> Comparative was restated in conjunction with amendment to MFRS 116 as disclosed in Note 2(b) to the financial statements.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 7(b). OTHER OPERATING COSTS

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Impairment of:					
- trade and other receivables	32	<b>110,904</b>	88,566	-	-
- trade and other receivables of non-current assets classified as held-for-sale		<b>1,821</b>	-	-	-
Business license fees		<b>577,302</b>	492,122	-	-
Charges and commissions		<b>80,155</b>	72,369	<b>244</b>	30
Cost of SIM and recharge cards		<b>107,047</b>	117,909	-	-
Revenue sharing outpayment		<b>376,837</b>	259,980	-	-
Leased circuit charges		<b>202,677</b>	237,112	-	-
Maintenance		<b>1,077,581</b>	1,067,442	<b>1,090</b>	899
Professional fees		<b>203,051</b>	226,795	<b>51,039</b>	47,254
Rental-land and buildings		<b>933,479</b>	819,219	<b>4,538</b>	4,390
Rental-equipment		<b>166,275</b>	186,706	<b>233</b>	210
Rental-others		<b>55,832</b>	57,244	<b>21</b>	4
Roaming costs		<b>246,110</b>	207,407	-	-
Supplies and inventories		<b>340,554</b>	248,712	<b>455</b>	-
Transportation and travelling		<b>76,461</b>	70,402	<b>7,678</b>	5,949
USP/Obligation contribution		<b>480,853</b>	490,867	-	-
Utilities		<b>256,335</b>	281,097	<b>446</b>	390
Others <sup>1</sup>		<b>522,644</b>	439,216	<b>29,161</b>	29,104
<b>Total</b>		<b>5,815,918</b>	5,363,165	<b>94,905</b>	88,230

<sup>1</sup> Others include:

Audit fees:

- PricewaterhouseCoopers Malaysia ("PwCM")	<b>2,685</b>	2,169	<b>1,551</b>	1,132
- Member firm of PwC International Limited ("PwCI")*	<b>2,408</b>	2,422	-	-
- Others	<b>35</b>	33	-	-

Audit related fees<sup>(i)</sup>:

- PwCM and PwCI	<b>4,512</b>	3,097	<b>3,323</b>	2,712
	<b>9,640</b>	7,721	<b>4,874</b>	3,844

Other fees paid to PwCM and PwCI:

- Tax and tax related services <sup>(ii)</sup>	<b>1,368</b>	1,736	<b>969</b>	775
- Other non-audit services <sup>(iii)</sup>	<b>3,995</b>	1,917	<b>3,110</b>	1,782
	<b>15,003</b>	11,374	<b>8,953</b>	6,401

## 7(b). OTHER OPERATING COSTS (CONTINUED)

\* Separate and independent legal entity from PwCM.

<sup>(i)</sup> Fees incurred in connection with performance of quarterly reviews, review of purchase price allocation, agreed-upon procedures and regulatory compliance.

<sup>(ii)</sup> Fees incurred for assisting the Group in connection with tax compliance and advisory services.

<sup>(iii)</sup> Fees incurred primarily in relation to due diligences on potential acquisitions, project management and other advisory services.

In order to maintain the independence of the external auditors, the Audit Committee has determined policies as to what non-audit services can be provided by external auditors of the Group and the approval processes related to them. Under these policies and guidelines, non-audit services can be offered by external auditors of the Group if there are clear efficiencies and value-added benefits to the Group.

## 7(c). STAFF COSTS (INCLUDING REMUNERATION OF EXECUTIVE DIRECTORS OF THE COMPANY)

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Staff costs excluding Directors:					
- salaries, allowances, overtime and bonus		<b>877,407</b>	816,178	<b>55,329</b>	51,772
- termination benefits		<b>28,055</b>	21,344	-	-
- contribution to EPF		<b>68,417</b>	79,338	<b>9,918</b>	8,315
- other staff benefits		<b>154,083</b>	136,601	<b>8,029</b>	7,500
- ESOS and RSA expenses	14(a)	<b>78,698</b>	57,717	<b>16,385</b>	7,182
- Share-based compensation expense of a subsidiary	14(c)	<b>10,973</b>	18,842	-	-
Remuneration of Executive Directors of the Company	7(d)	<b>9,310</b>	9,935	<b>9,310</b>	9,935
		<b>1,226,943</b>	1,139,955	<b>98,971</b>	84,704

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 7(d). DIRECTORS' REMUNERATION

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Remuneration of Executive Directors of the Company:					
- salaries, allowances and bonus		<b>6,160</b>	5,280	<b>6,160</b>	5,280
- contribution to EPF		<b>1,170</b>	1,003	<b>1,170</b>	1,003
- ESOS and RSA expenses	14(a)	<b>1,980</b>	3,652	<b>1,980</b>	3,652
		<b>9,310</b>	9,935	<b>9,310</b>	9,935
Remuneration of Non-Executive Directors of the Company:					
- fees and allowances		<b>2,592</b>	2,304	<b>2,287</b>	1,946
		<b>11,902</b>	12,239	<b>11,597</b>	11,881

Estimated money value of benefits of Directors amounting to RM544,026 (2012: RM505,290) for the Group and the Company.

## 8. OTHER GAINS - NET

	Group	
	2013 RM'000	2012 RM'000
Derivative financial instruments:		
- Forward foreign currency contracts ("FFC")	<b>59,577</b>	13,515
- CCIRS	<b>161,883</b>	10,662
- Interest rate swap contracts ("IRS")	<b>(17,812)</b>	5,978
Total	<b>203,648</b>	30,155

## 9. OTHER OPERATING INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Gain on disposal of PPE	<b>13,977</b>	21,673	<b>174</b>	-
Bad debts recovered	<b>13,358</b>	17,736	-	-
Others	<b>20,546</b>	54,635	<b>766</b>	656
<b>Total</b>	<b>47,881</b>	94,044	<b>940</b>	656

## 10. FINANCE INCOME/(COST)

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<u>Finance income</u>					
Islamic Financial Instruments		<b>158,546</b>	71,643	<b>77,832</b>	26,069
Other deposits, cash and bank balances		<b>102,750</b>	190,702	<b>4,788</b>	27,169
		<b>261,296</b>	262,345	<b>82,620</b>	53,238
<u>Finance cost</u>					
Other borrowings		<b>(489,033)</b>	(485,959)	<b>(11,171)</b>	(13,480)
Profit on Islamic Private Debt Securities		<b>(216,645)</b>	(216,200)	-	-
Finance (expense)/income on IRS:					
- fair value hedge		<b>(19,755)</b>	(18,858)	<b>(19,755)</b>	(18,858)
- net investment hedge		<b>4,704</b>	3,218	-	-
Finance cost excluding net foreign exchange (losses)/gains on financing activities		<b>(720,729)</b>	(717,799)	<b>(30,926)</b>	(32,338)
<u>Net foreign exchange (losses)/gains on:</u>					
- financing activities		<b>(416,368)</b>	(39,464)	<b>(58,250)</b>	26,750
- fair value hedge	19(f)	<b>58,250</b>	(26,750)	<b>58,250</b>	(26,750)
Net foreign exchange losses on financing activities		<b>(358,118)</b>	(66,214)	-	-
<b>Total finance cost</b>		<b>(1,078,847)</b>	(784,013)	<b>(30,926)</b>	(32,338)
<b>Net finance (cost)/income</b>		<b>(817,551)</b>	(521,668)	<b>51,694</b>	20,900

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 11. TAXATION AND ZAKAT

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current taxation:					
- Malaysian income tax		<b>330,865</b>	433,252	-	-
- Overseas taxation		<b>310,151</b>	278,194	<b>26</b>	16
		<b>641,016</b>	711,446	<b>26</b>	16
Deferred taxation	23	<b>144,946</b>	162,271	-	-
Total taxation		<b>785,962</b>	873,717	<b>26</b>	16
Zakat		<b>8,500</b>	8,500	-	-
Taxation and zakat		<b>794,462</b>	882,217	<b>26</b>	16
Current taxation:					
<u>Malaysia</u>					
Income tax:					
- Current year		<b>478,484</b>	524,596	-	-
- Over accrual in previous financial years		<b>(147,619)</b>	(91,344)	-	-
		<b>330,865</b>	433,252	-	-
<u>Overseas</u>					
Income tax:					
- Current year		<b>298,968</b>	278,297	<b>26</b>	16
- Under/(over) accrual in previous financial years		<b>11,183</b>	(103)	-	-
		<b>310,151</b>	278,194	<b>26</b>	16
Deferred taxation:					
- Net origination of temporary differences	23	<b>144,946</b>	162,271	-	-
Total taxation		<b>785,962</b>	873,717	<b>26</b>	16
Zakat		<b>8,500</b>	8,500	-	-
Total taxation and zakat		<b>794,462</b>	882,217	<b>26</b>	16

The current income tax is calculated at the statutory tax rate of 25% of the estimated assessable profit for the financial year.

## 11. TAXATION AND ZAKAT (CONTINUED)

Numerical reconciliation between taxation and the product of accounting profit multiplied by the Malaysian tax rate:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before taxation	<b>3,533,039</b>	3,761,794	<b>2,556,875</b>	2,741,400
Taxation calculated at the applicable Malaysian tax rate of 25% (2012: 25%)	<b>883,260</b>	940,449	<b>639,219</b>	685,350
Tax effects of:				
- income not subject to tax	<b>(76,431)</b>	(106,552)	<b>(675,911)</b>	(773,459)
- share of results of associates	<b>(67,706)</b>	(58,738)	-	-
- share of results of joint ventures	<b>(1,332)</b>	394	-	-
- change of taxation basis	-	(47,855)	-	-
- different tax rates in other countries	<b>78,714</b>	27,347	<b>(1,960)</b>	(244)
- change in statutory tax rate	<b>(14,000)</b>	-	-	-
- tax incentive	<b>(105,797)</b>	(111,171)	-	-
- utilisation of previously unrecognised tax losses	<b>(9,482)</b>	-	-	-
- unrecognised tax losses	<b>18,142</b>	30,657	<b>17,118</b>	8,369
- expenses not deductible for tax purposes	<b>217,030</b>	290,633	<b>16,169</b>	76,250
- group relief	-	-	<b>5,391</b>	3,750
- over accrual of income tax	<b>(136,436)</b>	(91,447)	-	-
- zakat	<b>8,500</b>	8,500	-	-
Total taxation and zakat	<b>794,462</b>	882,217	<b>26</b>	16

Included in the taxation of the Group are tax savings amounting to RM21.6 million (2012: RM15.0 million) where group relief is available and tax losses in loss-making entities in a particular year of assessment may be offset against taxable profits of profitable entities in the same group in the same year of assessment.

## 12. EARNINGS PER SHARE

### (a) Basic earnings per share ("EPS")

Basic EPS of the Group is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the financial year.

	Group	
	2013	2012
Profit attributable to owners of the Company (RM'000)	<b>2,550,021</b>	2,513,285
Weighted average number of shares in issue ('000)	<b>8,527,631</b>	8,492,277
Basic EPS (sen)	<b>29.9</b>	29.6

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 12. EARNINGS PER SHARE (CONTINUED)

### (b) Diluted earnings per share

For the diluted EPS calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has share options and RSA granted to employees under the Axiata Share Scheme as disclosed in Note 14(a) to the financial statements which are dilutive potential ordinary shares and is assumed to have been converted into ordinary shares.

In respect of share options over the ordinary shares and RSA of the Company, a calculation is performed to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The calculation serves to determine the unexercised share options and RSA outstanding for the purpose of computing the dilution. No adjustment is made to profit attributable to owners of the Company for the share options and RSA calculation.

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
Profit attributable to owners of the Company (RM'000)	<b>2,550,021</b>	2,513,285
Weighted average number of ordinary shares in issue ('000)	<b>8,527,631</b>	8,492,277
Adjusted for ESOS and RSA ('000)	<b>55,325</b>	41,032
Weighted average number of ordinary shares for the purpose of computing diluted EPS ('000)	<b>8,582,956</b>	8,533,309
Diluted EPS (sen)	<b>29.7</b>	29.5

### 13. SHARE CAPITAL

	Group and Company			
	2013		2012	
	No. of shares '000	Nominal value RM'000	No. of shares '000	Nominal value RM'000
Ordinary shares of RM1 each:				
Authorised:				
At the beginning/end of the financial year	<b>12,000,000</b>	<b>12,000,000</b>	12,000,000	12,000,000
Issued and fully paid-up:				
At the beginning of the financial year	<b>8,508,209</b>	<b>8,508,209</b>	8,466,182	8,466,182
Issuance of new ordinary shares under Axiata Share Scheme:				
<b>(a) Performance-Based ESOS at exercise price per ordinary share of:</b>				
- RM1.81	<b>3,706</b>	<b>3,706</b>	26,275	26,275
- RM3.15	<b>1,021</b>	<b>1,021</b>	957	957
- RM3.45	<b>14,059</b>	<b>14,059</b>	14,782	14,782
- RM5.07	<b>13,190</b>	<b>13,190</b>	13	13
<b>(b) RSA issued</b>	<b>478</b>	<b>478</b>	-	-
At the end of the financial year	<b>8,540,663</b>	<b>8,540,663</b>	8,508,209	8,508,209

The above mentioned ordinary shares rank pari-passu in all respects with the existing ordinary shares of the Company.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME

### (a) Performance-Based ESOS and RSP [“Axiata Share Scheme”]

The Performance-Based ESOS of the Company was approved by its shareholders at an EGM held on 24 March 2009 and implemented on 16 April 2009.

On 1 June 2011, the Company’s shareholders had, at the Nineteenth (19th) AGM of the Company, approved the amendments to the Bye-Laws of the ESOS to include a RSP. Accordingly, the existing Performance-Based ESOS was renamed as Axiata Share Scheme.

Effective from 15 July 2011, the Company implemented the Axiata Share Scheme and started to offer eligible employees the entitlement to receive Restricted Share Awards under the RSP (“RSA”) in the Company on 18 July 2011 instead of ESOS.

The total number of the Performance-Based ESOS granted, percentage exercisable and the vesting period is as follows:

ESOS	Grant date	Vesting date	Options over the Company’s shares		
			% of options exercisable <sup>1</sup>	Number of options granted	Exercise price RM
<u>Grant 1(a), 2009</u>					
Tranche 1	16 April 2009	15 April 2011	50	34,555,750	1.81
Tranche 2	16 April 2009	15 April 2012	50	34,555,750	1.81
<u>Grant 1(b), 2010<sup>2</sup></u>					
Tranche 1	18 January 2010	17 January 2012	50	2,088,050	3.15
Tranche 2	18 January 2010	17 January 2013	50	2,088,050	3.15
<u>Grant 2, 2010</u>					
Tranche 1	24 February 2010	23 February 2012	50	24,688,750	3.45
Tranche 2	24 February 2010	23 February 2013	50	24,688,750	3.45
<u>Grant 3(a), 2011</u>					
Tranche 1	23 February 2011	22 February 2013	50	32,121,450	5.07
Tranche 2	23 February 2011	22 February 2014	50	32,121,450	5.07

<sup>1</sup> The ESOS/RSA granted shall become exercisable/vested only upon the fulfilment of certain performance criteria for the Company and individuals.

<sup>2</sup> The grant was made to newly hired employees who did not receive the main cycle grant and have been confirmed as at reporting date.

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (a) Performance-Based ESOS and RSP ["Axiata Share Scheme"] (continued)

The total number of RSA granted, percentage of shares to be vested and the vesting period is as follows:

RSA	Reference date	Vesting date	% of shares to be vested <sup>1</sup>	Entitlement over the Company's shares	
				Number of shares granted <sup>3</sup>	Reference price <sup>5</sup> RM
<u>Grant 3(b), 2011<sup>4</sup></u>					
Tranche 1	18 July 2011	18 July 2013	50	243,350	5.03
Tranche 2	18 July 2011	18 July 2014	50 – 100	526,450	5.03
<u>Grant 3(c), 2011<sup>4</sup></u>					
Tranche 1	30 Nov 2011	30 Nov 2013	50	23,700	5.10
Tranche 2	30 Nov 2011	30 Nov 2014	50 – 100	183,600	5.10
<u>Grant 4(a), 2012</u>					
Tranche 1	30 Mar 2012	30 Mar 2014	50	6,890,050	5.20
Tranche 2	30 Mar 2012	30 Mar 2015	50 – 100	10,603,550	5.20
<u>Grant 4(b), 2012<sup>4</sup></u>					
Tranche 1	31 July 2012	31 July 2014	50	122,150	5.86
Tranche 2	31 July 2012	31 July 2015	50 – 100	444,350	5.86
<u>Grant 4(c), 2012<sup>4</sup></u>					
Tranche 1	30 Nov 2012	30 Nov 2014	50	131,400	5.92
Tranche 2	30 Nov 2012	30 Nov 2015	50 – 100	252,500	5.92
<u>Grant 5(a), 2013</u>					
Tranche 1	20 Feb 2013	20 Feb 2015	50	6,585,950	6.27
Tranche 2	20 Feb 2013	20 Feb 2016	50 – 100	10,374,750	6.27
<u>Grant 5(b), 2013<sup>4</sup></u>					
Tranche 1	15 Aug 2013	15 Aug 2015	50	268,100	6.90
Tranche 2	15 Aug 2013	15 Aug 2016	50 – 100	440,500	6.90

<sup>3</sup> Senior and top management can only vest the RSA at the end of the third (3rd) year or contract period whichever is earlier. Number of shares originally granted are excluding the multiplier effects to be offered to management upon fulfilment of certain performance conditions on the day of vesting.

<sup>4</sup> The grant was made to newly hired employees who did not receive the main cycle grants and have been confirmed as at reporting dates.

<sup>5</sup> Refers to the price at reference date for the purpose of granting the number of shares to the employees.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (a) Performance-Based ESOS and RSP [“Axiata Share Scheme”] (continued)

The salient terms and conditions of the Axiata Share Scheme are as follows:

#### (i) Maximum number of new ordinary shares of the Company available under the Axiata Share Scheme

The maximum amount of shares which may be:

- (a) Offered for subscription and allotted on the exercise of the total amount of Share Options under this Axiata Share Scheme; and
- (b) Allotted upon the vesting of RSA under a RSP,  
  
(collectively referred to as “Aggregate”) shall not be more than 7% of the issued and paid-up ordinary share capital of the Company at any point of time during the duration of this Axiata Share Scheme.

If the Company undertakes a share buy-back exercise or any other corporate proposal resulting in the total number of the Company’s shares issued and/or to be issued under the Axiata Share Scheme exceeding 7% of the Company’s issued and fully paid-up ordinary share capital, all shares under the Axiata Share Scheme offered and/or granted prior to the said variation of the issued and paid-up ordinary share capital of the Company shall remain valid and exercisable in accordance with the provisions of this Axiata Share Scheme as if that reduction had not occurred.

#### (ii) Basis of allocation and maximum allowable allotment

The total number of new ordinary shares of the Company that can be offered and allotted to any Eligible Employees (as defined in the Bye-Laws in relation to the Axiata Share Scheme shall be at the absolute discretion of the Board (or the Axiata Share Scheme Committee that has been established to administer the Axiata Share Scheme from time to time) after taking into consideration such criteria as may be determined by the Board or the Axiata Share Scheme Committee in its/their absolute discretion.

Further, not more than 50% of the Company’s new ordinary shares made available under the Axiata Share Scheme shall be allocated, in aggregate, to Eligible Employees who are Executive Directors of the Company or any corporation within the Group or who are in senior management. In addition, not more than 10% of the Company’s new ordinary shares available under the Axiata Share Scheme will be allocated to any individual Eligible Employee who, either singly or collectively through persons connected with the Eligible Employees, holds 20% or more of the Company’s issued and fully paid-up share capital.

#### (iii) Eligibility

Any employee of the Group (other than subsidiaries which are dormant) shall be eligible to participate in the Axiata Share Scheme if the employee, as at the dates of the respective offers of options:

- (a) has attained the age of eighteen (18) years;
- (b) has entered into a full-term contract of employment with, and is on the payroll of, a corporation within the Group and whose service has been confirmed;
- (c) is not a non-executive or independent Director of the Company; and
- (d) fulfils any other criteria as may be set by the Board or the Axiata Share Scheme Committee in its absolute discretion.

## **14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)**

### **(a) Performance-Based ESOS and RSP [“Axiata Share Scheme”] (continued)**

#### **(iii) Eligibility (continued)**

Eligibility under the Axiata Share Scheme does not confer on any Eligible Employee any claim, right to participate in, or any other right whatsoever under the Axiata Share Scheme, and an Eligible Employee does not acquire or have any right over, or in connection with, any Share Option or the RSA under this Axiata Share Scheme unless an Offer has been made by the Board to that Eligible Employee and that Eligible Employee has accepted the Offer in accordance with the terms of the Offer and the Bye-Laws governing the Axiata Share Scheme.

#### **(iv) Option price and RSA reference price**

The subscription price payable for each of the Company’s shares upon exercise of options is the five (5) day volume weighted average market price of the Company’s shares immediately preceding the date of the Offer and is not lower than the nominal value of the Company’s shares.

The reference price at which the Grantees shall be allotted new Shares pursuant to a RSA will be based on the fair value of the shares on the date of offer, but shall not in any event be lower than the nominal value of the ordinary shares.

#### **(v) Duration of the Axiata Share Scheme**

The Axiata Share Scheme shall be in force for a period of eight (8) years from the effective date of implementation of the ESOS and RSP, being a date of full compliance with the relevant requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) in relation to the initial Long Term Performance Based Share Option Scheme. All Share Options, whether or not exercisable, shall forthwith lapse upon the expiry of the Scheme. All unvested Shares under the RSA which are not vested shall forthwith lapse upon the expiry of the Scheme on 15 April 2017.

#### **(vi) Retention period**

The new ordinary shares of the Company allotted and issued pursuant to the exercise of any Share Option or upon the vesting of RSA under the Axiata Share Scheme will not be subject to any retention period.

#### **(vii) Ranking of the new shares to be issued under the Axiata Share Scheme**

The Company’s new shares to be issued pursuant to Axiata Share Scheme shall, upon allotment and issuance, rank pari-passu in all respects with the existing issued shares of the Company except that they shall not be entitled to any dividend, right, allotment and/or other distribution in respect of which the entitlement date is before the date of allotment of such new ordinary shares.

Eligible Employees who are residents in Malaysia and who have been granted share options have the option to elect whether to exercise the options by way of:

- (i) Selling Flexibility; or
- (ii) To directly subscribe for shares.

Whichever option once selected shall be applicable to the exercise of the Share Options for the full duration of the Axiata Share Scheme unless otherwise determined by the Board in their sole discretion but subject always to the provisions of the Bye-Laws and the terms of the Selling Flexibility.

Eligible Employees who are not residents in Malaysia and who have been granted Share Options shall exercise their Share Options by way of Selling Flexibility for the full duration of the Axiata Share Scheme but subject always to the provisions of the Bye-Laws and the terms of the Selling Flexibility for Foreign Guarantees.

# Notes to the Financial Statements

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## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (a) Performance-Based ESOS and RSP ["Axiata Share Scheme"] (continued)

The movement during the financial year and its comparative in the number of options over the new ordinary shares of RM1 each of the Company, in which the employees of the Group and the Company are entitled to, is as follows:

	Exercise price RM	At 1 January 2013	Granted	Exercised	Lapsed/ Forfeited	At 31 December 2013	Fair value at grant date RM
<b>Group</b>							
<u>Grant 1(a), 2009</u>							
Tranche 1	1.81	<b>2,139,777</b>	-	<b>(638,966)</b>	<b>(5,700)</b>	<b>1,495,111</b>	0.54
Tranche 2	1.81	<b>9,726,274</b>	-	<b>(3,067,530)</b>	<b>(8,450)</b>	<b>6,650,294</b>	0.57
		<b>11,866,051</b>	-	<b>(3,706,496)</b>	<b>(14,150)</b>	<b>8,145,405</b>	
<u>Grant 1(b), 2010</u>							
Tranche 1	3.15	<b>495,450</b>	-	<b>(244,100)</b>	<b>(43,050)</b>	<b>208,300</b>	0.93
Tranche 2	3.15	<b>1,324,250</b>	-	<b>(777,051)</b>	<b>(46,150)</b>	<b>501,049</b>	0.98
		<b>1,819,700</b>	-	<b>(1,021,151)</b>	<b>(89,200)</b>	<b>709,349</b>	
<u>Grant 2, 2010</u>							
Tranche 1	3.45	<b>7,650,438</b>	-	<b>(2,367,056)</b>	<b>(66,750)</b>	<b>5,216,632</b>	1.09
Tranche 2	3.45	<b>21,493,025</b>	-	<b>(11,692,109)</b>	<b>(144,700)</b>	<b>9,656,216</b>	1.15
		<b>29,143,463</b>	-	<b>(14,059,165)</b>	<b>(211,450)</b>	<b>14,872,848</b>	
<u>Grant 3, 2011</u>							
Tranche 1	5.07	<b>29,803,690</b>	-	<b>(13,189,700)</b>	<b>(241,900)</b>	<b>16,372,090</b>	1.05
Tranche 2	5.07	<b>29,802,750</b>	-	-	<b>(1,051,850)</b>	<b>28,750,900</b>	1.10
		<b>59,606,440</b>	-	<b>(13,189,700)</b>	<b>(1,293,750)</b>	<b>45,122,990</b>	
<b>Total</b>		<b>102,435,654</b>	-	<b>(31,976,512)</b>	<b>(1,608,550)</b>	<b>68,850,592</b>	

The related weighted average share price at the time of exercise was RM4.29 (2012: RM5.47).

#### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

##### (a) Performance-Based ESOS and RSP ["Axiata Share Scheme"] (continued)

The movement during the financial year and its comparative in the number of options over the new ordinary shares of RM1 each of the Company, in which the employees of the Group and the Company are entitled to, is as follows: (continued)

	Exercise price RM	At 1 January 2012	Granted	Exercised	Lapsed/ Forfeited	At 31 December 2012	Fair value at grant date RM
<b>Group</b>							
<u>Grant 1(a), 2009</u>							
Tranche 1	1.81	8,612,539	-	(6,472,762)	-	2,139,777	0.54
Tranche 2	1.81	29,640,350	-	(19,802,062)	(112,014)	9,726,274	0.57
		38,252,889	-	(26,274,824)	(112,014)	11,866,051	
<u>Grant 1(b), 2010</u>							
Tranche 1	3.15	1,452,450	-	(957,000)	-	495,450	0.93
Tranche 2	3.15	1,452,450	-	-	(128,200)	1,324,250	0.98
		2,904,900	-	(957,000)	(128,200)	1,819,700	
<u>Grant 2, 2010</u>							
Tranche 1	3.45	22,463,325	-	(14,781,350)	(31,537)	7,650,438	1.09
Tranche 2	3.45	22,463,325	-	-	(970,300)	21,493,025	1.15
		44,926,650	-	(14,781,350)	(1,001,837)	29,143,463	
<u>Grant 3, 2011</u>							
Tranche 1	5.07	30,965,650	-	(13,300)	(1,148,660)	29,803,690	1.05
Tranche 2	5.07	30,965,650	-	-	(1,162,900)	29,802,750	1.10
		61,931,300	-	(13,300)	(2,311,560)	59,606,440	
Total		148,015,739	-	(42,026,474)	(3,553,611)	102,435,654	

The related weighted average share price at the time of exercise was RM5.47 (2011: RM4.92).

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (a) Performance-Based ESOS and RSP ["Axiata Share Scheme"] (continued)

The movement during the financial year and its comparative in the number of options over the new ordinary shares of RM1 each of the Company, in which the employees of the Group and the Company are entitled to, is as follows: (continued)

	Exercise price RM	At 1 January 2013	Adjusted <sup>6</sup>	Exercised	Lapsed/ Forfeited	At 31 December 2013	Fair value at grant date RM
<b>Company</b>							
<u>Grant 1(a), 2009</u>							
Tranche 1	1.81	<b>1,215,650</b>	-	<b>(181,250)</b>	-	<b>1,034,400</b>	0.54
Tranche 2	1.81	<b>1,808,350</b>	-	<b>(213,150)</b>	-	<b>1,595,200</b>	0.57
		<b>3,024,000</b>	-	<b>(394,400)</b>	-	<b>2,629,600</b>	
<u>Grant 1(b), 2010</u>							
Tranche 1	3.15	<b>177,000</b>	-	<b>(74,700)</b>	-	<b>102,300</b>	0.93
Tranche 2	3.15	<b>515,900</b>	-	<b>(290,951)</b>	-	<b>224,949</b>	0.98
		<b>692,900</b>	-	<b>(365,651)</b>	-	<b>327,249</b>	
<u>Grant 2, 2010</u>							
Tranche 1	3.45	<b>1,986,875</b>	-	<b>(330,200)</b>	-	<b>1,656,675</b>	1.09
Tranche 2	3.45	<b>2,977,825</b>	-	<b>(576,200)</b>	-	<b>2,401,625</b>	1.15
		<b>4,964,700</b>	-	<b>(906,400)</b>	-	<b>4,058,300</b>	
<u>Grant 3, 2011</u>							
Tranche 1	5.07	<b>3,532,550</b>	-	<b>(749,100)</b>	-	<b>2,783,450</b>	1.05
Tranche 2	5.07	<b>3,532,550</b>	<b>(30,850)</b>	-	<b>(219,250)</b>	<b>3,282,450</b>	1.10
		<b>7,065,100</b>	<b>(30,850)</b>	<b>(749,100)</b>	<b>(219,250)</b>	<b>6,065,900</b>	
Total		<b>15,746,700</b>	<b>(30,850)</b>	<b>(2,415,551)</b>	<b>(219,250)</b>	<b>13,081,049</b>	

<sup>6</sup> Adjusted due to the transfer of staff between entities in the Group.

#### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

##### (a) Performance-Based ESOS and RSP [“Axiata Share Scheme”] (continued)

The movement during the financial year and its comparative in the number of options over the new ordinary shares of RM1 each of the Company, in which the employees of the Group and the Company are entitled to, is as follows: (continued)

	Exercise price RM	At 1 January 2012	Adjusted <sup>6</sup>	Exercised	Forfeited	At 31 December 2012	Fair value at grant date RM
<b>Company</b>							
<u>Grant 1(a), 2009</u>							
Tranche 1	1.81	1,966,150	-	(750,500)	-	1,215,650	0.54
Tranche 2	1.81	3,228,700	-	(1,373,850)	(46,500)	1,808,350	0.57
		5,194,850	-	(2,124,350)	(46,500)	3,024,000	
<u>Grant 1(b), 2010</u>							
Tranche 1	3.15	526,000	-	(349,000)	-	177,000	0.93
Tranche 2	3.15	526,000	-	-	(10,100)	515,900	0.98
		1,052,000	-	(349,000)	(10,100)	692,900	
<u>Grant 2, 2010</u>							
Tranche 1	3.45	3,527,875	(144,350)	(1,386,750)	(9,900)	1,986,875	1.09
Tranche 2	3.45	3,527,875	(179,050)	-	(371,000)	2,977,825	1.15
		7,055,750	(323,400)	(1,386,750)	(380,900)	4,964,700	
<u>Grant 3, 2011</u>							
Tranche 1	5.07	4,135,550	(354,350)	(13,300)	(235,350)	3,532,550	1.05
Tranche 2	5.07	4,135,550	(354,350)	-	(248,650)	3,532,550	1.10
		8,271,100	(708,700)	(13,300)	(484,000)	7,065,100	
<b>Total</b>		<b>21,573,700</b>	<b>(1,032,100)</b>	<b>(3,873,400)</b>	<b>(921,500)</b>	<b>15,746,700</b>	

<sup>6</sup> Adjusted due to the transfer of staff between entities in the Group.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (a) Performance-Based ESOS and RSP ["Axiata Share Scheme"] (continued)

The movement during the financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Group are entitled to, is as follows:

	Closing price at grant date	At 1 January 2013	Granted	Adjusted <sup>7</sup>	Vested	Lapsed/ Forfeited	At 31 December 2013	Fair value at grant date RM
<b>Group</b>								
<u>Grant 3 (b), 2011</u>								
Tranche 1	5.03	222,000	-	-	(201,800)	(4,050)	16,150	4.21
Tranche 2	5.03	480,500	-	14,600	(30,400)	(10,000)	454,700	3.90
		<b>702,500</b>	<b>-</b>	<b>14,600</b>	<b>(232,200)</b>	<b>(14,050)</b>	<b>470,850</b>	
<u>Grant 3 (c), 2011</u>								
Tranche 1	5.10	19,700	-	-	(16,600)	-	3,100	4.15
Tranche 2	5.10	159,500	-	-	(3,950)	-	155,550	3.74
		<b>179,200</b>	<b>-</b>	<b>-</b>	<b>(20,550)</b>	<b>-</b>	<b>158,650</b>	
<u>Grant 4 (a), 2012</u>								
Tranche 1	5.39	6,721,250	-	42,600	(63,900)	(170,850)	6,529,100	4.39
Tranche 2	5.39	10,331,550	-	107,600	(161,400)	(202,250)	10,075,500	4.26
		<b>17,052,800</b>	<b>-</b>	<b>150,200</b>	<b>(225,300)</b>	<b>(373,100)</b>	<b>16,604,600</b>	
<u>Grant 4 (b), 2012</u>								
Tranche 1	6.00	122,150	-	-	-	-	122,150	4.93
Tranche 2	6.00	444,350	-	-	-	-	444,350	4.69
		<b>566,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>566,500</b>	

<sup>7</sup> Adjusted refer to the additional number of shares vested to the senior management due to multiplier effects offered at the time of vesting.

#### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

##### (a) Performance-Based ESOS and RSP [“Axiata Share Scheme”] (continued)

The movement during the financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Group are entitled to, is as follows: (continued)

	Closing price at grant date	At 1 January 2013	Granted	Adjusted <sup>7</sup>	Vested	Lapsed/ Forfeited	At 31 December 2013	Fair value at grant date RM
<b>Group</b>								
<u>Grant 4(c), 2012</u>								
Tranche 1	6.19	131,400	-	-	-	-	131,400	4.46
Tranche 2	6.19	252,500	-	-	-	-	252,500	4.11
		<b>383,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383,900</b>	
<u>Grant 5(a), 2013</u>								
Tranche 1	6.60	-	6,585,950	-	-	(157,700)	6,428,250	4.76
Tranche 2	6.60	-	10,374,750	-	-	(182,500)	10,192,250	4.28
			<b>- 16,960,700</b>	<b>-</b>	<b>-</b>	<b>(340,200)</b>	<b>16,620,500</b>	
<u>Grant 5(b), 2013</u>								
Tranche 1	6.90	-	268,100	-	-	(6,600)	261,500	4.88
Tranche 2	6.90	-	440,500	-	-	(6,600)	433,900	4.10
			<b>- 708,600</b>	<b>-</b>	<b>-</b>	<b>(13,200)</b>	<b>695,400</b>	
<b>Total</b>		<b>18,884,900</b>	<b>17,669,300</b>	<b>164,800</b>	<b>(478,050)</b>	<b>(740,550)</b>	<b>35,500,400</b>	

<sup>7</sup> Adjusted refer to the additional number of shares vested to the senior management due to multiplier effects offered at the time of vesting.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (a) Performance-Based ESOS and RSP ["Axiata Share Scheme"] (continued)

The movement during the previous financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Group are entitled to, is as follows:

	Closing price at grant date	At 1 January 2012	Granted	Adjusted	Vested	Lapsed/ Forfeited	At 31 December 2012	Fair value at grant date RM
<b>Group</b>								
<u>Grant 3(b), 2011</u>								
Tranche 1	5.03	243,350	-	-	-	(21,350)	222,000	4.21
Tranche 2	5.03	526,450	-	-	-	(45,950)	480,500	3.90
		769,800	-	-	-	(67,300)	702,500	
<u>Grant 3(c), 2011</u>								
Tranche 1	5.10	23,700	-	-	-	(4,000)	19,700	4.15
Tranche 2	5.10	183,600	-	-	-	(24,100)	159,500	3.74
		207,300	-	-	-	(28,100)	179,200	
<u>Grant 4(a), 2012</u>								
Tranche 1	5.39	-	6,890,050	-	-	(168,800)	6,721,250	4.39
Tranche 2	5.39	-	10,603,550	-	-	(272,000)	10,331,550	4.26
		-	17,493,600	-	-	(440,800)	17,052,800	

#### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

##### (a) Performance-Based ESOS and RSP [“Axiata Share Scheme”] (continued)

The movement during the previous financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Group are entitled to, is as follows: (continued)

	Closing price at grant date	At 1 January 2012	Granted	Adjusted	Vested	Lapsed/ Forfeited	At 31 December 2012	Fair value at grant date RM
<b>Group</b>								
<u>Grant 4(b), 2012</u>								
Tranche 1	6.00	-	122,150	-	-	-	122,150	4.93
Tranche 2	6.00	-	444,350	-	-	-	444,350	4.69
		-	566,500	-	-	-	566,500	
<u>Grant 4(c), 2012</u>								
Tranche 1	6.19	-	131,400	-	-	-	131,400	4.46
Tranche 2	6.19	-	252,500	-	-	-	252,500	4.11
		-	383,900	-	-	-	383,900	
Total		977,100	18,444,000	-	-	(536,200)	18,884,900	

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (a) Performance-Based ESOS and RSP ["Axiata Share Scheme"] (continued)

The movement during the financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Company are entitled to, is as follows:

	Closing price at grant date	At 1 January 2013	Granted	Adjusted <sup>7</sup>	Vested	Lapsed/ Forfeited	At 31 December 2013	Fair value at grant date RM
<b>Company</b>								
<u>Grant 3(b), 2011</u>								
Tranche 1	5.03	4,300	-	-	(4,300)	-	-	4.21
Tranche 2	5.03	242,400	-	14,600	(30,400)	-	226,600	3.90
		246,700	-	14,600	(34,700)	-	226,600	
<u>Grant 3(c), 2011</u>								
Tranche 1	5.10	4,550	-	-	(4,550)	-	-	4.15
Tranche 2	5.10	136,450	-	-	-	-	136,450	3.74
		141,000	-	-	(4,550)	-	136,450	
<u>Grant 4(a), 2012</u>								
Tranche 1	5.39	508,350	-	42,600	(63,900)	-	487,050	4.39
Tranche 2	5.39	2,294,250	-	107,600	(161,400)	-	2,240,450	4.26
		2,802,600	-	150,200	(225,300)	-	2,727,500	
<u>Grant 4(b), 2012</u>								
Tranche 1	6.00	7,500	-	-	-	-	7,500	4.93
Tranche 2	6.00	281,900	-	-	-	-	281,900	4.69
		289,400	-	-	-	-	289,400	

<sup>7</sup> Adjusted refer to the additional number of shares vested to the senior management due to multiplier effects offered at the time of vesting.

#### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

##### (a) Performance-Based ESOS and RSP [“Axiata Share Scheme”] (continued)

The movement during the financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Company are entitled to, is as follows: (continued)

	Closing price at grant date	At 1 January 2013	Granted	Adjusted <sup>7</sup>	Vested	Lapsed/ Forfeited	At 31 December 2013	Fair value at grant date RM
<b>Company</b>								
<u>Grant 4(c), 2012</u>								
Tranche 1	6.19	<b>14,850</b>	-	-	-	-	<b>14,850</b>	4.46
Tranche 2	6.19	<b>118,450</b>	-	-	-	-	<b>118,450</b>	4.11
		<b>133,300</b>	-	-	-	-	<b>133,300</b>	
<u>Grant 5(a), 2013</u>								
Tranche 1	6.60	-	<b>349,850</b>	-	-	-	<b>349,850</b>	4.76
Tranche 2	6.60	-	<b>2,243,750</b>	-	-	-	<b>2,243,750</b>	4.28
		-	<b>2,593,600</b>	-	-	-	<b>2,593,600</b>	
<u>Grant 5(b), 2013</u>								
Tranche 1	6.90	-	<b>51,950</b>	-	-	-	<b>51,950</b>	4.88
Tranche 2	6.90	-	<b>192,750</b>	-	-	-	<b>192,750</b>	4.10
		-	<b>244,700</b>	-	-	-	<b>244,700</b>	
<b>Total</b>		<b>3,613,000</b>	<b>2,838,300</b>	<b>164,800</b>	<b>(264,550)</b>	-	<b>6,351,550</b>	

<sup>7</sup> Adjusted refer to the additional number of shares vested to the senior management due to multiplier effects offered at the time of vesting.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (a) Performance-Based ESOS and RSP ["Axiata Share Scheme"] (continued)

The movement during the previous financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Company are entitled to, is as follows:

	Closing price at grant date	At 1 January 2012	Granted	Adjusted <sup>6</sup>	Vested	Lapsed/ Forfeited	At 31 December 2012	Fair value at grant date RM
<b>Company</b>								
<u>Grant 3(b), 2011</u>								
Tranche 1	5.03	12,700	-	-	-	(8,400)	4,300	4.21
Tranche 2	5.03	250,800	-	-	-	(8,400)	242,400	3.90
		263,500	-	-	-	(16,800)	246,700	
<u>Grant 3(c), 2011</u>								
Tranche 1	5.10	4,550	-	-	-	-	4,550	4.15
Tranche 2	5.10	156,550	-	-	-	(20,100)	136,450	3.74
		161,100	-	-	-	(20,100)	141,000	
<u>Grant 4(a), 2012</u>								
Tranche 1	5.39	-	580,750	(11,000)	-	(61,400)	508,350	4.39
Tranche 2	5.39	-	2,357,750	(11,000)	-	(52,500)	2,294,250	4.26
		-	2,938,500	(22,000)	-	(113,900)	2,802,600	
<u>Grant 4(b), 2012</u>								
Tranche 1	6.00	-	7,500	-	-	-	7,500	4.93
Tranche 2	6.00	-	281,900	-	-	-	281,900	4.69
		-	289,400	-	-	-	289,400	
<u>Grant 4(c), 2012</u>								
Tranche 1	6.19	-	14,850	-	-	-	14,850	4.46
Tranche 2	6.19	-	118,450	-	-	-	118,450	4.11
		-	133,300	-	-	-	133,300	
<b>Total</b>		<b>424,000</b>	<b>3,361,200</b>	<b>(22,000)</b>	<b>-</b>	<b>(150,800)</b>	<b>3,613,000</b>	

<sup>6</sup> Adjusted due to the transfer of staff between entities in the Group.

#### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

##### (a) Performance-Based ESOS and RSP [“Axiata Share Scheme”] (continued)

The fair value of the Performance-based ESOS granted in which MFRS 2 applies, were determined using the Black-Scholes valuation model. The significant inputs in the model are as follows:

	Options over the Company's shares			
	Grant 1(a)	Grant 1(b)	Grant 2	Grant 3(a)
Exercise price	RM1.81	RM3.15	RM3.45	RM5.07
Option expected term:				
- Tranche 1	5.0 years	4.5 years	4.5 years	4.0 years
- Tranche 2	5.5 years	5.0 years	5.0 years	4.5 years
Weighted average share price at grant date	RM1.81	RM3.15	RM3.45	RM5.07
Expected dividend yield	1%	1%	1%	2%
Risk free interest rates (Yield of Malaysian Government securities)	3.0%–3.7%	3.0%–3.7%	3.0%–3.9%	3.3%–3.6%
Expected volatility	31.3% <sup>8</sup>	31.1% <sup>8</sup>	34.4%	24.7%

<sup>8</sup> The expected volatility rate of the Company's options was derived after considering the pattern and level of historical volatility of entities in the same industry since the Company did not have sufficient information on historical volatility as it was only listed on the Bursa Securities on 28 April 2008.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (a) Performance-Based ESOS and RSP ["Axiata Share Scheme"] (continued)

The fair value of the RSA granted in which MFRS 2 applies, were determined using the Monte Carlo valuation model. The significant inputs in the model are as follows:

#### Entitlement over the Company's shares

	Grant 3(b)	Grant 3(c)	Grant 4(a)	Grant 4(b)	Grant 4(c)	Grant 5(a)	Grant 5(b)
Reference price	RM5.03	RM5.10	RM5.20	RM5.86	RM5.92	RM6.27	RM6.90
Valuation at grant date*	18 Jul 2011	30 Nov 2011	16 Apr 2012	17 Aug 2012	10 Dec 2012	29 Mar 2013	15 Aug 2013
Vesting date:							
- Tranche 1	18 Jul 2013	30 Nov 2013	30 Mar 2014	31 Jul 2014	30 Nov 2014	20 Feb 2015	15 Aug 2015
- Tranche 2	18 Jul 2014	30 Nov 2014	30 Mar 2015	31 Jul 2015	30 Nov 2015	20 Feb 2016	15 Aug 2016
Closing share price at grant date*	RM5.03	RM5.10	RM5.39	RM6.00	RM6.19	RM6.60	RM6.90
Expected dividend yield	2.54%	3.12%	4.23%	4.06%	4.15%	4.58%	4.20%
Risk free interest rates (Yield of Malaysian Government Securities)	3.19%-3.32%	2.92%-3.23%	3.09%-3.18%	2.97%-3.04%	3.00%-3.08%	2.88%-3.09%	3.17%-3.36%
Expected volatility#	19.9%	18.7%	27.5%	19.2%	18.6%	18.7%	17.4%

\* The expected volatility rate of the Company's RSA was derived using 520 days historical volatility due to availability of data with more data points to increase the credibility of assumptions.

\* Grant date refers to the date where majority of employees accepted the offer.

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (a) Performance-Based ESOS and RSP ["Axiata Share Scheme"] (continued)

The amounts recognised in the financial statements as disclosed in Note 7(c) and 7(d) to the financial statements for all employees (including Directors) arising from the Performance-Based ESOS and RSA are summarised as below:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Equity settlement arrangement:				
- Options and RSA granted to employees under the Scheme	<b>80,678</b>	59,178	<b>18,365</b>	8,643
Cash settlement arrangement*:				
- value of options granted to Senior Management	-	2,191	-	2,191
Total	<b>80,678</b>	61,369	<b>18,365</b>	10,834

\* This cash settlement arrangement is given to selected Senior Management as part of the long term remuneration package at an exercise price of RM5.36.

### (b) ESOS of Dialog

On 11 July 2005, the Board of Directors of Dialog resolved and issued 199,892,741 ordinary shares of Dialog at the Initial Public Offering ("IPO") price of SLR twelve (12) to an ESOS Trust, being 2.7% of the issued share capital of Dialog.

Of the total ESOS shares that were transferred to the ESOS Trust, 88,841,218 shares (44.4%) were granted at the point of the IPO. The balance 111,051,523 shares (56.6%) shall be allocated to employees as an ongoing performance incentive. The ESOS Trust entitlement via the rights issue was 15,452,020 shares. From the total entitlement, 5,668,600 shares were sold in the stock market. On the Trustees' approval, the remaining rights entitlement amounting to 9,783,420 shares was exercised by the ESOS Trust.

The principal features of ESOS are as follows:

- (i) The eligibility for participation in ESOS is at the discretion of the ESOS Committee appointed by the Board of Directors of Dialog;
- (ii) Except the existing tranche, the exercise price of the ESOS shares will be based on the five (5) days weighted average market price of Dialog's shares immediately preceding the offer date for options, with the ESOS Committee having the discretion to set an exercise price up to 10% lower than that derived weighted average market price; and

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (b) ESOS of Dialog (continued)

(iii) Options are conditional on an employee satisfying the following:

- has attained the age of eighteen (18) years;
- is employed full-time by and on the payroll of a company within Dialog Group; and
- has been in the employment of Dialog Group for a period of at least one (1) year of continuous service prior to and up to the offer date, including service during the probation period.

The total number of share options granted in relation to Tranche 0 was 88,649,600. As at 31 December 2013, 51,103,699 share options have been exercised, 11,441,501 share options have been forfeited and 26,104,400 share options remain unexercised and are exercisable before 25 October 2014 further to the extension of the exercise period as resolved by the Board of Directors of Dialog.

The movement in the number of ESOS shares is as follows:

Grant date	Exercise price SLR	At 1 January '000	Granted '000	Exercised '000	Forfeited* '000	At 31 December '000	Fair value at grant date SLR
<b>2013</b>							
11 July 2005	12	26,564	-	-	(269)	26,295	4.4
<b>2012</b>							
11 July 2005	12	28,030	-	-	(1,466)	26,564	4.4

\* Options forfeited are allocated back to the ESOS Trust for future reallocation. Total forfeited options to be reallocated as at 31 December 2013 are 11,441,501 (2012: 11,172,801).

The fair values of options granted in which MFRS 2 applies, were determined using the Black-Scholes Valuation model. The significant inputs into the model are as follows:

Exercise price	SLR12
Option life (number of days to expiry)	1,826
Weighted average share price at grant date	SLR12
Expected dividend yield	2.1%
Risk free interest rates (Yield of treasury bond of Central Bank of Sri Lanka)	10.0%
Expected volatility	28.2%

The above expected volatility rate was derived after considering the pattern and level of historical volatility of entities in the same industry since Dialog does not have sufficient information on historical volatility as it was only listed on the Colombo Stock Exchange in July 2005 during the grant date.

The volatility measured at the standard deviation of continuously compounded share return is based on statistical analysis of daily share prices of these entities over the last two (2) years from the grant date.

There was no share-based compensation expense recognised during the financial year (2012: Nil).

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (c) Share-based compensation plan of XL

In April 2010, the Nomination and Remuneration Committee of XL approved a share-based compensation plan for certain employees under which XL's shares are to be given as a compensation for services provided by the employees with no cash consideration. Members of the Board of Directors and certain employees of XL who have been employed during the performance year and met certain criteria are eligible to participate in the program.

Under the program, on each end of fourth (4th) month subsequent to completion of the performance year, XL issues shares to the eligible employees upon XL achieving specific performance target and the employees satisfying certain performance conditions and remain in the employment at the share issuance date. Shares issued by XL vest in two (2) equal proportions and will become employees' rights if the employees remain in employment for two (2) years and three (3) years as of respective share issuance date.

The program has been approved in the Extraordinary General Meeting of Shareholders on 14 April 2011. The execution of the program covers performance year 2011 up to 2015 with grant cycles divided into six (6) periods.

Total share-based compensation expense recognised in the consolidated profit or loss for the financial year ended 31 December 2013 was RM11.0 million (2012: RM18.8 million) as disclosed in Note 7(c) to the financial statements.

## 15. RESERVES

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<u>Distributable</u>					
Retained earnings	(a)	<b>9,322,760</b>	9,699,802	<b>4,955,812</b>	5,384,688
<u>Non-distributable</u>					
Capital contribution reserve	(b)	<b>16,598</b>	16,598	<b>16,598</b>	16,598
Merger reserve	(c)	<b>346,774</b>	346,774	-	-
Hedging reserve	(d)	<b>(152,277)</b>	(116,997)	-	-
ESOS and RSA reserve	(e)	<b>155,298</b>	111,044	<b>155,298</b>	111,044
Actuarial reserve		<b>(790)</b>	(4,387)	-	-
Currency translation differences arising from translation of:					
- subsidiaries		<b>(675,117)</b>	(372,831)	-	-
- associates		<b>(155,400)</b>	(181,829)	-	-
		<b>(830,517)</b>	(554,660)	-	-
<b>Total</b>		<b>8,857,846</b>	9,498,174	<b>5,127,708</b>	5,512,330

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 15. RESERVES (CONTINUED)

- (a) The Company has tax exempt income accounts as at 31 December 2013 amounting to approximately RM165.1 million (2012: RM157.1 million) available for distribution as tax exempt dividends to shareholders subject to the availability of retained profits. The tax exempt income accounts are subject to agreement by the Inland Revenue Board. The remaining retained profits can be distributed as tax exempt dividends under the single tier tax system.

Pursuant to the Finance Act 2007, the single tier company income tax system was introduced to replace the tax imputation system on dividend payments to shareholders. Under the single tier system, the tax on the Company's profit is a final tax and the dividends distributed to the shareholders would be exempted from tax. A transitional period (1 January 2008 to 31 December 2013) is given for companies which have franking credits to pay franked dividends. The Company has taken the option of disregarding the section 108 balances which is of insignificant amount in order to declare single tier exempt dividends during the transitional period.

- (b) The Group's and the Company's capital contribution reserve relates to the ESOS of Telekom Malaysia Berhad, former holding company, which were made available to the employees of the Group and the Company.
- (c) The Group's merger reserve relates to the credit difference arising from the business combination accounted under the predecessor method of accounting upon completion of the Group's restructuring exercise on 25 April 2008.
- (d) The Group's hedging reserve relates to the net investment hedge arising from an effective hedge as disclosed in Note 19(e) to the financial statements.
- (e) The Group's and the Company's ESOS and RSA reserve relates to the Axiata Share Scheme of the Company, which were made available to the employees of the Group and the Company as disclosed in Note 14(a) to the financial statements.

## 16. BORROWINGS

	Note	2013			2012				
		W.A.R.F. %	Non- current RM'000	Current RM'000	Total RM'000	W.A.R.F. %	Non- current RM'000	Current RM'000	Total RM'000
<b>Group</b>									
<b>Overseas</b>									
Secured:									
- Borrowings from financial institutions	(a)	3.35	279,846	114,931	394,777	3.56	291,082	103,343	394,425
- Other borrowings		2.69	-	88,559	88,559	2.90	82,306	88,125	170,431
Unsecured:									
- Borrowings from financial institutions		5.90	4,477,554	741,436	5,218,990	5.58	2,964,815	1,472,829	4,437,644
- Other borrowings		1.94	158,872	160,709	319,581	2.24	295,754	151,087	446,841
- Bank overdrafts	33	9.24	-	18,759	18,759	12.51	-	5,352	5,352
		5.48	4,916,272	1,124,394	6,040,666	5.08	3,633,957	1,820,736	5,454,693
<b>Malaysia</b>									
Unsecured:									
- Notes	(b)	5.38	987,453	-	987,453	5.39	916,437	-	916,437
- Borrowings from financial institutions		1.37	828,333	12,350	840,683	1.56	772,366	7,325	779,691
- Sukuk	(c)	3.77	5,020,329	547,244	5,567,573	3.77	5,442,931	64,310	5,507,241
		3.71	6,836,115	559,594	7,395,709	3.74	7,131,734	71,635	7,203,369
Total		4.51	11,752,387	1,683,988	13,436,375	4.32	10,765,691	1,892,371	12,658,062
<b>Company</b>									
Unsecured:									
- Borrowings from financial institutions		1.31	823,333	1,901	825,234	1.50	762,366	2,325	764,691

- W.A.R.F. - Weighted Average Rate of Finance as at reporting date

(a) Secured by way of fixed charge on certain PPE and deposits with financial institutions of the Company and certain subsidiaries, as disclosed in Note 25(b) and Note 33 to the financial statements respectively.

(b) The USD300.0 million Guaranteed Notes ("Notes") will mature on 28 April 2020, and is guaranteed by the Company. The Notes, which were issued at 99.939%, carry a coupon rate of 5.375% per annum ("p.a.") (payable semi-annually in arrears) and have a tenure of 10 years from the date of issuance.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 16. BORROWINGS (CONTINUED)

- (c) Sukuk of the Group consist of a Multi-Currency Sukuk Programme and a Sukuk Murabahah Programme issued as follows:

### (i) Multi-Currency Sukuk

The Group established a Multi-Currency Sukuk Programme involving the issuance of up to USD1.5 billion (or its equivalent in other currencies based on Islamic Principle). On 11 September 2012, the Group successfully priced the issuance CNY denominated 1.0 billion Sukuk pursuant to the Sukuk Programme. The Sukuk, which was issued at par, carries a coupon rate of 3.75% p.a. (payable semiannually in arrears) and has tenure of two (2) years from the date of issuance.

On 19 September 2012, the Sukuk was listed and quoted on Bursa Malaysia (under the Exempt Regime) and on the Singapore Exchange Securities Trading Limited.

### (ii) Sukuk Murabahah

On 14 August 2012, the Group established a Sukuk Murabahah Programme of up to RM5.0 billion in nominal value. RM3.0 billion of the Sukuk Murabahah was successfully priced via a book building process with the remaining RM2.0 billion privately allocated to strategic investors.

On 30 August 2012, the Group fully redeemed its existing unrated Sukuk of RM4.2 billion nominal value with the proceeds from the Sukuk Murabahah.

The details of the Sukuk Murabahah are as follow:

	<b>Contractual interest rate<sup>1</sup>%</b>	<b>Maturity date</b>	<b>Amount RM'million</b>
Series 1	3.45	28 Aug 2015	500
Series 2	3.60	29 Aug 2017	1,000
Series 3	3.75	29 Aug 2019	1,500
Series 4	3.90	28 Aug 2020	1,200
Series 5	4.05	27 Aug 2021	400
Series 6	4.20	29 Aug 2022	400
			5,000

<sup>1</sup> payable semiannually

- (d) The borrowings of the Group and the Company are subject to certain covenants. The covenants require that certain ratios (Debts over Assets, Earnings before interest, tax, depreciation and amortisation ("EBITDA") to Borrowing/Finance Costs and Debts to EBITDA) to be met. The Group and the Company are in compliance with the covenants of its borrowings at each reporting date.
- (e) The floating interest rate borrowings of the Group are RM6,881.3 million (2012: RM6,234.4 million) as at the reporting date.

## 16. BORROWINGS (CONTINUED)

The currency profile of the borrowings of the Group is as follows:

	2013						2012					
	Functional currency						Functional currency					
	RM RM'000	IDR RM'000	SLR RM'000	BDT RM'000	Others RM'000	Total RM'000	RM RM'000	IDR RM'000	SLR RM'000	BDT RM'000	Others RM'000	Total RM'000
<b>Group</b>												
CNY	547,244	-	-	-	-	547,244	492,323	-	-	-	-	492,323
RM	5,035,781	-	-	-	-	5,035,781	5,029,918	-	-	-	-	5,029,918
USD	1,812,686	1,503,061	438,675	461,278	230,586	4,446,286	1,681,128	675,163	369,464	538,299	189,865	3,453,919
IDR	-	3,346,512	-	-	-	3,346,512	-	3,649,993	-	-	-	3,649,993
SLR	-	-	10,399	-	-	10,399	-	-	5,352	-	-	5,352
BDT	-	-	-	22,058	-	22,058	-	-	-	26,557	-	26,557
PKR	-	-	-	-	28,095	28,095	-	-	-	-	-	-
<b>Total</b>	<b>7,395,711</b>	<b>4,849,573</b>	<b>449,074</b>	<b>483,336</b>	<b>258,681</b>	<b>13,436,375</b>	<b>7,203,369</b>	<b>4,325,156</b>	<b>374,816</b>	<b>564,856</b>	<b>189,865</b>	<b>12,658,062</b>

USD: United State Dollars

IDR: Indonesian Rupiah

SLR: Sri Lankan Rupee

BDT: Bangladeshi Taka

CNY: Chinese Yuan Renminbi

PKR: Pakistani Rupee

The borrowings of the Company is denominated in USD.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 16. BORROWINGS (CONTINUED)

The carrying amounts and fair value of the Group's and the Company's non-current borrowings are as follows:

	2013		2012	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Group</b>				
<b>Overseas:</b>				
- Borrowings <sup>1</sup>	4,916,272	4,916,272	3,633,957	3,633,957
<b>Malaysia:</b>				
- Borrowings <sup>1</sup>	828,333	828,333	772,366	772,366
- Notes <sup>2</sup>	987,453	1,060,677	916,437	1,054,059
- Sukuks <sup>1</sup>	5,020,329	4,950,175	5,442,931	5,489,109
	<b>6,836,115</b>	<b>6,839,185</b>	7,131,734	7,315,534
	<b>11,752,387</b>	<b>11,755,457</b>	10,765,691	10,949,491
<b>Company</b>				
<b>Malaysia:</b>				
- Borrowings <sup>1</sup>	823,333	823,333	762,366	762,366

<sup>1</sup> The fair value of borrowings are calculated based on cash flows discounted using a rate based on the borrowing rate which ranges from 0.65% to 13.15% (2012: 0.81% to 6.63%) p.a. and are within level 2 of the fair value hierarchy.

<sup>2</sup> The fair value of Notes is based on quoted price in an active market and is within level 1 of the fair value hierarchy.

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

	Note	2013			2012				
		Loan and receivables RM'000	Assets at FVTPL RM'000	AFS RM'000	Total RM'000	Loan and receivables RM'000	Assets at FVTPL RM'000	AFS RM'000	Total RM'000
<b>Group</b>									
<b>Financial assets</b>									
Derivative financial instruments	19	-	238,560	-	238,560	-	55,708	-	55,708
Long term receivables	29	97,533	-	-	97,533	98,750	-	-	98,750
Available-for-sale financial asset		-	-	141	141	-	-	892	892
Trade and other receivables		1,514,476	-	-	1,514,476	1,152,590	-	-	1,152,590
Financial assets at FVTPL		-	8	-	8	-	8	-	8
Deposits, cash and bank balances	33	6,432,918	-	-	6,432,918	7,906,204	-	-	7,906,204
Assets directly associated with non-current assets classified as held-for-sale		-	-	-	-	15,072	-	-	15,072
<b>Total</b>		<b>8,044,927</b>	<b>238,568</b>	<b>141</b>	<b>8,283,636</b>	<b>9,172,616</b>	<b>55,716</b>	<b>892</b>	<b>9,229,224</b>

	Note	2013			2012		
		Liabilities at FVTPL RM'000	Other financial liabilities RM'000	Total RM'000	Liabilities at FVTPL RM'000	Other financial liabilities RM'000	Total RM'000
<b>Group</b>							
<b>Financial liabilities</b>							
Borrowings	16	-	13,436,375	13,436,375	-	12,658,062	12,658,062
Derivative financial instruments	19	109,384	-	109,384	194,181	-	194,181
Trade and other payables excluding statutory liabilities		-	4,487,311	4,487,311	-	3,846,968	3,846,968
Liabilities directly associated with non-current assets classified as held-for-sale		-	-	-	-	107,714	107,714
<b>Total</b>		<b>109,384</b>	<b>17,923,686</b>	<b>18,033,070</b>	<b>194,181</b>	<b>16,612,744</b>	<b>16,806,925</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 17. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Note	2013			2012		
		Assets at FVTPL RM'000	Loans and receivables RM'000	Total RM'000	Assets at FVTPL RM'000	Loans and receivables RM'000	Total RM'000
<b>Company</b>							
<b>Financial assets</b>							
Amounts due from subsidiaries	31	-	572,163	572,163	-	339,342	339,342
Derivatives financial instruments	19	14,588	-	14,588	-	-	-
Trade and other receivables		-	25,561	25,561	-	23,044	23,044
Deposits, cash and bank balances	33	-	1,991,480	1,991,480	-	3,524,358	3,524,358
<b>Total</b>		<b>14,588</b>	<b>2,589,204</b>	<b>2,603,792</b>	<b>-</b>	<b>3,886,744</b>	<b>3,886,744</b>

	Note	2013			2012		
		Liabilities at FVTPL RM'000	Other financial liabilities RM'000	Total RM'000	Liabilities at FVTPL RM'000	Other financial liabilities RM'000	Total RM'000
<b>Company</b>							
<b>Financial liabilities</b>							
Borrowings	16	-	825,234	825,234	-	764,691	764,691
Derivatives financial instruments	19	-	-	-	45,249	-	45,249
Trade and other payables	21	-	78,834	78,834	-	70,254	70,254
Amounts due to subsidiaries	31	-	680,949	680,949	-	661,610	661,610
<b>Total</b>		<b>-</b>	<b>1,585,017</b>	<b>1,585,017</b>	<b>45,249</b>	<b>1,496,555</b>	<b>1,541,804</b>

## 18. CREDIT QUALITY OF FINANCIAL ASSETS

	Note	2013 RM'000	2012 RM'000
<b>Trade receivables</b>			
Counterparties with external credit ratings*			
A		5,712	-
A-		5,867	4,868
A-2		54,029	6,129
A-1+		596	1,741
B		1,484	2,025
B-		-	13,742
BB+		20,397	10,472
DRSK		90,227	-
NR		28,559	29,928
WR		2,295	2,960
WD		2,683	2,747
Others		1,816	3,063
		<b>213,665</b>	77,675
Counterparties without external credit ratings			
Group 1		467,552	396,438
Group 2		343,422	212,283
Group 3		90,613	14,862
		<b>901,587</b>	623,583
<b>Total</b>	32	<b>1,115,252</b>	701,258

\* Credit rating by Standard & Poor's, Moody's, Fitch, Blomberg and other local credit rating agencies.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 18. CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Deposits, cash and bank balances</b>					
A-1		143,626	60,951	-	-
A-1+		23,622	189,780	-	-
A2		1,398	3,282	-	-
A3		114,815	-	-	-
A-2		2,697,012	3,659,460	201,174	21,983
B		12,306	17,724	-	-
NR		334,387	69,640	-	-
P1		2,125,716	3,501,670	1,255,932	3,500,978
P-1		530,014	-	530,014	-
P-2		51,322	-	-	-
WD		40,866	48,367	-	-
WR		113,509	55,932	-	-
idA+		40,782	-	-	-
Others		39,757	230,231	2,887	1,366
Without external credit ratings		163,786	69,167	1,473	31
<b>Total</b>	<b>33</b>	<b>6,432,918</b>	<b>7,906,204</b>	<b>1,991,480</b>	<b>3,524,358</b>
<b>AFS financial asset</b>					
Without external credit ratings		141	892	-	-
<b>Derivative financial assets</b>					
A-1		115,244	29,887	14,588	-
A-1+		10,468	13,351	-	-
A-2		20,935	5,791	-	-
P-2		88,130	2,896	-	-
Without external credit ratings		3,783	3,783	-	-
<b>Total</b>	<b>19</b>	<b>238,560</b>	<b>55,708</b>	<b>14,588</b>	<b>-</b>

## 18. CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

	Note	Company	
		2013 RM'000	2012 RM'000
<b>Amount due from subsidiaries</b>			
Group 2	31	<b>572,163</b>	339,342

Group 1 - new customers/related parties (less than six (6) months)

Group 2 - existing customers/related parties (more than six (6) months) with no defaults in the past

Group 3 - existing customers/related parties (more than six (6) months) with some defaults in the past. All defaults were fully recovered.

None of the loans to related parties is past due but not impaired.

## 19. DERIVATIVE FINANCIAL INSTRUMENTS

	Note	Group				Company	
		2013		2012		2013	2012
		Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<b>Non-current</b>							
<i>Non-hedging derivative financial instruments:</i>							
- FFC	(a)	<b>64,702</b>	-	21,151	(3,728)	-	-
- CCIRS	(b)	<b>124,084</b>	-	8,687	-	-	-
- IRS	(c)	-	<b>(14,127)</b>	-	(14,977)	-	-
- Convertible warrants in an associate	(d)	<b>3,783</b>	-	3,783	-	-	-
		<b>192,569</b>	<b>(14,127)</b>	33,621	(18,705)	-	-
<i>Derivative designated as hedging instruments:</i>							
- CCIRS	(e),(f)	<b>14,588</b>	<b>(95,257)</b>	-	(175,476)	<b>14,588</b>	(45,249)
		<b>207,157</b>	<b>(109,384)</b>	33,621	(194,181)	<b>14,588</b>	(45,249)
<b>Current</b>							
<i>Non-hedging derivative financial instruments:</i>							
- CCIRS	(b)	<b>31,403</b>	-	22,087	-	-	-
Total		<b>238,560</b>	<b>(109,384)</b>	55,708	(194,181)	<b>14,588</b>	(45,249)

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Non-hedging derivatives are classified as current/non-current assets or liabilities. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve (12) months and, as a current asset or liability, if the maturity of the hedged items is less than twelve (12) months.

### Non-hedging derivatives financial instruments

#### (a) Forward foreign contracts

The information relating to the derivative financial instruments of a subsidiary of the Group as at 31 December 2013 is as follows:

Counterparties	Notional amount USD'million	Strike rate full amount 1 USD:IDR	Period	Premium p.a
Standard Chartered Bank ("SCB")	59.1	9,000-9,725	18 Sept 2009-29 Sept 2015	2.25%-5.26%
J.P. Morgan Securities (S.E.A) Ltd	18.2	9,000	31 Dec 2009-29 Sept 2015	3.45%

The premiums on the forward foreign currency contracts will be paid semi-annually.

#### (b) Cross currency interest rate swaps

The information relating to the derivative financial instruments of certain subsidiaries of the Group as at 31 December 2013 is as follows:

Counterparties	Notional amount million	Period	Swap amount	Exchange period	Fixed interest rate paid	Exchange rate per 1USD:	Interest rate received
The Bank of Tokyo Mitsubishi UFJ, Ltd ("BTMU")	USD110.0	25 March 2013- 24 March 2016	IDR1.1 trillion	Quarterly	6.93%	IDR9,715	3 months' SIBOR + 0.8% margin
SCB	USD50.0	13 June 2013- 13 June 2018	IDR495.9 billion	Quarterly	7.60%	IDR9,918	Fixed rate 2.3%
CIMB Bank Berhad	CNY666.7	18 Sept 2012- 18 Sept 2014	USD105.2 million	Semi-annually	1.98% on USD notional amount	CNY6.34	3.75% on CNY notional amount
HSBC Bank Malaysia Berhad	CNY333.3	18 Sept 2012- 18 Sept 2014	USD52.6 million	Semi-annually	1.98% on USD notional amount	CNY6.34	3.75% on CNY notional amount

## 19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### Non-hedging derivatives financial instruments (continued)

#### (c) Interest rate swaps

The information relating to the derivative financial instruments of a subsidiary of the Group as at 31 December 2013 is as follows:

Counterparties	Notional amount USD'million	Period	Exchange period	Fixed interest rate paid	Floating interest received
SCB	96.4	11 Feb 2009- 1 Oct 2015	Semi-annually	2.323%-2.575%	6 months' LIBOR
BTMU	100.0	28 Aug 2013- 28 Aug 2016	Annually	2.19%	3 months' SIBOR

#### (d) Convertible warrants in an associate

Sacofa Sdn Bhd ("Sacofa"), an associate company of the Group undertook a refinancing exercise which entails amongst others, the issuance of up to RM400.0 million Islamic Medium Term Notes, the issuance of up to RM50.0 million Islamic Commercial Paper and the 64.2 million bonus issue of warrants on the entitlement basis of one (1) free warrant for every one (1) existing Sacofa ordinary share held.

Counterparty	Underlying number of shares	Period	Strike price
Sacofa	12,834,327	28 Jan 2009-25 Jan 2019	RM1.50/share + any adjustments

### Derivative designated as hedging instrument

#### (e) Net investment hedge, net of tax - Cross currency interest rate swaps

The underlying debt instrument for the CCIRS is the Group's Notes as disclosed in Note 16 (b) to the financial statements. The hedge is designed to hedge against foreign currency and interest rate risks.

The information relating to the derivatives of a subsidiary of the Company as at 31 December 2013 is as follows:

Notional amount USD'million	Notional amount SGD'million	Period	Exchange period	Floating interest rate paid	Floating interest rate received	Fair value	
						2013 RM'000	2012 RM'000
300.0	421.3	28 Oct 2010- 28 Apr 2020	Semi-annually	4.315%- 4.350% on SGD notional	5.375% on USD notional	95,257	130,227

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### Derivative designated as hedging instrument (continued)

#### (e) Net investment hedge, net of tax – Cross currency interest rate swaps (continued)

The payment of the Group's SGD notional amounts of USD300.0 million is designated as a hedge of net investment in the Group's investment in its associate. The hedge has been fully effective from inception and for the financial year.

The Group recognised a loss of RM35.3 million (2012: loss of RM40.4 million) in other comprehensive income after reclassification of an unrealised foreign exchange loss of RM69.9 million (2012: gains of RM32.1 million) on the underlying Notes from the profit or loss to other comprehensive income.

The fair value changes of the derivative are attributable to future exchange rates and interest rate movements.

#### (f) Fair value hedge – Cross currency interest rate swap

The CCIRS is used to hedge fair value risk arising from a floating rate borrowing of the Group and the Company. The hedge is designed to hedge against foreign currency and interest rate risks.

The information relating to the derivative as at 31 December 2013 is as follows:

Notional amount USD'million	Notional amount RM'million	Period	Exchange period	Floating interest rate paid	Floating interest rate received	Fair value	
						2013 RM'000 Asset	2012 RM'000 (Liability)
250.0	800.7	6 May 2010– 26 Apr 2015	Quarterly	3 months' KLIBOR + 0.64% p.a. on RM notional	3 months' LIBOR +1.05% p.a. on USD notional	<b>14,588</b>	(45,249)

The Group and the Company consider the CCIRS as an effective hedging instrument as the floating rate borrowing and the CCIRS have identical terms.

The Group and the Company recognised a gain of RM59.7 million (2012: loss of RM11.9 million) arising from fair value changes of a derivative of which RM58.3 million (2012: RM26.8 million) was adjusted against the unrealised foreign exchange (loss)/gain of the underlying borrowing in the profit or loss of the Group and the Company. A fair value loss on fair value hedge of RM1.5 million (2012: loss of RM14.9 million) was recognised resulting from the fair value change of the underlying borrowing.

The fair value changes of the derivative are attributable to future exchange rates and interest rate movements.

## 20. DEFERRED INCOME

	Group	
	2013 RM'000	2012 RM'000
At 1 January	<b>247,188</b>	136,056
Received during the financial year	<b>61,599</b>	125,438
Released to profit or loss	<b>(38,219)</b>	(14,306)
Currency translation differences	<b>1,017</b>	-
At 31 December	<b>271,585</b>	247,188

The deferred income relates to the government grants received by a subsidiary company for the purchase of certain qualifying assets.

## 21. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current:					
Defined benefits plans	(a)	<b>63,085</b>	68,417	-	-
Other payables		<b>9,034</b>	-	-	-
Total non-current		<b>72,119</b>	68,417	-	-
Current:					
Trade payables		<b>1,138,488</b>	717,884	-	-
Accrued expenses		<b>1,516,868</b>	1,434,078	<b>38,606</b>	36,093
Deferred revenue		<b>778,113</b>	858,160	-	-
Customer deposits		<b>76,758</b>	80,068	-	-
Business license payable		<b>122,071</b>	161,774	-	-
Payroll liabilities		<b>245,867</b>	214,392	<b>27,594</b>	27,605
Other accruals		<b>414,920</b>	299,527	-	-
Other payables		<b>1,670,858</b>	1,753,871	<b>12,634</b>	6,556
Spectrum license fees		<b>144,862</b>	211,243	-	-
Total current		<b>6,108,805</b>	5,730,997	<b>78,834</b>	70,254
Total trade and other payables		<b>6,180,924</b>	5,799,414	<b>78,834</b>	70,254

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 21. TRADE AND OTHER PAYABLES (CONTINUED)

### (a) Defined benefits plans

The Group operates defined benefits plans in Indonesia and Sri Lanka respectively. The defined benefit plans of the Group recognised in the consolidated statements of financial position is as follows:

	<b>2013</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>
Present value of obligations	<b>63,085</b>	67,823
Unrecognised past service cost	-	594
	<b>63,085</b>	68,417

The movement in present value of obligations of the defined benefit plans is as follows:

	<b>2013</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>
<b>Group</b>		
At 1 January	<b>68,417</b>	52,892
Charge to profit or loss:		
- current service cost	<b>8,036</b>	7,989
- interest costs	<b>5,407</b>	4,696
- past service cost	<b>(176)</b>	21
	<b>13,267</b>	12,706
Acquisition of subsidiary	-	2,258
Benefit paid	<b>(2,005)</b>	(2,663)
Charge to other comprehensive income:		
- actuarial reserve	<b>(7,676)</b>	8,790
Currency translation differences	<b>(8,918)</b>	(5,566)
At 31 December	<b>63,085</b>	68,417

Present value of the defined benefits obligation of the Group is calculated annually by independent actuaries using the projected unit credit method. The principal actuarial valuation assumption used was as follows:

	<b>2013</b>	<b>2012</b>
Discount rate (p.a.)	<b>9.5%-11.9%</b>	6.5%-12.7%
Salary increment rate (p.a.)	<b>10.0%-12.0%</b>	10.0%-14.0%

## 21. TRADE AND OTHER PAYABLES (CONTINUED)

The currency profile of trade and other payables is as follows:

	2013						2012					
	Functional currency						Functional currency					
	RM RM'000	IDR RM'000	SLR RM'000	BDT RM'000	Others RM'000	Total RM'000	RM RM'000	IDR RM'000	SLR RM'000	BDT RM'000	Others RM'000	Total RM'000
<b>Group</b>												
RM	2,765,144	-	-	-	-	2,765,144	2,886,668	-	-	-	-	2,886,668
USD	75,207	503,355	59,703	100,879	173,600	912,744	12,379	441,662	107,016	58,519	63,614	683,190
IDR	-	800,874	-	-	-	800,874	-	953,735	-	-	-	953,735
SLR	-	-	608,942	-	-	608,942	-	-	541,004	-	-	541,004
BDT	-	-	-	893,698	-	893,698	-	-	-	643,733	-	643,733
SDR*	94,621	-	-	-	-	94,621	89,178	-	-	-	-	89,178
Others	1,507	761	-	-	102,633	104,901	1,245	661	-	-	-	1,906
<b>Total</b>	<b>2,936,479</b>	<b>1,304,990</b>	<b>668,645</b>	<b>994,577</b>	<b>276,233</b>	<b>6,180,924</b>	<b>2,989,470</b>	<b>1,396,058</b>	<b>648,020</b>	<b>702,252</b>	<b>63,614</b>	<b>5,799,414</b>
<b>Company</b>												
RM	70,471	-	-	-	-	70,471	56,704	-	-	-	-	56,704
USD	6,857	-	-	-	-	6,857	12,379	-	-	-	-	12,379
IDR	-	-	-	-	-	-	-	-	-	-	-	-
Others	1,506	-	-	-	-	1,506	1,171	-	-	-	-	1,171
<b>Total</b>	<b>78,834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,834</b>	<b>70,254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,254</b>

\* SDR: Special Drawing Rights

Credit terms of trade and other payables for the Group and the Company vary from 7 to 90 days (2012: 30 to 90 days) depending on the terms of the contracts respectively.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 22. PROVISION FOR LIABILITIES

	Note	Group	
		2013 RM'000	2012 RM'000
At 1 January		<b>338,948</b>	343,148
Provision for the financial year		<b>4,512</b>	116,126
Accretion of interest		<b>13,622</b>	7,180
Currency translation differences		<b>(14,024)</b>	(10,219)
		<b>343,058</b>	456,235
Reversal of provisions from PPE	25	-	(117,047)
Reclassification to other payables		<b>(48,873)</b>	-
Utilised during the financial year		<b>(1,083)</b>	(240)
At 31 December		<b>293,102</b>	338,948

The provision for liabilities relates to provision for dismantling costs of existing telecommunication network and equipment as disclosed in the significant accounting policies in Note 3(o) to the financial statements.

## 23. DEFERRED TAXATION

Deferred tax assets and liabilities of the Group are offsetted when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes related to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	2013 RM'000	2012 RM'000
Deferred tax assets	<b>(241,955)</b>	(263,842)
Deferred tax liabilities	<b>1,578,687</b>	1,418,265
Net deferred tax liabilities	<b>1,336,732</b>	1,154,423

### 23. DEFERRED TAXATION (CONTINUED)

The movement in net deferred tax liabilities of the Group during the financial year is as follows:

	<b>Note</b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>
At 1 January		<b>1,154,423</b>	1,064,443
Charge/(credit) to profit or loss:			
- PPE		<b>71,760</b>	105,358
- tax losses		<b>3,533</b>	(12,097)
- provision and others		<b>69,653</b>	69,010
	11	<b>144,946</b>	162,271
Acquisition of a subsidiary		<b>55,680</b>	-
Credit to other comprehensive income:			
- actuarial reserve		<b>2,083</b>	(2,198)
Currency translation differences		<b>(32,758)</b>	(67,926)
Transferred to liabilities directly associated with non-current assets classified as held-for-sale		<b>12,358</b>	(2,167)
At 31 December		<b>1,336,732</b>	1,154,423

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 23. DEFERRED TAXATION (CONTINUED)

Breakdown of cumulative balances by each type of temporary differences of the Group:

	<b>2013</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>
Deferred tax assets:		
- PPE and intangible assets	<b>14,202</b>	12,181
- Tax losses	<b>29,362</b>	5,464
- Provision and others	<b>356,235</b>	459,581
Before offsetting	<b>399,799</b>	477,226
Offsetting	<b>(157,844)</b>	(213,384)
After offsetting	<b>241,955</b>	263,842
Deferred tax liabilities:		
- PPE and intangible assets	<b>1,736,510</b>	1,630,695
- Others	<b>21</b>	954
Before offsetting	<b>1,736,531</b>	1,631,649
Offsetting	<b>(157,844)</b>	(213,384)
After offsetting	<b>1,578,687</b>	1,418,265

The amounts of deductible temporary differences and unutilised tax losses for which no deferred tax asset is recognised in the statements of financial position are as follow:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>
Deductible temporary differences	<b>104,477</b>	82,263	<b>44,419</b>	41,312
Unutilised tax losses	<b>184,379</b>	113,795	<b>24,809</b>	40,190
	<b>288,856</b>	196,058	<b>69,228</b>	81,502
Tax effect	<b>72,214</b>	49,015	<b>17,307</b>	20,376

The benefits of these tax losses and credit will only be obtained if the Company or the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

## 24. INTANGIBLE ASSETS

		Group			
	Note	Goodwill RM'000	Licenses RM'000	Others RM'000	Total RM'000
<b>Net book value</b>					
At 1 January 2013		7,452,633	928,548	11,333	8,392,514
Acquisition of a subsidiary	5(a),(b)	179,019	278,565	-	457,584
Additions		-	730,973	117,265	848,238
Currency translation differences		16,865	75,915	-	92,780
Reclassification from PPE	25	-	19,825	-	19,825
Amortisation	7(a)	-	(143,445)	(121,464)	(264,909)
Reclassification from non-current assets classified as held-for-sale		-	2,522	-	2,522
At 31 December 2013		7,648,517	1,892,903	7,134	9,548,554
<hr/>					
At 1 January 2012		7,303,698	994,280	-	8,297,978
Acquisition of a subsidiary	5(b)	151,845	4,933	-	156,778
Reclassification from trade and other receivables		-	-	11,333	11,333
Additions		-	34,047	80,207	114,254
Dilution of equity interest		(2,910)	-	-	(2,910)
Reclassification from PPE	25	-	3,438	-	3,438
Currency translation differences		-	(20,683)	-	(20,683)
Amortisation	7(a)	-	(87,467)	(80,207)	(167,674)
At 31 December 2012		7,452,633	928,548	11,333	8,392,514
<hr/>					
<b>At 31 December 2013</b>					
Cost		7,726,014	2,285,146	208,805	10,219,965
Accumulated amortisation		-	(392,243)	(201,671)	(593,914)
Accumulated impairment losses		(77,497)	-	-	(77,497)
Net book value		7,648,517	1,892,903	7,134	9,548,554
<hr/>					
<b>At 31 December 2012</b>					
Cost		7,530,130	1,166,509	144,378	8,841,017
Accumulated amortisation		-	(237,961)	(133,045)	(371,006)
Accumulated impairment losses		(77,497)	-	-	(77,497)
Net book value		7,452,633	928,548	11,333	8,392,514

The remaining amortisation period of acquired telecommunication licenses with allocated spectrum rights range from five (5) years to thirty years (30) years (2012: five (5) years to fourteen (14) years).

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 24. INTANGIBLE ASSETS (CONTINUED)

### (a) Impairment tests for goodwill

The Group undertakes an annual test for impairment of its CGUs identified according to operating segment.

The following CGUs, being the lowest level of asset for which the management monitors the goodwill of the Group:

	Note	2013 RM'000	2012 RM'000
Malaysia	(i)	<b>4,031,110</b>	4,031,110
Indonesia	(ii)	<b>3,214,803</b>	3,214,803
Sri Lanka	(i)	<b>223,930</b>	206,720
Cambodia	(i)	<b>178,674</b>	-
Total		<b>7,648,517</b>	7,452,633

### (i) Key assumptions used in the VIU

The recoverable amount of the Cambodia's, Malaysia's and Sri Lanka's CGU including goodwill in this test is determined based on VIU calculation. Cambodia's and Malaysia's CGU consist of mobile business meanwhile Sri Lanka's CGUs consist of fixed telecommunication business (consist of fixed telephone, data and infrastructure) and television business respectively.

The VIU calculation apply a discounted cash flow model using cash flow projections based on forecasts and projections approved by the management covering:

- a three (3) year period for the mobile business in Malaysia;
- a five (5) year period for mobile business in Cambodia, and
- a ten (10) year period for the fixed telecommunication and television business in Sri Lanka due to the long term nature and intensive capital required in the initial phase of the business.

These forecasts and projections reflect the management's expectation of revenue growth, operating costs and margins based on past experience and future outlook of the CGUs, consistent with internal measurements and monitoring and external sources of information.

Cash flows beyond the fifth (5th) year for the mobile business in Cambodia and Malaysia meanwhile tenth (10th) for fixed telecommunication business and television business in Sri Lanka are extrapolated in perpetuity using estimated terminal growth rate which takes into consideration the current Gross Domestic Product, inflation and average growth rate for the telecommunication industry. These rates have been determined with regards to project growth rates for the market in which the CGUs participates and are not expected to exceed the long term average growth rates for this market.

## 24. INTANGIBLE ASSETS (CONTINUED)

### (a) Impairment tests for goodwill (continued)

#### (i) Key assumptions used in the VIU (continued)

Pre-tax adjusted discount rate applied to the cash flow forecasts are derived from the CGU pre-tax plus a reasonable risk premium at the date of the assessment of the respective CGU to reflect the risk of the CGU.

The following assumptions have been applied in the VIU calculations:

	<b>Cambodia</b>	<b>Malaysia</b>		<b>Sri Lanka</b>	
	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Pre-tax adjusted discount rate	<b>16.7%</b>	<b>10.6%</b>	9.8%	<b>14.0%</b>	15.0%
Terminal growth rate	<b>2.0%</b>	-	-	<b>3.0%</b>	3.0%
Revenue growth rate	<b>2.7% to 19.5% over 5 years</b>	<b>3.0% to 4.8% over 3 years</b>	4.0% to 4.7% over 3 years	<b>2.2% to 10.3% over 10 years</b>	7.9% to 14.2% over 10 years

Based on the above test, the Cambodia, Malaysia and Sri Lanka CGUs' goodwill are not impaired as the recoverable amounts exceeds the carrying amounts included in the financial statements.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, the Board of Directors concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the CGUs to exceed its recoverable amounts.

#### (ii) Key assumptions used in FVLCS

The recoverable amount of the Indonesia CGUs including goodwill is determined based on FVLCS calculations.

The FVLCS calculations are made based on the CGU's securities market price less the costs of disposal of the securities. The market price as at end of reporting period was used for the calculations.

Based on the above test, the Indonesia CGUs' goodwill are not impaired as the recoverable amount exceeds the carrying amount included in the financial statements.

# Notes to the Financial Statements

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## 25. PROPERTY, PLANT AND EQUIPMENT

	Note	Land RM'000	Buildings RM'000	Telecom- munication network equipment RM'000	Movable plant and equipment RM'000	Computer support systems RM'000	Capital work- in-progress RM'000	Total RM'000
<b>Group</b>								
<b>Net book value</b>								
At 1 January 2013								
As previously reported		503,190	136,125	13,847,302	228,267	527,197	1,343,233	16,585,314
Restatement due to MFRS 116	2(b)	-	-	-	-	-	325,044	325,044
As restated		503,190	136,125	13,847,302	228,267	527,197	1,668,277	16,910,358
Additions		89,865	29,687	3,113,501	93,540	540,223	126,339	3,993,155
Acquisition of a subsidiary	5(a)(ii)	-	2,403	132,126	14,311	-	25,936	174,776
Disposal		(3,262)	(623)	(31,670)	(1,142)	(289)	-	(36,986)
Written off	7(a)	-	-	(56,196)	(3,993)	(5)	(330)	(60,524)
Depreciation	7(a)	(92,646)	(20,147)	(2,545,894)	(72,882)	(346,790)	-	(3,078,359)
Impairment	7(a)	-	-	(997)	-	-	(20,291)	(21,288)
Reversal of impairment	7(a)	-	-	9,152	402	-	-	9,554
Reclassification from non-current assets held-for-sale		4,098	-	190,295	41,270	-	9,488	245,151
Currency translation differences		(58,020)	(5,575)	(811,719)	8,115	(22,966)	(119,139)	(1,009,304)
Reclassification to intangible assets	24	-	-	-	-	(19,825)	-	(19,825)
At 31 December 2013		443,225	141,870	13,845,900	307,888	677,545	1,690,280	17,106,708

## 25. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Land RM'000	Buildings RM'000	Telecom- munication network equipment RM'000	Movable plant and equipment RM'000	Computer support systems RM'000	Capital work- in-progress RM'000	Total RM'000
<b>Group</b>								
<b>Net book value</b>								
At 1 January 2012								
As previously reported		495,960	162,783	13,628,949	241,197	499,059	1,133,583	16,161,531
Restatement due to MFRS 116	2(b)	-	-	-	-	-	229,652	229,652
As restated		495,960	162,783	13,628,949	241,197	499,059	1,363,235	16,391,183
Additions		134,943	3,851	3,829,288	65,139	297,451	394,273	4,724,945
Acquisition of a subsidiary	5(b)(ii)	543	2,585	29,510	12,132	1,512	284	46,566
Disposal		(145)	(227)	(1,289)	(1,234)	(64)	-	(2,959)
Written off	7(a)	-	-	(206)	(365)	(16)	-	(587)
Depreciation	7(a)	(90,090)	(22,324)	(2,554,254)	(83,842)	(248,169)	-	(2,998,679)
Impairment	7(a)	-	-	(149,496)	-	-	(5,997)	(155,493)
Reversal of impairment	7(a)	-	-	-	1,254	-	10	1,264
Currency translation differences		(38,021)	(10,543)	(818,153)	(6,014)	(19,138)	(83,528)	(975,397)
Reversal of provision for liabilities	22	-	-	(117,047)	-	-	-	(117,047)
Reclassification to intangible assets	24	-	-	-	-	(3,438)	-	(3,438)
At 31 December 2012		503,190	136,125	13,847,302	228,267	527,197	1,668,277	16,910,358

# Notes to the Financial Statements

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## 25. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land RM'000	Buildings RM'000	Telecom- munication network equipment RM'000	Movable plant and equipment RM'000	Computer support systems RM'000	Capital work- in-progress RM'000	Total RM'000
<b>Group</b>							
<b>At 31 December 2013</b>							
Cost	910,559	332,798	29,590,363	870,046	2,486,089	1,762,617	35,952,472
Accumulated depreciation	(460,269)	(163,860)	(15,276,003)	(555,408)	(1,797,332)	-	(18,252,872)
Accumulated impairment losses	(7,065)	(27,068)	(468,460)	(6,750)	(11,212)	(72,337)	(592,892)
Net book value	443,225	141,870	13,845,900	307,888	677,545	1,690,280	17,106,708
<b>At 31 December 2012</b>							
Cost	957,679	309,010	28,661,389	701,225	2,079,202	1,750,877	34,459,382
Accumulated depreciation	(447,423)	(145,884)	(14,345,049)	(465,882)	(1,540,814)	-	(16,945,052)
Accumulated impairment losses	(7,066)	(27,001)	(469,038)	(7,076)	(11,191)	(82,600)	(603,972)
Net book value	503,190	136,125	13,847,302	228,267	527,197	1,668,277	16,910,358

## 25. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) In the previous financial year, the Group incurred an impairment of RM155.5 million which were primarily related to variance on physical sighting of assets at the sites and write down of certain telecommunication network assets and long outstanding projects which had been written down to its recoverable values.

(b) Net book value of PPE of certain subsidiaries pledged as security for borrowings (Note 16(a) to the financial statements) are as follows:

	Group	
	2013 RM'000	2012 RM'000
Telecommunication network	2,081,655	1,764,442
Movable plant and equipment	87,816	92,920
Computer support system	3,114	3,909
Land	5,620	5,098
Buildings	16,911	16,252
	<b>2,195,116</b>	1,882,621

(c) There had been a change in the expected pattern of consumptions of future economic benefits embodied in certain telecommunication network equipment of subsidiaries within the Group due to assets replacement plans. The revision was accounted for as a change in accounting estimate and has increased the depreciation charge during the financial year by the Group by RM124.3 million (2012: RM186.2 million).

(d) XL owns land located throughout Indonesia with Building Use Rights (Hak Guna Bangunan or "HGB") for periods of 20-29 years (2012: 20-30 years) which will expire between 2014 and 2043 (2012: 2013 and 2042).

As at 31 December 2013, there are 124 locations (2012: 658 locations) with a total book value of RM25.5 million (2012: RM42.6 million) and for which HGB certificates are in the process.

(e) The Group's carrying amount of land including:

	Group	
	2013 RM'000	2012 RM'000
Freehold	31,123	23,149
Short term leasehold	70,341	81,060
Long term leasehold	341,761	398,981
	<b>443,225</b>	503,190

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 25. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

		Movable plant and equipment				
	Note	Office equipment RM'000	Furniture and fitting RM'000	Mobile equipment RM'000	Motor vehicle RM'000	Total RM'000
<b>Company</b>						
<b>Net book value</b>						
At 1 January 2013		6,322	4,706	259	138	11,425
Additions		5,764	844	25	665	7,298
Written-off	7(a)	(333)	-	-	-	(333)
Disposal		(10)	-	-	(11)	(21)
Depreciation	7(a)	(2,494)	(938)	(65)	(165)	(3,662)
At 31 December 2013		9,249	4,612	219	627	14,707
<b>Net book value</b>						
At 1 January 2012		7,019	4,647	333	275	12,274
Additions		2,422	888	11	-	3,321
Written-off	7(a)	(428)	-	-	-	(428)
Disposal		(40)	-	-	-	(40)
Depreciation	7(a)	(2,651)	(829)	(85)	(137)	(3,702)
At 31 December 2012		6,322	4,706	259	138	11,425
<b>Company</b>						
<b>At 31 December 2013</b>						
Cost		18,420	8,791	634	673	28,518
Accumulated depreciation		(9,171)	(4,179)	(415)	(46)	(13,811)
Net book value		9,249	4,612	219	627	14,707
<b>At 31 December 2012</b>						
Cost		13,126	7,947	609	751	22,433
Accumulated depreciation		(6,804)	(3,241)	(350)	(613)	(11,008)
Net book value		6,322	4,706	259	138	11,425

## 26. SUBSIDIARIES

	2013			2012		
	Malaysia RM'000	Overseas RM'000	Total RM'000	Malaysia RM'000	Overseas RM'000	Total RM'000
<b>Company</b>						
Unquoted shares, at cost	<b>5,177,486</b>	<b>182,925</b>	<b>5,360,411</b>	5,177,486	182,925	5,360,411
Accumulated impairment losses	<b>(3,996)</b>	<b>(181,851)</b>	<b>(185,847)</b>	(3,996)	(141,869)	(145,865)
	<b>5,173,490</b>	<b>1,074</b>	<b>5,174,564</b>	5,173,490	41,056	5,214,546
Advances to subsidiaries treated as quasi-investment	<b>3,883,925</b>	<b>6,894,885</b>	<b>10,778,810</b>	3,142,951	6,493,632	9,636,583
Accumulated impairment losses	-	<b>(1,221,371)</b>	<b>(1,221,371)</b>	-	(1,221,371)	(1,221,371)
	<b>3,883,925</b>	<b>5,673,514</b>	<b>9,557,439</b>	3,142,951	5,272,261	8,415,212
<b>Total</b>	<b>9,057,415</b>	<b>5,674,588</b>	<b>14,732,003</b>	8,316,441	5,313,317	13,629,758

The Group's and the Company's equity interests in subsidiaries, their respective principal activities and countries of incorporation are listed in Note 40 to the financial statements.

Due to the presence of impairment indicator during the financial year arising from cessation operation of a subsidiary, the Company has undertaken an impairment assessment on investment in the subsidiary. Based on impairment test concluded, the investment in the subsidiary has been impaired by RM40.0 million.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 26. SUBSIDIARIES (CONTINUED)

(a) The currency profile of advances to subsidiaries treated as quasi-investment is as follows:

	2013 RM'000	2012 RM'000
RM	2,787,233	2,811,781
USD	6,770,206	5,603,431
	<b>9,557,439</b>	8,415,212

The advances are unsecured and are non-interest bearing with no fixed terms of repayment. The Company does not anticipate any prepayment of the advances and are treated as an extension of its investments in subsidiaries.

(b) Non-controlling interests

The total non-controlling interest of the Group for the financial year is RM1,757.5 million, of which RM1,351.9 million is attributed to XL. The remaining non-controlling interests of the Group are immaterial individually.

The information below is before inter-company eliminations.

(i) The summarised statement of comprehensive income for the financial year ended 31 December are as follows:

	Note	2013 RM'000	XL 2012 RM'000
Profit for the financial year	38	309,690	914,174
Other comprehensive expense		(714,163)	(443,613)
Total comprehensive (expense)/income		<b>(404,473)</b>	470,561
Profit for the financial year attributable to NCI		103,732	305,610
Dividend paid to NCI		<b>(120,867)</b>	(123,875)

(ii) The summarised statement of financial position as at 31 December are as follows:

	2013 RM'000	XL 2012 RM'000
Non-current assets	9,223,678	9,834,435
Current assets	1,634,225	1,393,042
Non-current liabilities	<b>(4,602,516)</b>	(3,607,842)
Current liabilities	<b>(2,141,415)</b>	(2,754,900)
Net assets	<b>4,113,972</b>	4,864,735

## 26. SUBSIDIARIES (CONTINUED)

(b) Non-controlling interests (continued)

(iii) The summarised statement of cash flows for the financial year ended 31 December are as follows:

	2013 RM'000	XL	2012 RM'000
Net cash flow from operating activities	<b>1,697,344</b>		2,600,715
Net cash flow used in investing activities	<b>(2,140,936)</b>		(3,176,979)
Net cash flow from financing activities	<b>581,139</b>		509,895
Net increase/(decrease) in cash and cash equivalent	<b>137,547</b>		(66,369)
Effect of exchange rate changes on cash	<b>4,524</b>		763
Cash and cash equivalents at beginning of financial year	<b>213,787</b>		317,400
Cash and cash equivalents at the end of financial year	<b>355,858</b>		251,794

## 27. JOINT VENTURES

Group	2013 RM'000	2012 RM'000
Unquoted investments	<b>58,504</b>	3,195
Share of post-acquisition reserves	<b>(2,289)</b>	(1,577)
Share of net assets of joint ventures	<b>56,215</b>	1,618

The Group's share of revenue and profit/(loss) of joint ventures is as follows:

	2013 RM'000	2012 RM'000
Revenue	<b>91,234</b>	3,629
Profit/(Loss) for the financial year	<b>5,329</b>	(1,577)

The Group's equity interests in the joint ventures and countries of incorporation are listed in Note 42 to the financial statements.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 28. ASSOCIATES

	2013			2012		
	Malaysia RM'000	Overseas RM'000	Total RM'000	Malaysia RM'000	Overseas RM'000	Total RM'000
<b>Group</b>						
Quoted investments	-	8,492,325	8,492,325	-	8,491,808	8,491,808
Unquoted investments	25,669	6,809	32,478	30,919	5,671	36,590
Share of post acquisition results and reserves	29,374	320,189	349,563	18,443	193,118	211,561
	<b>55,043</b>	<b>8,819,323</b>	<b>8,874,366</b>	49,362	8,690,597	8,739,959
Accumulated impairment losses	-	(1,085,035)	(1,085,035)	-	(1,085,035)	(1,085,035)
Currency translation differences	-	(790,209)	(790,209)	-	(816,457)	(816,457)
Share of net assets of associates	<b>55,043</b>	<b>6,944,079</b>	<b>6,999,122</b>	49,362	6,789,105	6,838,467
<b>Company</b>						
Quoted investments:						
At cost	-	125,319	125,319	-	124,802	124,802

The Group's and the Company equity interest in the associates, their respective principal activities and countries of incorporation are listed in Note 41 to the financial statements.

## 28. ASSOCIATES (CONTINUED)

The summarised financial information presented in the financial statements (after adjusted for differences in accounting policies between the Group and the associates) of material associates of the Group are as follows:

- (a) The summarised statement of comprehensive income for the financial year ended 31 December are as follow:

	2013		2012	
	Idea RM'000	M1 RM'000	Idea RM'000	M1 RM'000
Revenue	13,779,224	2,536,978	12,603,361	2,661,457
Profit for the financial year	548,533	463,523	501,139	437,127
Group's share of profit for the financial year	109,213	133,402	99,877	127,029
Dividend received from associates	10,235	98,714	-	96,049

The Group's share of profit of other immaterial associates is RM28.2 million (2012: RM8.0 million).

- (b) The summarised statement of financial position of material associates of the Group as at 31 December are as follow:

	2013		2012	
	Idea RM'000	M1 RM'000	Idea RM'000	M1 RM'000
Non-current assets	20,232,592	1,912,887	20,821,972	1,824,229
Current assets	2,682,039	646,588	2,488,781	616,191
Current liabilities	(4,329,156)	(609,472)	(4,575,534)	(1,312,467)
Non-current liabilities	(7,622,160)	(925,625)	(7,824,280)	(257,288)
	10,963,315	1,024,378	10,910,939	870,665

- (c) The fair value of material associates of the Group as at 31 December are as follows:

	2013		2012	
	Idea RM'000	M1 RM'000	Idea RM'000	M1 RM'000
Fair value	5,351,203	2,061,298	3,820,412	1,800,168

The fair value of the associate of the Company is RM316.5 million (2012: RM231.0 million) as at reporting date.

The fair value of quoted investments are within Level 2 of the fair value hierarchy.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 28. ASSOCIATES (CONTINUED)

The details of carrying amount of the associates of the Group after reconciled with summarised financial information of, material associates are as follows:

	2013				2012			
	Idea RM'000	M1 RM'000	Others RM'000	Total RM'000	Idea RM'000	M1 RM'000	Others RM'000	Total RM'000
Group's share of net assets	2,182,796	294,816	130,231	2,607,843	2,174,550	253,015	111,138	2,538,703
Goodwill	4,000,253	1,152,612	69,868	5,222,733	3,941,209	1,163,826	69,514	5,174,549
Accumulated impairment losses (net of currency translation differences)	(831,454)	-	-	(831,454)	(874,785)	-	-	(874,785)
At 31 December	5,351,595	1,447,428	200,099	6,999,122	5,240,974	1,416,841	180,652	6,838,467

The share of contingent liabilities of an associate as at 31 December are as follows:

Description	Potential exposure	
	2013 RM'million	2012 RM'million
1. <u>One-off excess spectrum charges</u>	1,122.2	1,179.5
<p>On 8 January 2013, the local regulator, the Department of Telecommunications ("DoT") had issued demand notices towards one time spectrum charges:</p> <p>(a) for spectrum beyond 6.2 MHz in respective service areas for retrospective period from 1 July 2008 to 31 December 2012, amounting to INR3,691.3 million, and</p> <p>(b) for spectrum beyond 4.4 MHz in respective service areas effective 1 January 2013 till expiry of the period as per respective licenses amounting to INR17,443.7 million.</p>		

In the opinion of the Directors, inter-alia, the above demand amounts to alteration of financial terms of the licenses issued in the past. The Directors believe, based on independent legal opinion and its evaluation, it is not probable that the claim will materialise and therefore, pending outcome of this matter, no provision has been recognised.

## 28. ASSOCIATES (CONTINUED)

List of contingent liabilities of Idea as at 31 December are as follows: (continued)

Description	Potential exposure	
	2013 RM'million	2012 RM'million
2. <u>Tax notice</u> The Income Tax Department ("Tax Department") had issued a INR39.0 billion notice on an associate. The Tax Department alleged that the licenses, assets and liabilities transferred in between the companies in 2009 resulted in taxable capital gains which Idea and its subsidiary did not treat as taxable.  In the opinion of the Directors, based on independent legal opinion and its evaluation, it is not probable that the claim will materialise and therefore, pending outcome of this matter, no provision has been recognised.	2,070.8	-
3. <u>Other taxes, custom duties and demands under adjudication, appeal or disputes</u> As at 31 March 2013, other taxes, custom duties and demands under adjudication, appeal or disputes amounted to approximately INR32.4 billion (2012: INR31.6 billion).  In the opinion of the Directors, based on independent legal opinion and its evaluation, it is not probable that the claim will materialise and therefore, pending outcome of matters, no provision has been recognised.	1,722.0	1,761.9
Total exposure	4,915.0	2,941.4
Total exposure of the Group	978.1	586.2

## 29. LONG TERM RECEIVABLES

	Group	
	2013 RM'000	2012 RM'000
Staff loans	62	134
Finance lease receivables	97,471	98,616
	97,533	98,750

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 29. LONG TERM RECEIVABLES (CONTINUED)

Finance lease receivables are receivables related to the lease of fiber optic cable of a subsidiary.

Details of the lease receivables according to the maturity schedule are as follows:

	Note	Group	
		2013 RM'000	2012 RM'000
Within one (1) year		20,073	20,879
Between one (1) and five (5) years		78,896	81,869
More than five (5) years		56,301	72,961
		<b>155,270</b>	175,709
Unearned finance lease income		<b>(47,728)</b>	(69,153)
Finance lease receivables		<b>107,542</b>	106,556
Classified as:			
Current	32	10,071	7,940
Non-current		97,471	98,616
Finance lease receivables		<b>107,542</b>	106,556

## 30. INVENTORIES

	Note	Group		
		31.12.2013 RM'000	31.12.2012 RM'000 Restated	1.1.2012 RM'000 Restated
Trading inventories *	2(b)	62,805	56,455	112,185

\* Trading inventories mainly comprise of SIM cards, handsets and other consumables.

### 31. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The currency profiles of the amounts due from/to subsidiaries are as follows:

	2013				2012			
	RM RM'000	USD RM'000	SLR RM'000	Total RM'000	RM RM'000	USD RM'000	SLR RM'000	Total RM'000
Amounts due from subsidiaries:								
- Non-current <sup>1</sup>	-	105,236	-	105,236	-	85,772	-	85,772
- Current	372,593	89,489	4,845	466,927	221,010	32,248	312	253,570
	<b>372,593</b>	<b>194,725</b>	<b>4,845</b>	<b>572,163</b>	221,010	118,020	312	339,342
Amount due to subsidiaries:								
- Current	176,378	504,571	-	680,949	183,310	478,300	-	661,610

<sup>1</sup> Effective interest rate of 3.85% as at 31 December 2013 (2012: 4.25%) p.a.

Except as disclosed otherwise above, amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 32. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables		<b>1,402,129</b>	918,491	-	-
Less: Provision for impairment		<b>(286,877)</b>	(217,233)	-	-
		<b>1,115,252</b>	701,258	-	-
Other receivables:					
Deposits		<b>137,404</b>	114,203	-	-
Less: Provision for impairment		<b>(26,997)</b>	(27,390)	-	-
		<b>110,407</b>	86,813	-	-
Prepayments		<b>873,855</b>	820,240	<b>643</b>	3,739
Staff loans		<b>755</b>	431	-	-
Finance lease receivables	29	<b>10,071</b>	7,940	-	-
Other receivables		<b>570,503</b>	496,354	<b>25,561</b>	23,044
Less: Provision for impairment		<b>(938)</b>	(938)	-	-
		<b>569,565</b>	495,416	<b>25,561</b>	23,044
Total other receivables after provision for impairment		<b>1,564,653</b>	1,410,840	<b>26,204</b>	26,783
Total trade and other receivables after provision for impairment		<b>2,679,905</b>	2,112,098	<b>26,204</b>	26,783

### 32. TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency profile of trade and other receivables after impairment as follows:

	2013						2012					
	Functional currency						Functional currency					
	RM RM'000	IDR RM'000	SLR RM'000	BDT RM'000	Others RM'000	Total RM'000	RM RM'000	IDR RM'000	SLR RM'000	BDT RM'000	Others RM'000	Total RM'000
<b>Group</b>												
RM	737,953	-	-	-	-	737,953	739,793	-	-	-	-	739,793
USD	7,696	198,915	113,855	304	89,054	409,824	3,848	47,152	94,838	1,913	30,801	178,552
IDR	-	1,057,728	-	-	-	1,057,728	3	807,268	-	-	-	807,271
SLR	-	-	187,269	-	-	187,269	-	-	161,187	-	-	161,187
BDT	-	-	-	236,650	-	236,650	-	-	-	210,686	-	210,686
SDR	15,583	-	-	-	-	15,583	14,241	-	-	-	-	14,241
Others	10,238	46	-	-	24,614	34,898	325	43	-	-	-	368
<b>Total</b>	<b>771,470</b>	<b>1,256,689</b>	<b>301,124</b>	<b>236,954</b>	<b>113,668</b>	<b>2,679,905</b>	<b>758,210</b>	<b>854,463</b>	<b>256,025</b>	<b>212,599</b>	<b>30,801</b>	<b>2,112,098</b>
<b>Company</b>												
RM	18,038	-	-	-	-	18,038	22,461	-	-	-	-	22,461
USD	8,166	-	-	-	-	8,166	4,319	-	-	-	-	4,319
IDR	-	-	-	-	-	-	3	-	-	-	-	3
<b>Total</b>	<b>26,204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,204</b>	<b>26,783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,783</b>

The movement of provision for impairment of trade and other receivables are as follows:

	Note	2013 RM'000	2012 RM'000
<b>Trade receivables</b>			
At 1 January		217,233	297,787
Provision for impairment	7(b)	110,885	82,266
Acquisition of a subsidiary		-	18,059
Written off		(48,206)	(174,522)
Reclassification from non-current assets classified as held-for-sale		3,706	-
Currency translation differences		3,259	(6,357)
<b>At 31 December</b>		<b>286,877</b>	<b>217,233</b>
<b>Other receivables</b>			
At 1 January		28,328	23,940
Provision for impairment	7(b)	19	6,300
Written off		(412)	(1,912)
<b>At 31 December</b>		<b>27,935</b>	<b>28,328</b>

The carrying amounts of trade and other receivables approximate their fair value.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 32. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables which are due as at the end of the reporting period are as follows:

	Not past due		Past due				Total
	RM'000	Specifically impaired	Not specifically impaired				
		RM'000	0-3 months RM'000	3-6 months RM'000	6-12 months RM'000	Over 12 months RM'000	
2013	<b>329,733</b>	<b>86,905</b>	<b>293,633</b>	<b>150,706</b>	<b>128,092</b>	<b>126,183</b>	<b>1,115,252</b>
2012	248,135	25,923	247,533	94,231	30,370	55,066	701,258

The Group is not exposed to major concentration of credit risk due to the diverse customer base. In addition, credit risk is mitigated to a certain extent by cash deposits and bankers' guarantee obtained from customers. The Group considers the accumulated impairment losses of trade receivables at the end of the reporting period to be adequate to cover the potential financial loss.

Credit terms of trade receivables for the Group range from 7 to 90 days (2012: 7 to 90 days).

## 33. DEPOSITS, CASH AND BANK BALANCES

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits with licensed banks		<b>825,240</b>	794,698	<b>25,368</b>	332,688
Deposits under Islamic principles		<b>4,836,021</b>	5,816,634	<b>1,957,162</b>	3,186,244
Total deposits		<b>5,661,261</b>	6,611,332	<b>1,982,530</b>	3,518,932
Cash and bank balances		<b>771,657</b>	1,294,872	<b>8,950</b>	5,426
Total deposits, cash and bank balances		<b>6,432,918</b>	7,906,204	<b>1,991,480</b>	3,524,358
Less:					
Deposits pledged	16(a)	<b>(3,165)</b>	(6,388)	-	-
Deposit on investment in a subsidiary		<b>(65,890)</b>	-	-	-
Deposits maturing more than three (3) months		<b>(334,311)</b>	-	<b>(334,311)</b>	-
Bank overdraft	16	<b>(18,759)</b>	(5,352)	-	-
Total cash and cash equivalents at the end of the financial year		<b>6,010,793</b>	7,894,464	<b>1,657,169</b>	3,524,358

### 33. DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. Maturity range of deposits is as follows:

(In days)	From	Group To	Company To
Financial year ended 31 December 2013	Overnight	365	365
Financial year ended 31 December 2012	Overnight	270	270

The currency profile of deposits, cash and balances is as follows:

	2013						2012					
	Functional currency						Functional currency					
	RM RM'000	IDR RM'000	SLR RM'000	BDT RM'000	Others RM'000	Total RM'000	RM RM'000	IDR RM'000	SLR RM'000	BDT RM'000	Others RM'000	Total RM'000
<b>Group</b>												
MYR	5,317,055	-	-	-	-	5,317,055	6,618,563	-	-	-	-	6,618,563
USD	282,130	20,023	5,670	-	102,681	410,504	613,300	36,455	122,535	-	12,175	784,465
IDR	-	338,864	-	-	-	338,864	86	217,929	-	-	-	218,015
SLR	2,694	-	40,969	-	-	43,663	2,533	-	58,885	-	-	61,418
BDT	-	-	-	201,911	-	201,911	-	-	-	178,172	-	178,172
Others	111,218	-	-	-	9,703	120,921	45,571	-	-	-	-	45,571
<b>Total</b>	<b>5,713,097</b>	<b>358,887</b>	<b>46,639</b>	<b>201,911</b>	<b>112,384</b>	<b>6,432,918</b>	7,280,053	254,384	181,420	178,172	12,175	7,906,204
<b>Company</b>												
RM	1,959,640	-	-	-	-	1,959,640	2,955,582	-	-	-	-	2,955,582
USD	31,840	-	-	-	-	31,840	568,776	-	-	-	-	568,776
<b>Total</b>	<b>1,991,480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,991,480</b>	3,524,358	-	-	-	-	3,524,358

### 34. NON-CURRENT ASSETS/LIABILITIES CLASSIFIED AS HELD-FOR-SALE

(a) Proposed disposal of 89.00% equity interest in Multinet Pakistan (Private) Limited ("Multinet")

On 13 July 2010, Axiata Investment (Labuan) Limited entered into an agreement to dispose off its 89.00% equity interest from its subsidiary, Multinet to the existing shareholder in Pakistan.

However as at 31 December 2013, the Group resolved not to divest its investment on revisiting its overall business plans. Accordingly, the investment was reclassified as a subsidiary of the Group. The reclassification has no significant impact to the Group.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 34. NON-CURRENT ASSETS/LIABILITIES CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(a) Proposed disposal of 89.00% equity interest in Multinet Pakistan (Private) Limited ("Multinet") (continued)

### (i) Cash flows associated with assets/liabilities directly associated with non-current assets classified as held-for-sale

	Group	
	2013 RM'000	2012 RM'000
Operating cash flows	-	15,949
Investing cash flows	-	(8,125)
Financing cash flows	-	(9,448)
Effect of exchange losses	-	(480)
Net cash out flows	-	(2,104)

### (ii) Assets directly associated with non-current assets classified as held-for-sale

	Group	
	2013 RM'000	2012 RM'000
PPE	-	231,312
Other intangible assets	-	2,353
Other current assets	-	15,072
Total assets directly associated with non-current assets classified as held-for-sale	-	248,737

### (iii) Liabilities directly associated with non-current assets classified as held-for-sale

	Group	
	2013 RM'000	2012 RM'000
Borrowings	-	(51,215)
Deferred tax liabilities	-	(12,409)
Other current liabilities	-	(88,652)
Total liabilities directly associated with non-current assets classified as held-for-sale	-	(152,276)

### (iv) In the previous financial year, cumulative expenses recognised in other comprehensive income relating to non-current assets classified as held-for-sale amounted to RM6.3 million.

(b) Disposal of 49.00% equity interest in MTCE

During the financial year, the carrying amount of the Group's investment in MTCE amounting to RM4.1 million was derecognised in conjunction with its disposal, as disclosed in Note 5(a)(i) to the financial statements.

### 35. CASH FLOWS FROM/(USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES

	Note	Group		Company	
		2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Receipt from customers		17,665,841	17,637,956	-	-
Payments to suppliers and employees		(10,802,642)	(9,357,687)	(204,815)	(208,484)
Dividends received		-	-	2,301,815	3,093,837
Dividends from associates		-	-	8,026	1,038
Payment of finance cost		(817,594)	(774,241)	(30,312)	(32,084)
Payment of zakat		(8,500)	(500)	-	-
Payment of income taxes (net of refunds)		(388,862)	(668,547)	(26)	5,628
<b>Total cash flows from operating activities</b>		<b>5,648,243</b>	<b>6,836,981</b>	<b>2,074,688</b>	<b>2,859,935</b>
Proceeds from disposal of PPE		46,595	46,305	196	263
Purchase of PPE <sup>^</sup>		(4,116,997)	(5,125,756)	(7,298)	(3,145)
Acquisition of intangible assets		(877,590)	(336,323)	-	-
Investments in deposits maturing more than three (3) months		(334,311)	-	(334,311)	-
Investment in subsidiaries		(402,007)	(80,380)	-	-
Additional investments in associates		(1,655)	-	(517)	-
Acquisition of an associate		-	(3,728)	-	-
Acquisition of joint venture		(59,326)	(3,195)	-	-
Interest received		261,193	262,574	73,545	43,409
Dividends received from associates (Advances to)/Net repayment from employees		117,005 (190)	97,087 117	- -	- -
Advances to subsidiaries treated as quasi-investments		-	-	(707,428)	-
Advances to subsidiaries		-	-	(158,902)	(179,563)
Advances from subsidiaries		-	-	-	657,300
Repayments from subsidiaries		-	-	10,286	-
<b>Total cash flow (used in)/ from investing activities</b>		<b>(5,367,283)</b>	<b>(5,143,299)</b>	<b>(1,124,429)</b>	<b>518,264</b>

<sup>^</sup> Comparative was restated in conjunction with amendment to MFRS 116 as disclosed in Note 2(b) to the financial statements

# Notes to the Financial Statements

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## 35. CASH FLOWS FROM/(USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES (CONTINUED)

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Proceeds from borrowings (net of transaction costs)		<b>3,052,971</b>	2,519,607	-	-
Repayments of borrowings		<b>(2,192,888)</b>	(2,104,496)	-	-
Early repayment of existing Sukuk		-	(4,200,000)	-	-
Proceeds from Sukuk issuance		-	5,435,280	-	-
Proceeds from issuance of shares under Axiata Share Scheme		<b>125,236</b>	101,636	<b>125,236</b>	101,636
Share issue expense		<b>(255)</b>	(341)	<b>(255)</b>	(341)
Dividends paid to non-controlling interests		<b>(133,002)</b>	(132,059)	-	-
Dividends paid to shareholders	44	<b>(2,985,725)</b>	(1,954,275)	<b>(2,985,725)</b>	(1,954,275)
Total cash flows used in financing activities		<b>(2,133,663)</b>	(334,648)	<b>(2,860,744)</b>	(1,852,980)

## 36. CONTINGENCIES AND COMMITMENTS

### (a) Capital Commitments

	Group	
	2013 RM'000	2012 RM'000
<b>PPE</b>		
Commitments in respect of expenditure:		
- Approved and contracted for	<b>1,669,688</b>	2,169,117
- Approved but not contracted for	<b>2,109,050</b>	966,511
	<b>3,778,738</b>	3,135,628

### (b) Operating lease commitments

The Group entered into non-cancellable office and tower rental and lease of head office agreements with various terms and the total commitment are as follows:

	2013 RM'000	2012 RM'000
Payable with one (1) year	<b>190,188</b>	175,807
Payable more than one (1) year and no later than five (5) years	<b>637,712</b>	683,029
Payable more than five (5) years	<b>216,223</b>	138,251
Total	<b>1,044,123</b>	997,087

### 36. CONTINGENCIES AND COMMITMENTS (CONTINUED)

#### (b) Operating lease commitments (continued)

The rental expenses related to the commitment for the financial year ended 31 December 2013 and 2012 amounted to RM183.8 million and RM179.0 million respectively.

#### (c) 3G annual fees commitment

XL has committed to pay annual fees within ten (10) years, as long as XL holds the 3G license. The amount of annual payment is based on the scheme of payment set out in Regulation No. 07/PER/M.KOMINFO/2/2006 of the Minister of Communication & Information and Decree No.323/KEP/M.KOMINFO/09/2010 of the Minister of Communication & Information. No penalty will be imposed in the event that XL returns the license.

#### (d) List of contingent liabilities of subsidiaries of Group as at 31 December are as follows:

Description	Potential exposure	
	2013 RM'million	2012 RM'million
<p>1. <u>Celcom Trading Sdn Bhd [formerly known as Rego Multi-Trades Sdn Bhd] ("Celcom Trading") vs Aras Capital Sdn Bhd ("Aras Capital") and Tan Sri Dato' Tajudin Ramli ("TSDTR")</u></p> <p>In 2005, Celcom Trading, a wholly-owned subsidiary of Celcom, commenced proceedings against Aras Capital and TSDTR for amounts due to Celcom Trading pursuant to an investment agreement with Aras Capital and an indemnity letter given by TSDTR. TSDTR filed its defence and instituted a counterclaim against Celcom Trading, Celcom Resources Berhad [formerly known as Technology Resources Industries Berhad] ("Celcom Resources") and its directors to void and rescind the indemnity letter and claim damages.</p> <p>The Board of Directors, based on legal advice received, are of the view that it has good prospects of succeeding on the claim and successfully defending the counterclaim if the same were to proceed to trial.</p>	<b>100.0</b>	100.0
<p>2. <u>VIP Engineering and Marketing Limited ("VIPEM") vs Celcom Resources on TRI Telecommunications Tanzania ("Tritel")</u></p> <p>In December 2001, vide Civil Case No. 427 of 2001, VIPEM claimed a sum of USD18.6 million from Celcom Resources as its share of loss of profits for the mismanagement of Tritel, a joint venture company between Celcom Resources and VIPEM. In light of the winding-up order made against Tritel, Celcom Resources filed its claims of RM123.4 million with the liquidator of Tritel in July 2003.</p> <p>The Board of Directors, based on legal opinion received, are of the view that the allegations of mismanagement, are rhetorical and unsubstantiated. In view of the winding up proceedings, there is also a possibility that VIPEM will not pursue its claim.</p>	<b>63.7</b>	63.7

# Notes to the Financial Statements

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## 36. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(d) List of contingent liabilities of subsidiaries of the Group as at 31 December are as follows:

Description	Potential exposure	
	2013 RM'million	2012 RM'million
<p>3. <u>Claim on Robi by National Board of Revenue of Bangladesh ("NBR")</u></p> <p>The Large Tax Unit of NBR issued a show case letter dated 23 February 2012 to Robi demanding payment of supplementary duty and VAT levied on the issuance of a certain number of SIM cards to new customers of Robi on the pretext that the issuance was replacement purposes with regards to Robi's existing customers. The total demand amounted to BDT6,549.9 million.</p> <p>The Board of Directors, based on legal advice received, are of the view that it has good prospects of succeeding on the claim.</p>	<b>276.7</b>	251.0
<p>4. <u>Robi's tax position</u></p> <p>Robi has claimed for SIM tax subsidy as a deductible expense in its tax provision computations for FY 2005 to 2013 (2012: FY 2005 to 2012). The National Board of Revenue has challenged this claim and regarded the SIM tax subsidy as non-deductible, on grounds that the subsidies are collectible from the customers and hence is not a 'business expense'. The case has been taken to the local court whereby the proceeding is still ongoing with no decision reached to-date.</p> <p>Based on legal opinion received, the Board of Directors are of the view that Robi has good prospects of succeeding on the claim.</p>	<b>238.8</b>	184.5
<p>5. <u>Access Promotion Contribution ("APC") of Multinet</u></p> <p>Multinet filed a suit during the financial year ended 31 December 2010 in the Honourable High Court of Sindh against the Federation of Pakistan, Pakistan Telecommunications Authority ("PTA"), Pakistan Telecommunication Company Limited ("PTCL") and the Universal Service Fund Company inter alia challenging the legality and enforcement of APC applicable on international incoming calls. Multinet has stopped paying APC to PTA from 30 September 2009. In the event a clawback is required, the estimated amount as per PTA monthly demand notice from January 2010 to December 2012 is PKR 4.2 billion (2012: PKR4.2 billion).</p> <p>Based on legal opinion received, the Board of Directors are of the view that Multinet has good prospects of succeeding on the claim.</p>	<b>131.5</b>	132.7
Total exposure	<b>810.7</b>	731.9

The Company does not have any contingent liabilities as at 31 December 2013 and 2012.

### 37. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions are as follows:

	Group	
	2013 RM'000	2012 RM'000
Asset swap arrangements	5,044	7,893
Vesting of RSA	2,213	-

### 38. SEGMENTAL REPORTING

By key operating companies of the Group

Management has determined the operating segments based on the reports reviewed by the Board of Directors (Chief Operating decision maker).

The Board of Directors considers the business from a geographic perspective. The Group's operating companies operate in many countries as shown in Note 40 to the financial statements. Accordingly, the Group's operations by key operating companies are segmented into these main geographic segments: Malaysia, Indonesia, Bangladesh, Sri Lanka and Others. Others comprise of investment holding entities and other operating companies in other countries that contributed less than 10% of consolidated revenue.

The reportable segments derive their revenue primarily from the provision of mobile services, leasing of passive infrastructure, and others such as provision of interconnect services, leased services, pay television transmission services and provision of other data services. Revenue is based on the country in which the customers are located.

The Board of Directors assesses the performance of the operating segment, before its respective tax charge or tax credits, based on a measure of EBITDA. EBITDA is derived after operating revenue less other operating costs, domestic interconnect and international outpayment, marketing, advertising and promotion, and staff costs.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 38. SEGMENTAL REPORTING (CONTINUED)

	Malaysia RM'000	Indonesia RM'000	Bangladesh RM'000	Sri Lanka RM'000	Others RM'000	Consolidation adjustments/ eliminations RM'000	Total RM'000
<b>Financial year ended 31 December 2013</b>							
Operating revenue:							
Total operating revenue	8,018,256	6,443,313	1,822,587	1,543,578	676,243	-	18,503,977
Inter-segment*	(7,263)	(34,477)	(490)	(27,308)	(24,259)	(39,339)	(133,136)
External operating revenue	8,010,993	6,408,836	1,822,097	1,516,270	651,984	(39,339)	18,370,841
Results:							
EBITDA	3,452,035	2,712,361	633,769	484,439	(8,403)	(3,078)	7,271,123
Interest income	107,532	32,866	42,107	2,758	140,897	(64,864)	261,296
Interest expense	(214,489)	(371,567)	(25,283)	(16,688)	(155,042)	62,340	(720,729)
Depreciation of PPE	(733,129)	(1,801,946)	(251,993)	(280,309)	(80,379)	51,528	(3,096,228)
Amortisation of intangible assets	(125,508)	(34,878)	(73,656)	(19,294)	(4,750)	(7,705)	(265,791)
Joint ventures:							
- share of results (net of tax)	(1,938)	7,267	-	-	-	-	5,329
Associates:							
- share of results (net of tax)	5,681	-	-	(720)	265,862	-	270,823
- loss on dilution of equity interests	-	-	-	-	-	(21,066)	(21,066)
Impairment of PPE, net of reversal	(4,094)	(8,151)	(6,040)	6,551	-	-	(11,734)
Other non-cash income/ (expenses)	15,927	(118,081)	17,303	(22,172)	(55,487)	2,526	(159,984)
Taxation	(419,526)	(108,181)	(186,743)	(27,384)	(45,408)	(7,220)	(794,462)
Segment profit/(loss) for the financial year	2,082,491	309,690	149,464	127,181	57,290	12,461	2,738,577

### 38. SEGMENTAL REPORTING (CONTINUED)

	Malaysia RM'000	Indonesia RM'000	Bangladesh RM'000	Sri Lanka RM'000	Others RM'000	Consolidation adjustments/ eliminations RM'000	Total RM'000
<b>Financial year ended</b>							
<b>31 December 2012 (restated)</b>							
Operating revenue:							
Total operating revenue	7,692,866	6,920,036	1,469,777	1,366,707	318,409	-	17,767,795
Inter-segment*	(8,381)	(45,884)	(311)	(28,327)	(1,237)	(32,038)	(116,178)
External operating revenue	7,684,485	6,874,152	1,469,466	1,338,380	317,172	(32,038)	17,651,617
Results:							
EBITDA	3,360,237	3,315,155	455,842	437,434	(144,239)	68	7,424,497
Interest income	144,647	42,553	10,574	7,447	108,766	(51,642)	262,345
Interest expense	(247,016)	(287,208)	(70,234)	(15,870)	(147,340)	49,869	(717,799)
Depreciation of PPE	(838,778)	(1,737,418)	(218,674)	(255,511)	(32,111)	66,209	(3,016,283)
Amortisation of intangible assets	(84,251)	(23,873)	(53,914)	(5,636)	(444)	-	(168,118)
Joint ventures:							
- share of results (net of tax)	(1,577)	-	-	-	-	-	(1,577)
Associates:							
- share of results (net of tax)	6,995	-	-	(207)	228,162	-	234,950
- loss on dilution of equity interests	-	-	-	-	-	(22,860)	(22,860)
Impairment of PPE (net of reversal)	(86,990)	(5,708)	-	(15,556)	(45,975)	-	(154,229)
Other non-cash income/ (expenses)	64,086	(63,631)	37,697	(55,379)	(63,673)	1,768	(79,132)
Taxation	(442,753)	(325,696)	(111,611)	47,711	(30,005)	(19,863)	(882,217)
Segment profit/(loss) for the financial year	1,874,600	914,174	49,680	144,433	(126,859)	23,549	2,879,577

\* Inter-segment operating revenue has been eliminated in arriving at respective segment operating revenue. The inter-segment operating revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

- (a) Market risks consist of:
- (i) foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
  - (ii) fair value interest rate risk – risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
  - (iii) cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate. In the case of a floating rate debt instrument, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.
  - (iv) price risk – risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instrument traded in the market.
- (b) credit risk – risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.
- (c) liquidity risk (funding risk) – risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group's and the Company's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and the Company. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Group's and the Company's financial risk management policies. The Board of Directors regularly reviews these risks and approves the treasury policies, which covers the management of these risks. Hedging transactions are determined in the light of commercial commitments. Derivative financial instruments are mainly used to hedge underlying commercial exposures.

### (a) Market risks

#### (i) Foreign currency exchange risk

##### Group

The foreign exchange risk of the Group predominately arises from borrowings denominated in foreign currencies. The main currency exposure from borrowings denominated in foreign currency is USD. The Group has cross currency interest rate swaps and forward foreign currency contracts that are primarily used to hedge selected foreign currency borrowings to reduce the foreign currency exposures on these borrowings.

The Group has certain investment in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operation is managed primarily through borrowings denominated in the relevant foreign currency and also the use of cross currency swap.

As at 31 December 2013, if USD has strengthen/weakened by 10% against IDR, BDT, SLR and RM with all other variables held constant, this will result in foreign exchange losses/gains to the profit or loss of RM217.0 million for the Group on translation of USD denominated non-hedged borrowings.

### **39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

#### **(a) Market risks (continued)**

##### **(i) Foreign currency exchange risk (continued)**

###### **Company**

The foreign exchange risk of the Company predominately arises from borrowings and advances to subsidiaries treated as quasi investment denominated in USD. The Company has cross currency interest rate swap that is primarily used to hedge the borrowings to reduce the foreign currency exposures.

As at 31 December 2013, if USD has strengthen/weakened by 10% against RM with all other variables held constant, this will result in foreign exchange losses/gains to the profit or loss of RM677.0 million for the Company, on translation of USD denominated advances to subsidiaries treated as quasi investment.

##### **(ii) Cash flow and fair value interest rate risk**

The Group and the Company has deposits, cash and bank balances including deposits placed with creditworthy licensed banks and financial institutions. The Group and the Company manage its interest rate risk by actively monitoring the yield curve trend and interest rate movement for the various deposits, cash and bank balances.

The Group's and the Company's borrowings comprise borrowings from financial and non-financial institutions, Sukuk and Notes. The Group's and the Company's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the Group and the Company target a composition of fixed and floating borrowings based on assessment of its existing exposure and desirable interest rate profile. To obtain this composition, the Group and the Company use hedging instruments such as interest rate swap contracts.

As at 31 December 2013, if interest rate on different foreign currencies denominated floating interest rates non-hedged borrowings had been lower/higher by 5% with all other variables held constant, this will result in a lower/higher interest expense of the Group amounting to RM26.0 million.

##### **(iii) Price risk**

The Group is exposed to equity securities price risk because of the investments held by the Group classified on the consolidated statement of financial position as AFS and FVTPL. The Group is not exposed to commodity price risk. No financial instruments or derivatives have been employed to hedge this risk, which is deemed as insignificant.

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b) Credit risk

Credit risk arises from trade receivables, cash and cash equivalents and financial instruments used in hedging activities.

The Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed through the application of credit assessment and approval, credit limit and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers.

The Group and the Company place its cash and cash equivalents with a number of creditworthy financial institutions. The Group's and the Company policy limit the concentration of financial exposure to any single financial institution.

All hedging instruments are executed with creditworthy financial institutions with a view to limiting the credit risk exposure of the Group and the Company. The Group and the Company, however, are exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but do not expect any counterparties to fail to meet their obligations.

The maximum credit risk exposure of the financial assets of the Group and the Company are approximately their carrying amounts as at the end of the reporting period.

The credit quality of the financial assets that are neither past due nor impaired is shown in Note 18 to the financial statements.

The carrying amount of trade receivables that are past due is shown in Note 32 to the financial statements.

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group and the Company aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

The table below analyses the Group's and the Company's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. As amounts included in the table are contractual undiscounted cash flows, these amounts may not be reconciled to the amounts disclosed on the statement of financial position for borrowings and trade, other payables and derivative financial instruments.

	2013				2012			
	Trade and other payables RM'000	Borrowings RM'000	Net settled derivative financial instruments RM'000	Total RM'000	Trade and other payables RM'000	Borrowings RM'000	Net settled derivative financial instruments RM'000	Total RM'000
<b>Group</b>								
Below 1 year	4,487,311	2,325,058	6,119	6,818,488	3,846,968	2,401,273	7,110	6,255,351
1-2 years	-	3,013,604	3,494	3,017,098	-	2,236,384	4,524	2,240,908
2-3 years	-	1,650,851	1,220	1,652,071	-	2,755,448	1,939	2,757,387
3-4 years	-	2,461,867	-	2,461,867	-	639,540	-	639,540
4-5 years	-	867,378	-	867,378	-	2,285,738	-	2,285,738
Over 5 years	-	4,897,542	-	4,897,542	-	5,070,392	-	5,070,392
Total contractual undiscounted cash flows	4,487,311	15,216,300	10,833	19,714,444	3,846,968	15,388,775	13,573	19,249,316
Total carrying amount	4,487,311	13,436,375	14,127	17,937,813	3,846,968	12,658,062	14,977	16,520,007

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Liquidity risk (continued)

Company	2013				2012			
	Other payables RM'000	Borrowings RM'000	Amounts due to subsidiaries RM'000	Total RM'000	Other payables RM'000	Borrowings RM'000	Amounts due to subsidiaries RM'000	Total RM'000
Below 1 year	78,834	20,002	680,949	779,785	70,254	30,827	661,610	762,691
1-2 years	-	810,701	-	810,701	-	30,827	-	30,827
2-3 years	-	-	-	-	-	816,113	-	816,113
3-4 years	-	-	-	-	-	-	-	-
4-5 years	-	-	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-	-	-
Total contractual undiscounted cash flows	78,834	830,703	680,949	1,590,486	70,254	877,767	661,610	1,609,631
Total carrying amount	78,834	825,234	680,949	1,585,017	70,254	764,691	661,610	1,496,555

### (d) Capital risk management

The primary objective of the Group's capital risk management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratios. This ratio is calculated as total borrowings over total equity. Total borrowings including non-current and current borrowings as shown in the consolidated statement of financial position. Total equity is calculated as 'equity' in the consolidated statement of financial position.

	Note	2013 RM'000	2012 RM'000
Borrowings	16	13,436,375	12,658,062
Total equity		21,379,069	22,007,222
Gearing ratio		0.63	0.58

The Group's capital management strategy was to obtain and maintain an investment grade credit rating.

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identified assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly [that is, as prices] or indirectly [that is, derived from prices] (Level 2).
- Inputs for the asset or liability that are not based on observable market data [that is unobservable inputs] (Level 3).

The Group measured the financial instruments based on published price quotations (Level 1) and market approach valuation technique (Level 2) with inputs of valuation technique such as interest rates and yield curves observable at commonly quoted intervals; implied volatilities; and credit spreads that are observable direct or indirectly as at reporting date.

There were no transfers between Level 1 and Level 2 during the financial year.

The following table represents the fair value level of the financial assets and liabilities that are measured at fair value as at reporting date.

	2013				2012			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Group Assets</b>								
Financial assets at FVPTL:								
- Trading securities	8	-	-	8	8	-	-	8
- Non-hedging derivatives	-	223,972	-	223,972	-	55,708	-	55,708
- Derivatives used for hedging	-	14,588	-	14,588	-	-	-	-
Financial assets at AFS:								
- Equity securities	-	-	141	141	-	-	892	892
<b>Total assets</b>	<b>8</b>	<b>238,560</b>	<b>141</b>	<b>238,709</b>	<b>8</b>	<b>55,708</b>	<b>892</b>	<b>56,608</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (e) Fair value estimation (continued)

The following table represents the fair value level of the financial assets and liabilities that are measured at fair value as at reporting date. (continued)

	2013				2012			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Liabilities</b>								
Financial liabilities at FVPTL:								
- Non-hedging derivatives	-	(14,127)	-	(14,127)	-	18,705	-	18,705
- Derivatives used for hedging	-	(95,257)	-	(95,257)	-	175,476	-	175,476
Total liabilities	-	(109,384)	-	(109,384)	-	194,181	-	194,181
<b>Company</b>								
Financial asset /(liability) at FVPTL:								
- Derivatives used for hedging	-	14,588	-	14,588	-	(45,249)	-	(45,249)

### (i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### (ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (e) Fair value estimation (continued)

##### (ii) Financial instruments in level 2 (continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of cross currency interest rate swaps and interest rate swaps is calculated as the present value of the estimated future cash flows based on observable market curves; and
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

##### (iii) Financial instruments in level 3

The movement of the financial instruments in level 3 has no material impact to the results of the consolidated financial statements.

#### (f) Offsetting financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

Group	Gross amounts RM'000	Gross amounts of recognised (financial liabilities)/ financial assets set off RM'000	Net amounts RM'000
<b>2013</b>			
Trade receivables	321,839	(110,611)	211,228
Trade payables	(277,601)	164,114	(113,487)
<b>2012</b>			
Trade receivables	262,492	(192,170)	70,322
Trade payables	(235,286)	111,219	(124,067)

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 40. LIST OF SUBSIDIARIES

The Group had the following subsidiaries as at 31 December 2013:

Name of company	Proportion of ordinary shares directly held by the parent (%)	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities	Country and place of incorporation
Axiata Investments (Labuan) Limited	100.0	100.0	-	Investment holding	Federal Territory, Labuan, Malaysia
Axiata Investments 1 (India) Limited <sup>1</sup>	100.0	100.0	-	Investment holding	Mauritius
Hello Axiata Company Limited <sup>1</sup>	100.0	100.0	-	Mobile telecommunication services	Cambodia
Axiata Management Services Sdn Bhd	100.0	100.0	-	Provision of services under Axiata's Service Assurance Centre to telecommunication service providers	Malaysia
Celcom Axiata Berhad	100.0	100.0	-	Telecommunication network capacity, infrastructure and services	Malaysia
Axiata Investments (Singapore) Limited	100.0	100.0	-	Investment holding	Federal Territory, Labuan, Malaysia
Axiata SPV1 (Labuan) Limited	100.0	100.0	-	Financing	Federal Territory, Labuan, Malaysia
Axiata Foundation <sup>4</sup>	-	-	-	Develop and nurture talent pool and foster, develop and improve education	Malaysia
Axiata SPV2 Berhad	100.0	100.0	-	Financing	Malaysia
edotco Group Sdn Bhd [formerly known as Axiata SPV3 Sdn Bhd]	100.0	100.0	-	Investment holding	Malaysia
Axiata Investments (Cambodia) Limited	100.0	100.0	-	Investment holding	Federal Territory, Labuan, Malaysia

#### 40. LIST OF SUBSIDIARIES (CONTINUED)

The Group had the following subsidiaries as at 31 December 2013: (continued)

Name of company	Proportion of ordinary shares directly held by the parent (%)	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities	Country and place of incorporation
<b>Subsidiaries held through Axiata Investments (Labuan) Limited</b>					
Dialog Axiata PLC <sup>1</sup>	-	84.97	15.03	Telecommunication services, infrastructure and e-commerce	Sri Lanka
Axiata Investments (Mauritius) Limited <sup>1</sup>	-	100.0	-	Dormant	Mauritius
Robi Axiata Limited <sup>2</sup>	-	91.59	8.41	Mobile telecommunication services	Bangladesh
Axiata Lanka (Private) Limited <sup>1</sup>	-	100.0	-	Property development and letting of property for commercial purposes	Sri Lanka
Multinet Pakistan (Private) Limited <sup>2</sup>	-	89.0	11.0	Cable television services, information technology and multimedia services	Pakistan
Axiata Investments (Indonesia) Sdn Bhd	-	100.0	-	Investment holding	Malaysia
<b>Subsidiaries held through Axiata Investments (Indonesia) Sdn Bhd</b>					
PT XL Axiata Tbk <sup>1</sup>	-	66.48	33.52	Mobile telecommunication services	Indonesia

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 40. LIST OF SUBSIDIARIES (CONTINUED)

The Group had the following subsidiaries as at 31 December 2013: (continued)

Name of company	Proportion of ordinary shares held directly by the parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities	Country and place of incorporation
<b>Subsidiaries held through PT XL Axiata Tbk</b>					
Excelcomindo Finance Company BV <sup>1</sup>	-	66.48	33.52	Financing	Netherlands
GSM One (L) Limited <sup>1</sup>	-	66.48	33.52	Financing	Federal Territory, Labuan Malaysia
GSM Two (L) Limited <sup>1</sup>	-	66.48	33.52	Financing	Federal Territory, Labuan Malaysia
<b>Subsidiaries held through Dialog Axiata PLC</b>					
Dialog Broadband Networks (Private) Limited <sup>1</sup>	-	84.97	15.03	Data and backbone, fixed wireless and transmission infrastructure	Sri Lanka
Dialog Television (Private) Limited <sup>1</sup>	-	84.97	15.03	Television broadcasting generated services and direct-to-home satellite pay television services	Sri Lanka
<b>Subsidiaries held through Dialog Television (Private) Limited</b>					
Communiq Broadband Network (Private) Limited <sup>1</sup>	-	84.97	15.03	Dormant	Sri Lanka
Dialog Television Trading (Private) Limited <sup>1</sup>	-	84.97	15.03	Trading electronic consumer products	Sri Lanka

#### 40. LIST OF SUBSIDIARIES (CONTINUED)

The Group had the following subsidiaries as at 31 December 2013: (continued)

Name of company	Proportion of ordinary shares directly held by the parent (%)	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities	Country and place of incorporation
<b>Subsidiaries held through Dialog Broadband Networks (Private) Limited</b>					
Telecard (Private) Limited <sup>1</sup>	-	84.97	15.03	Dormant	Sri Lanka
<b>Subsidiary held through Robi Axiata Limited</b>					
edotco Bangladesh Co Ltd [formerly known as Bangladesh Infrastructure Company Limited] <sup>2</sup>	-	91.59	8.41	Telecommunication infrastructure and services	Bangladesh
<b>Subsidiary held through Axiata Investments 1 (India) Limited</b>					
Axiata Investments 2 (India) Limited <sup>1</sup>	-	100.0	-	Investment holding	Mauritius
<b>Subsidiaries held through Axiata Investments (Cambodia) Limited</b>					
Glasswool Holdings Limited	-	90.0	10.0	Investment holding	Federal Territory, Labuan, Malaysia
<b>Subsidiaries held through Celcom Axiata Berhad</b>					
Celcom Mobile Sdn Bhd	-	100.0	-	Mobile communication, network, and application services and content	Malaysia
Celcom Networks Sdn Bhd	-	100.0	-	Network telecommunication, capacity and services	Malaysia
Celcom Properties Sdn Bhd	-	100.0	-	Property investment	Malaysia

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 40. LIST OF SUBSIDIARIES (CONTINUED)

The Group had the following subsidiaries as at 31 December 2013: (continued)

Name of company	Proportion of ordinary shares held by the parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities	Country and place of incorporation
<b>Subsidiaries held through Celcom Axiata Berhad (continued)</b>					
Escape Axiata Sdn Bhd	-	100.0	-	Over-The-Top and other on demand content services	Malaysia
Celcom Retail Holding Sdn Bhd <sup>3</sup>	-	100.0	-	Strategic and business development, management, administrative, support services and investment holding	Malaysia
Celcom Intelligence Sdn Bhd	-	100.0	-	Ceased operations	Malaysia
Celcom Timur (Sabah) Sdn Bhd	-	80.0	20.0	Fibre optic transmission network services	Malaysia
Celcom eCommerce Sdn Bhd	-	100.0	-	Electronic wallet services	Malaysia
Celcom Resources Berhad	-	100.0	-	Investment holding	Malaysia
<b>Subsidiary held through Celcom Retail Holding Sdn Bhd</b>					
Celcom Retail Sdn Bhd	-	100.0	-	Trading and distribution of communication devices and related products and managing retail stores	Malaysia

#### 40. LIST OF SUBSIDIARIES (CONTINUED)

The Group had the following subsidiaries as at 31 December 2013: (continued)

Name of company	Proportion of ordinary shares held by the parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities	Country and place of incorporation
<b>Subsidiaries held through Celcom Resources Berhad</b>					
Celcom Trading Sdn Bhd <sup>3</sup>	-	100.0	-	Dealing in marketable securities	Malaysia
edotco Malaysia Sdn Bhd [formerly known as a Celcom Services Sdn Bhd] <sup>3</sup>	-	100.0	-	Telecommunication infrastructure and services	Malaysia
<b>Subsidiary of Glasswool Holdings Limited</b>					
Smart Axiata Co. Ltd <sup>1</sup>	-	90.0	10.0	Mobile telecommunication services	Cambodia
<b>Subsidiary held through Smart Axiata Company Limited</b>					
edotco (Cambodia) Co., Ltd [formerly known as Axiata Towers (Cambodia) Company Limited] <sup>1</sup>	-	90.0	10.0	Telecommunication infrastructure and services	Cambodia

<sup>1</sup> Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

<sup>2</sup> Audited by a firm other than a member firm of PricewaterhouseCoopers International Limited.

<sup>3</sup> Inactive as at 31 December 2013.

<sup>4</sup> In accordance with IC 112-Consolidation: "Special Purpose Vehicles", AF is consolidated in the Group as the substance of the relationship between the Company and the special purpose entity indicates that the entity is controlled by the Company.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 41. LIST OF ASSOCIATES

The investments in associates are as follows:

Name of company	Group's effective shareholding		Principal activities	Country and place of incorporation
	2013% (%)	2012% (%)		
Samart I-Mobile Public Company Limited ("SIM")	<b>24.08</b>	24.40	Mobile phone distributor accessories, and bundled with content	Thailand
<b>Associate held through Axiata Investments (Labuan) Limited</b>				
Mobile Telecommunication Company of Esfahan ~	-	49.00	Mobile telecommunication services	Iran
<b>Associate held through Celcom Axiata Berhad</b>				
Sacofa Sdn Bhd	<b>15.12</b>	15.12	Telecommunications infrastructure and services	Malaysia
<b>Associate held through Axiata Investments (Singapore) Limited</b>				
M1 Limited	<b>28.74</b>	29.06	Mobile telecommunication services, sales of telecommunication equipment and accessories	Singapore
<b>Associate held through Axiata Investments 1 (India) Limited and Axiata Investments 2 (India) Limited</b>				
Idea Cellular Limited	<b>19.90</b>	19.93	Mobile telecommunication services	India
<b>Associates held through Dialog Axiata PLC</b>				
Firstsource Dialog Solutions (Private) Limited	<b>22.09</b>	22.09	Information technology enabled services	Sri Lanka
Digital Commerce Lanka (Pvt) Ltd	<b>24.06</b>	22.09	e-commerce	Sri Lanka

~ The disposal was completed during the financial year as disclosed in Note 34(b) to the financial statements

All associates have co-terminous financial year end with the Group and the Company except for MTCE with financial year ended on 20 March and Idea with financial year ended on 31 March.

## 42. LIST OF JOINT VENTURES

The investments in joint ventures are as follows:

Name of company	Group's effective shareholding		Principal activities	Country and place of incorporation
	2013 (%)	2012 (%)		
<b>Joint ventures held through Celcom Axiata Berhad</b>				
PLDT Malaysia Sdn Bhd	<b>49.00</b>	49.00	Mobile virtual network operator	Malaysia
Digital Milestone Sdn Bhd <sup>1</sup>	<b>51.00</b>	51.00	Special purpose investment company	Malaysia
Tune Talk Sdn Bhd ("Tune Talk") <sup>2</sup>	<b>35.00</b>	35.00	Mobile communication services	Malaysia
<b>Joint venture held through PT XL Axiata Tbk</b>				
PT XL Planet Digital	<b>33.24</b>	-	e-commerce	Indonesia

<sup>1</sup> Winding up in progress as disclosed in Note 5(b)(v) to the financial statements.

<sup>2</sup> Assessment of the impact of MFRS 10 and MFRS 11 on Tune Talk requires Tune Talk to be classified as joint venture. The reclassification has no significant impact to the Group.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 43. RELATED PARTY TRANSACTIONS

All related party transactions were entered into in the normal course of business and at prices available at negotiated terms. The names of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of MFRS 124: "Related Party Disclosure".

The Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are related parties of the Group. The Government of Malaysia has significant influence over the Group. The Group enters into transactions with many of these bodies, which includes but is not limited to:

- receiving telecommunications services, including interconnection revenue/charges
- purchasing of goods, including use of public utilities and amenities, and
- placing of bank deposits

The Group has established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

The Group provides telecommunications services as part of its ordinary operations. The Group has collectively, but not individually significant transactions with Government-related entities. These telecommunication services are carried out on commercial terms that are consistently applied to all customers.

The nature of transactions and relationship with related parties are as follows:

<b>Related parties</b>	<b>Nature of the relationship with related parties</b>	<b>Nature of transactions</b>
Idea	Associate	International roaming revenue and charges
M1	Associate	International roaming revenue and charges
Sacofa	Associate	Sales of prepaid cards, leaseline, charges, maintenance fees and others
Tune Talk	Associate	Sale of postpaid MVNO minutes
Firstsource Dialog Solution (Private) Limited	Associate	Call center charges
Planet Digital	Joint venture	Leaseline revenue

### 43. RELATED PARTY TRANSACTIONS (CONTINUED)

The nature of transactions and relationship with related parties are as follows: (continued)

Related parties	Nature of the relationship with related parties	Nature of transactions
Celcom	Subsidiary	Dividends, technical and management services
Dialog	Subsidiary	Technical and management services
XL	Subsidiary	Technical and management services
Robi	Subsidiary	Technical and management services
Smart	Subsidiary	Technical and management services
SIM	Associate	Dividends, technical and management services
AIL	Subsidiary	Advances treated as quasi-investment
AI1	Subsidiary	Advances treated as quasi-investment
AI2	Subsidiary	Advances treated as quasi-investment
AIS	Subsidiary	Advances

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Key management personnel of the Group and the Company include the Senior Leadership Team who report directly to the Group Chief Executive Officer.

Whenever exist, related party transactions also includes transaction with entities that are controlled, joint ventures or significantly influenced directly by any key management personnel or their close family members.

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(a) Sale of goods and services associates:				
- International roaming revenue	17,739	23,713	-	-
- Telecommunication services	138,139	126,200	-	-
	<b>155,878</b>	149,913	-	-

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## 43. RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(b) Purchase of goods and services associates:				
- Interconnection charges	15,141	15,187	-	-
- Leaseline charges, maintenance and others	51,900	65,673	-	-
	<b>67,041</b>	80,860	-	-
(c) Intercompany service agreement:				
- Technical and management services	-	-	49,577	30,728
(d) Dividends received from subsidiaries/associates	-	-	2,309,871	3,094,875
(e) Advances (from)/to subsidiaries (net of repayment)	-	-	(148,616)	477,662

The outstanding balances as at reporting date are disclosed in Notes 26 and Note 31 to the financial statements.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(f) Key management compensation short term employee benefits:				
- Salaries, allowances and bonus	19,444	17,930	19,444	17,930
- Ex-gratia payments	-	150	-	150
- Contribution to EPF	2,400	2,375	2,400	2,375
- Estimated money value of benefits	246	232	246	232
- Other staff benefits	654	826	654	826
Share-based compensation				
- ESOS and RSA expenses	5,236	5,795	5,236	5,795

Included in key management compensation is the Executive Directors' remuneration of the Company as disclosed in Note 7(c) to the financial statements.

#### 44. DIVIDENDS

Tax exempt dividend under single tier system						
2013			2012			
Type	Per ordinary share of RM1 each Sen	Aggregate total RM'000	Type	Per ordinary share of RM1 each Sen	Aggregate total RM'000	
In respect of financial year ended 31 December:						
- 2011	-	-	Final	15	1,273,698	
- 2012	<b>Final</b>	<b>15</b>	Interim	8	680,577	
- 2012	<b>Special</b>	<b>12</b>	-	-	-	
- 2013	<b>Interim</b>	<b>8</b>	-	-	-	
		<b>35</b>		<b>23</b>	<b>1,954,275</b>	

The Board of Directors have recommended a final tax exempt dividend under the single tier system of 14 sen per ordinary share of RM1 each of the Company in respect of financial year ended 31 December 2013 amounting to a total RM1,195.7 million, based on the issued and paid-up capital of the Company as at 31 December 2013. The proposed dividend is subject to approval by the shareholders at the forthcoming AGM.

#### 45. EVENT AFTER REPORTING PERIOD

##### (a) Proposed acquisition of PT Axis Telekom Indonesia (“Axis”)

XL had, on 26 September 2013 entered into a conditional sale and purchase agreement (“SPA”) with Saudi Telecom Company (“STC”) and Teleglobal Investments B.V. (“Teleglobal”), a 100.0% owned subsidiary of STC, to purchase (or procure the purchase of) the entire issued and paid up share capital of Axis for a cash consideration of USD100 or RM323. As part of the consideration, XL will procure the repayment of approximately USD865.0 million (equivalent to approximately RM2,792.7 million) of Axis’ indebtedness.

The proposed acquisition is conditional upon the conditions set out in the SPA being fulfilled or waived. These include regulatory approvals which are beyond the control of Teleglobal, STC and XL. The proposed acquisition has yet to be completed at the date of this report.

XL had, on 29 November 2013 received the written approval from the Ministry of Communications and Informatics of Indonesia for the proposed acquisition, which would result in the merger of XL and Axis.

XL had, on 5 February 2014 received the approval from its shareholders for the proposed acquisition and the merger plan of XL and Axis.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

## SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA SECURITIES LISTING REQUIREMENTS

The following analysis of realised and unrealised retained profits/(accumulated losses) is 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 Securities" Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure is based on the prescribed format by the Bursa Securities.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained profit/(accumulated losses):				
- realised	<b>10,138,985</b>	10,975,875	<b>4,517,274</b>	5,561,980
- unrealised	<b>(1,256,195)</b>	(1,211,185)	<b>438,538</b>	177,292
	<b>8,882,790</b>	9,764,690	<b>4,955,812</b>	5,384,688
Total retained profit/(accumulated losses) from joint ventures:				
- realised	<b>3,752</b>	(1,577)	-	-
Total retained profit/(accumulated losses) from associates:				
- realised	<b>1,136,282</b>	799,449	-	-
- unrealised	<b>(180,891)</b>	(93,492)	-	-
	<b>955,391</b>	705,957	-	-
	<b>9,841,933</b>	10,469,070	<b>4,955,812</b>	5,384,688
Less: consolidation adjustments	<b>(519,173)</b>	(769,268)	-	-
Total consolidated retained profits	<b>9,322,760</b>	9,699,802	<b>4,955,812</b>	5,384,688

The disclosure above is solely for compliance with the directive issued by the Bursa Securities and should not be used for any other purpose.

# Statement by Directors

pursuant to Section 169(15) of the Companies Act 1965

We, Tan Sri Dato' Azman Hj. Mokhtar and Dato' Sri Jamaludin Ibrahim, two of the Directors of Axiata Group Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 208 to 345 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and 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 of 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

The information set out on page 346 have 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, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 February 2014.

**TAN SRI DATO' AZMAN HJ. MOKHTAR**  
DIRECTOR

**DATO' SRI JAMALUDIN IBRAHIM**  
DIRECTOR

# Statutory Declaration

pursuant to Section 169(16) of the Companies Act 1965

I, James Carl Grinwis Maclaurin, being the person primarily responsible for the financial management of Axiata Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 208 to 345 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.

**JAMES CARL GRINWIS MACLAURIN**

Subscribed and solemnly declared by the above named James Carl Grinwis Maclaurin at Kuala Lumpur in Malaysia on 19 February 2014, before me.



COMMISSIONER FOR OATHS

# Independent Auditors' Report

to the members of Axiata Group Berhad  
(Incorporated in Malaysia)  
(Company No. 242188 H)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Axiata Group Berhad on pages 208 to 345, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 45.

### 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 40 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any material qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 346 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**PRICEWATERHOUSECOOPERS**

(No. AF: 1146)

Chartered Accountants



**NURUL A'IN BINTI ABDUL LATIF**

(No. 2910/02/15 (J))

Chartered Accountant

Kuala Lumpur  
19 February 2014

# Shareholding Statistics

as at 31 March 2014

## ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital:

- RM12,000,000,000 divided into 12,000,000,000 ordinary shares of RM1.00 each

Issued & Paid-Up Share Capital:

- RM8,547,597,502 divided into 8,547,597,502 ordinary shares of RM1.00 each
- Voting Right: 1 vote per shareholder on a show of hands  
1 vote per ordinary share on a poll

Total No. of Shareholders:

- 20,073

## DISTRIBUTION OF SHAREHOLDINGS

(without aggregating the securities from different securities accounts belonging to the same Depositor)

Size of Shareholdings	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
	No.	%	No.	%	No.	%	No.	%
Less than 100	1,418	7.06	11	0.05	15,807	0.00 <sup>1</sup>	152	0.00 <sup>1</sup>
100 – 1,000	5,266	26.23	82	0.41	4,235,791	0.05	58,116	0.00 <sup>1</sup>
1,001 – 10,000	10,120	50.42	246	1.23	37,166,206	0.43	1,092,082	0.01
10,001 – 100,000	1,680	8.37	277	1.38	42,970,390	0.50	11,496,041	0.13
100,001 – 427,379,874 (less than 5% of issued and paid up share capital)	418	2.08	552	2.75	1,566,707,353	18.33	1,824,857,903	21.35
427,379,875 and above	3	0.01	0	0.00 <sup>1</sup>	5,058,997,661	59.19	0	0.00 <sup>1</sup>
<b>Total</b>	<b>18,905</b>	<b>94.18</b>	<b>1,168</b>	<b>5.82</b>	<b>6,710,093,208</b>	<b>78.50</b>	<b>1,837,504,294</b>	<b>21.50</b>

Note:

<sup>1</sup> Less than 0.01%

## CATEGORY OF SHAREHOLDINGS

Category of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Individuals	16,383	81.62	71,423,234	0.84
Bank/Finance Companies	113	0.56	1,587,579,188	18.57
Investment Trusts/Foundations/ Charities	16	0.08	5,374,150	0.06
Industrial and Commercial Companies	244	1.22	23,729,538	0.28
Government Agencies/Institutions	22	0.11	3,417,559,382	39.98
Nominees	3,294	16.41	3,441,925,210	40.27
Others	1	0.00 <sup>1</sup>	6,800	0.00 <sup>1</sup>
<b>Total</b>	<b>20,073</b>	<b>100.00</b>	<b>8,547,597,502</b>	<b>100.00</b>

Note:

<sup>1</sup> Less than 0.01%

## SUBSTANTIAL SHAREHOLDERS (HOLDING 5% & ABOVE)

(as per Register of Substantial Shareholders)

No.	Name	Direct Interests		Indirect/Deemed Interests		Total Interests	
		No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1.	Khazanah Nasional Berhad	3,238,919,155	37.89	84,415,540±	0.99	3,323,334,695	38.88
2.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	1,039,182,506	12.16	-	-	1,039,182,506	12.16
3.	AmanahRaya Trustees Berhad - Skim Amanah Saham Bumiputera	868,500,000	10.16	-	-	868,500,000	10.16

± Includes 512,600 being the outstanding number of Axiata Shares to be returned to Khazanah under the Selling Flexibility Arrangement to facilitate the sale of Axiata Shares by Axiata's employees who have exercised their Axiata ESOS options. Khazanah is deemed to have an interest in these Axiata Shares pursuant to Section 6A of the Companies Act, 1965

## DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

Directors' direct and/or indirect interest in the Company based on the Register of Directors' Shareholdings are as follows:-

Interest in the Company	Number of ordinary shares of RM1.00 each					
	Direct		Indirect		Total	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Dato' Sri Jamaludin Ibrahim	-	-	450,000#	0.00*	450,000#	0.00*

Interest in the Company	Number of options/restricted share grant of ordinary shares of RM1.00 each					
	Direct		Indirect		Total	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Dato' Sri Jamaludin Ibrahim	4,301,700@	0.05	-	-	4,301,700@	0.05
	2,477,600&	0.03	-	-	2,477,600&	0.03

### Notes:

# Held through a nominee namely, CIMSEC Nominees (Tempatan) Sdn Bhd

\* Less than 0.01%

@ Options pursuant to Axiata ESOS for Eligible Employees and Executive Directors of Axiata Group

& Restricted Share Grant under Axiata Share Scheme

Save as disclosed above, none of the Directors of the Company has any interest direct or indirect in the Company and its related corporations.

# Shareholding Statistics

as at 31 March 2014

## LIST OF TOP THIRTY LARGEST SHAREHOLDERS

(without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name	No. of Shares Held	% of Issued Shares
1.	Khazanah Nasional Berhad	3,238,919,155	37.89
2.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	951,578,506	11.13
3.	AmanahRaya Trustees Berhad <i>Skim Amanah Saham Bumiputera</i>	868,500,000	10.16
4.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>State Street London Fund FSIB for First State Asia Pacific Leaders Fund</i>	157,524,100	1.84
5.	Kumpulan Wang Persaraan (Diperbadankan)	115,963,300	1.36
6.	HSBC Nominees (Asing) Sdn Bhd <i>TNTC for Saudi Arabian Monetary Agency</i>	106,249,800	1.25
7.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)</i>	100,585,053	1.18
8.	Lembaga Tabung Haji	100,181,600	1.17
9.	AmanahRaya Trustees Berhad <i>Amanah Saham Malaysia</i>	90,500,000	1.06
10.	HSBC Nominees (Asing) Sdn Bhd <i>BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund</i>	87,389,294	1.02
11.	AmanahRaya Trustees Berhad <i>As 1Malaysia</i>	84,015,300	0.98
12.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>Exempt An for Khazanah Nasional Berhad (Axiata ESOS)</i>	83,416,890	0.98
13.	AmanahRaya Trustees Berhad <i>Amanah Saham Wawasan 2020</i>	72,769,313	0.85
14.	Cartaban Nominees (Tempatan) Sdn Bhd <i>Exempt An for Eastspring Investments Berhad</i>	69,198,775	0.81
15.	Cartaban Nominees (Asing) Sdn Bhd <i>Exempt An for State Street Bank &amp; Trust Company (WEST CLT OD67)</i>	68,494,762	0.80
16.	Cartaban Nominees (Asing) Sdn Bhd <i>GIC Private Limited for Government of Singapore (C)</i>	64,462,700	0.75
17.	AmanahRaya Trustees Berhad <i>Amanah Saham Didik</i>	64,444,900	0.75
18.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt An for The Bank of New York Mellon (BNYM as E&amp;A)</i>	57,079,696	0.67
19.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt An for The Bank of New York Mellon (MELLON ACCT)</i>	56,456,693	0.66

No. Name	No. of Shares Held	% of Issued Shares
20. Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)</i>	55,000,000	0.64
21. Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (Par 1)</i>	51,968,225	0.61
22. AmanahRaya Trustees Berhad <i>Public Islamic Dividend Fund</i>	51,096,500	0.60
23. HSBC Nominees (Asing) Sdn Bhd <i>Exempt An for JPMorgan Chase Bank, National Association (Saudi Arabia)</i>	46,447,850	0.54
24. Permodalan Nasional Berhad	45,906,825	0.54
25. Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt An for AIA Bhd</i>	39,588,900	0.46
26. HSBC Nominees (Asing) Sdn Bhd <i>Exempt An for JPMorgan Chase Bank, National Association (Norges BK Lend)</i>	37,083,725	0.43
27. HSBC Nominees (Asing) Sdn Bhd <i>Exempt An for JPMorgan Chase Bank, National Association (U.K.)</i>	34,400,386	0.40
28. AmanahRaya Trustees Berhad <i>Public Islamic Select Enterprises Fund</i>	32,931,500	0.39
29. HSBC Nominees (Asing) Sdn Bhd <i>BBH and Co Boston for Blackrock Global Allocation Fund, Inc.</i>	31,502,753	0.37
30. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (Nomura)</i>	31,471,300	0.37
<b>TOTAL</b>	<b>6,895,127,801</b>	<b>80.65</b>

# List of Top Ten Properties

for the financial year ended 31 December 2013

No	Address/Location	Freehold/Leasehold - land and/or buildings	Current usage of land & buildings	Approximate age of buildings (years)	Date of acquisition/ capitalisation	Remaining lease period (years)	Land area (sq. meter)	Built-up area (sq. meter)	Net book value as at 31 Dec 2013 (RM)
1	Seksyen 13, Jalan Kemajuan, Petaling Jaya, Selangor, Malaysia	Leasehold land and building	Network Office	20 years	23.03.1998	52 years	4,383.1	10,339.0	29,609,082
2	Jl. Sumba B12-1 Mekarwangi, Cikarang Barat, Bekasi-Jawa Barat Kawasan MM2100, Indonesia	Leasehold land and freehold building	Telecommunications and operations office	3 years	24.11.2008 (land) 01.02.2011 (building)	17 years	19,549.5	10,683.0	20,095,594
3	Jl. Raya Kali Rungkut No. 15A, Surabaya, Indonesia	Leasehold land and freehold building	Telecommunications and operations office	4 years	17.04.2008 and 22.12.2008 (land) 08.10.2009 (building)	15 years	8,853.0	9,443.0	19,037,376
4	Jl. Arengka II, Kecamatan Tampan, Kelurahan Simpang Baru Kabupaten Pekanbaru, Indonesia	Leasehold land and freehold building	Telecommunications and operations office	1 years	17.12.2012 (land) 11.12.2013 (building)	19 years	4,883.0	5,152.0	15,505,207
5	Jl. Rasuna Said Kav. A5 No. 6, Bintaro, Jakarta, Indonesia	Leasehold land and freehold building	Telecommunications and operations office	6 years	29.06.2006 (land) 30.09.2007 (building)	13 years	3,350.0	1,219.0	8,301,871
6	Jl. Soekarno Hatta, Bandung, Indonesia	Leasehold land and freehold building	Telecommunications and operations office	5 years	23.10.2007 (land) 16.12.2008 (building)	14 years	4,770.0	6,731.0	7,960,398
7	Bandar Sri Manjalara, Mukim Batu, Kuala Lumpur, Wilayah Persekutuan, Malaysia	Leasehold land and building	Telecommunications and operations office	10 years	23.05.1997	64 years	4,451.4	3,041.0	7,227,742
8	No. 390-D, Uluwahuwewatta, Weliwita, Kaduwela, Sri Lanka	Freehold land	Transmission stations	n/a	31.12.2013	n/a	15,276.9	n/a	3,850,054
9	Jl. Jend. Sudirman No. 409 RT 026 RW 007, Balikpapan, Indonesia	Leasehold land	Transmission stations	n/a	28.02.2013	19 years	1,040.0	n/a	3,817,472
10	Corporate Building - Union Place Colombo 02, Sri Lanka	Freehold building	Office building	11 years	31.12.2002	n/a	n/a	2,440.0	3,766,849

# Net Book Value of Land and Buildings

for the financial year ended 31 December 2013

Location	Freehold		Leasehold		Net book value of land	Net book value of buildings
	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	RM'000	RM'000
<b>1 Malaysia</b>						
(a) Federal Territory (Kuala Lumpur)	-	-	3	91.0	7,110.8	3,471.0
(b) Selangor	1	53.9	2	48.7	8,079.2	24,518.8
(c) Perak	1	43.5	4	63.0	1,087.8	-
(d) Pulau Pinang	7	15.3	3	64.1	1,710.1	1,656.1
(e) Kedah	-	-	1	15.9	160.1	399.2
(f) Johor	6	41.6	1	78.8	1,397.6	1,637.1
(g) Negeri Sembilan	2	50.0	-	-	990.0	234.7
(h) Terengganu	-	-	7	871.8	427.1	11.3
(i) Kelantan	-	-	3	107.2	199.9	348.9
(j) Pahang	1	37.1	17	429.6	3,758.8	1,448.2
(k) Sabah	-	-	5	224.4	1,384.4	724.1
(l) Sarawak	2	320.1	3	58.5	687.9	855.1
<b>2 Indonesia</b>	-	-	11,483	34,219.0	391,284.5	61,759.5
<b>3 Sri Lanka</b>	34	9,214.9	-	-	15,229.9	25,186.4
<b>4 Bangladesh</b>	257	1,371.0	990	1,451.2	5,619.9	16,911.5
<b>5 Cambodia</b>	-	-	-	-	-	2,708.2
<b>6 Pakistan</b>	43	1,219.3	-	-	4,097.3	-
<b>Total</b>	<b>354</b>	<b>12,366.7</b>	<b>12,522</b>	<b>37,723.2</b>	<b>443,225.3</b>	<b>141,870.1</b>

Note: The details of the top ten properties included in the above summary are disclosed in the next page.

# Group Directory

## **Axiata Group Berhad**

Axiata Centre  
9 Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Malaysia  
Tel : +60 3 2263 8888  
Fax : +60 3 2263 8822  
Website: www.axiata.com

## **Celcom Axiata Berhad**

Menara Celcom  
No. 82, Jalan Raja Muda Abdul Aziz  
50300 Kuala Lumpur  
Malaysia  
Tel : +60 3 2688 3939  
Fax : +60 3 2681 0361  
Website: www.celcom.com.my

## **PT XL Axiata Tbk**

grhaXL  
Jl. DR. Ide Anak Agung Gde Agung  
Lot. E4-7 No. 1  
Kawasan Mega Kuningan  
Jakarta 12950  
Indonesia  
Tel : +62 21 576 1881  
Fax : +62 21 576 1880  
Website: www.xl.co.id

## **Dialog Axiata PLC**

No. 475, Union Place  
Colombo 2  
Sri Lanka  
Tel : +94 777 678 700  
Website: www.dialog.lk

## **Robi Axiata Limited**

Robi Corporate Office  
53 Gulshan South Avenue  
Gulshan-1  
Dhaka-1212  
Bangladesh  
Tel : +88 02 9887146-52  
Fax : +88 02 9885463  
Website: www.robi.com.bd

## **Smart Axiata Co., Ltd.**

464A Monivong Blvd.  
Sangkat Tonle Bassac  
Khan Chamkarmorn  
Phnom Penh  
Kingdom of Cambodia  
Tel : +855 10 201 000  
Fax : +855 23 868 882  
Website: www.smart.com.kh

## **Idea Cellular Limited**

5th Floor "Windsor"  
Kalina, Santa Cruz (East)  
Mumbai 400098  
India  
Tel : +91 95 9400 4000  
Fax : +91 95 9400 3181  
Website: www.ideacellular.com

## **M1 Limited**

10 International Business Park  
Singapore 609928  
Tel : +65 6655 1111  
Fax : +65 6655 1977  
Website: www.m1.com.sg

## **Samart I-Mobile Public Company Limited**

99/3 Moo 4, Software Park, 33 Floor  
Chaengwattana Rd  
Klong Gluar, Pak-kred  
Nonthaburi 11120  
Thailand  
Tel : +66 2502 6000  
Fax : +66 2502 6870  
Website: www.i-mobilephone.com

## **Multinet Pakistan (Private) Limited**

1D-203, Sector 30  
Korangi Industrial Area  
Karachi  
Pakistan  
Tel : +92 21 111 021 021  
Fax : +92 21 351 13647  
Website: www.multinet.com.pk

# Glossary

**2G**

Second generation wireless telephone technology

**3G**

Third generation mobile phone technologies covered by the ITU IMT-2000 family

**4G**

Fourth generation mobile phone technology

**Advanced Data**

Data, VAS & Broadband

**AGIA**

Axiata Group Internal Audit

**AGM**

Annual General Meeting

**AIC**

Axiata Investments (Cambodia) Limited

**AI1**

Axiata Investments 1 (India) Limited

**AI2**

Axiata Investments 2 (India) Limited

**AIL**

Axiata Investments (Labuan) Limited

**AIS**

Axiata Investments (Singapore) Limited

**AMS**

Axiata Management Services Sdn Bhd

**ARPU**

Average Monthly Revenue Per User

**ATC**

Axiata Towers (Cambodia) Company Limited

**Axiata**

Axiata Group Berhad

**Axiata Indonesia**

Axiata Investments (Indonesia) Sdn Bhd

**Axiata Share Scheme**

Performance-Based ESOS and RSP

**Axiata SPV1**

Axiata SPV1 (Labuan) Limited

**Axiata SPV2**

Axiata SPV2 Berhad

**AYTP**

Axiata Young Talent Programme

**BAC**

Board Audit Committee

**BEE**

Board Effectiveness Evaluation

**BICL**

Bangladesh Infrastructure Company Limited

**BNC**

Board Nomination Committee

**BRC**

Board Remuneration Committee

**BTS**

Base Transceiver Station

**Bursa Securities**

Bursa Malaysia Securities Berhad

**CAMEL**

Customised Applications for Mobile network Enhanced Logic

**CAPEX**

Capital Expenditure

**CBN**

Comuniq Broadband Network (Private) Limited

**CDMA**

Code Division Multiple Access

**Celcom**

Celcom Axiata Berhad

**Celcom Childcare**

Celcom Childcare Sdn Bhd

**Celcom Group**

Celcom and its subsidiaries

**Celcom Networks**

Celcom Networks Sdn Bhd

**Celcom Resources**

Celcom Resources Berhad

**CLM**

Customer Lifecycle Management

**CR**

Corporate Responsibility

**DBN**

Dialog Broadband Networks (Private) Limited

**DCR**

Directors' Circular Resolutions

**Dialog**

Dialog Axiata PLC

**Digital**

Digital Commerce Lanka (Private) Limited

**DiGi**

DiGi.Com Berhad

**DiGi Tel**

DiGi Telecommunications Sdn Bhd

**DMSB**

Digital Milestone Sdn Bhd

**DTT**

Dialog Television Trading (Private) Limited

**DTV**

Dialog Television (Private) Limited

**edotco Bangladesh Co Ltd**

(formerly known as BICL)

**edotco Group Sdn Bhd**

(formerly known as Axiata SPV3 Sdn Bhd)

**edotco Cambodia**

Edotco (Cambodia) Co., Ltd

**EBITDA**

Earnings Before Interest, Taxes, Depreciation and Amortisation

# Glossary

**EDGE**

Enhanced Data rates for GSM Evolution

**ED**

Executive Director

**Escape**

Escape Axiata Sdn Bhd

**ESOS**

Employee Share Option Scheme

**Etisalat Indonesia**

Emirates Telecommunications Corporation (Etisalat) International Indonesia Limited

**FCF**

Free Cash Flow

**FSL**

Firstsource Solutions Limited

**FY12**

Financial year ended 31 December 2012

**FY13**

Financial year ended 31 December 2013

**GAAP**

Generally Accepted Accounting Principles

**GCEO**

Group Chief Executive Officer

**GCFO**

Group Chief Financial Officer

**GCIA**

Group Chief Internal Auditor

**GLC**

Government Linked Companies

**GLCT**

Government Linked Company Transformation

**GPRS**

General Packet Radio Service

**GSM**

Global System for Mobile Communications

**GSMA**

The GSM Association

**GADP**

Group Accelerated Development Program

**Glasswool**

Glasswool Holdings Limited

**Hello**

Hello Axiata Company Limited

**HACL**

Hello Axiata Company Limited

**HSDPA**

High Speed Downlink Packet Access

**HSPA**

High Speed Packet Access

**IA**

Internal Audit

**ICT**

Information and Communications Technology

**Idea**

Idea Cellular Limited

**INED**

Independent Non-Executive Director

**IP**

Internet Protocol

**IPVPN**

Internet Protocol Virtual Private Network

**Khazanah**

Khazanah Nasional Berhad

**KLCI**

Kuala Lumpur Composite Index

**KPI**

Key Performance Indicator

**Latelz**

Latelz Co., Ltd.

**LOA**

Limits of Authority

**LTE**

Long Term Evolution

**M1**

M1 Limited

**M&A**

Mergers & Acquisitions

**Main LR**

Main Market Listing Requirements of Bursa Securities

**MCCG 2012**

Malaysian Code on Corporate Governance 2012

**MCMC**

Malaysian Communications and Multimedia Commission

**MDS**

Mobile Data Services

**MFRS**

Malaysian Financial Reporting Standards

**MNP**

Mobile Number Portability

**MoU**

Memorandum of Understanding

**MoU**

Minutes of Use

**MSWG**

Minority Shareholder Watchdog Group

**MTCE**

Mobile Telecommunication Company of Esfahan

**Multinet**

Multinet Pakistan (Private) Limited

**MVNO**

Mobile Virtual Network Operator

<b>NED</b> Non-Executive Director	<b>ROIC</b> Return on Invested Capital	<b>XL</b> PT XL Axiata Tbk.
<b>NGIN</b> New Generation Intelligent Network	<b>SIM</b> Samart I-Mobile Public Company Limited	<b>YoY</b> Year on Year
<b>PBT</b> Profit before Tax	<b>SLT</b> Senior Leadership Team	<b>UIEP</b> Uncompromising Integrity and Exceptional Performance
<b>PLDT MY</b> PLDT Malaysia Sdn Bhd	<b>SMART</b> Smart Axiata Co., Ltd (formerly known as Latelz Co., Ltd)	<b>CURRENCIES</b>
<b>PGC</b> PLDT Global Corporation	<b>SMS</b> Short Message Service	<b>BDT</b> Bangladeshi Taka, the lawful currency of Bangladesh
<b>RTC</b> Regional TowerCo	<b>SPA</b> Sales and Purchase Agreement	<b>CNY</b> Chinese Yuan Renmimbi, the lawful currency of China
<b>RSA</b> Restricted Share Awards	<b>SSC</b> Share Scheme Committee	<b>IDR</b> Indonesian Rupiah, the lawful currency of Indonesia
<b>RSP</b> Restricted Share Plan	<b>STC</b> Saudi Telecom Company	<b>INR</b> Indian Rupee, the lawful currency of India
<b>RMC</b> Risk Management Committee	<b>Suntel</b> Suntel Limited	<b>PKR</b> Pakistani Rupee, the lawful currency of Pakistan
<b>ERM</b> Enterprise Wide Risk Management	<b>Sky TV</b> Sky Television and Radio Network (Private) Limited	<b>RM</b> Ringgit Malaysia, the lawful currency of Malaysia
<b>NINED</b> Non-Independent Non-Executive Director	<b>TM</b> Telekom Malaysia Berhad	<b>SGD</b> Singapore Dollars, the lawful currency of Singapore
<b>OpCo</b> Operating Company	<b>ToR</b> Terms of Reference	<b>SLR/LKR</b> Sri Lankan Rupee, the lawful currency of Sri Lanka
<b>PAT</b> Profit after Tax	<b>TMI</b> TM International Berhad (now known as Axiata)	<b>SDR</b> Special Drawing Rights, common currency in international roaming agreements
<b>PATAMI</b> Profit after Tax and Minority Interest	<b>TSR</b> Total Shareholder Return	<b>THB</b> Thai Baht, the lawful currency of Thailand
<b>President &amp; GCEO</b> Managing Director/President & Group Chief Executive Officer	<b>USP</b> Universal Service Provision	<b>USD</b> United States Dollars, the lawful currency of the US
<b>QoQ</b> Quarter on Quarter	<b>VAS</b> Value Added Services	
<b>Robi</b> Robi Axiata Limited	<b>WCDMA</b> Wideband CDMA	
<b>ROE</b> Return on Equity	<b>WiFi</b> Wireless Fidelity	

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT THE TWENTY-SECOND ANNUAL GENERAL MEETING OF AXIATA GROUP BERHAD (“AXIATA” OR “THE COMPANY”) WILL BE HELD AT THE GRAND BALLROOM, 1ST FLOOR, SIME DARBY CONVENTION CENTRE, 1A JALAN BUKIT KIARA 1, 60000 KUALA LUMPUR, MALAYSIA ON WEDNESDAY, 28 MAY 2014 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:-**

## **AS ORDINARY BUSINESS:-**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Report of the Directors and the Auditors thereon. **(Ordinary Resolution 1)**
2. To declare a final tax exempt dividend under single tier system of 14 sen per ordinary share for the financial year ended 31 December 2013. **(Ordinary Resolution 2)**
3. To re-elect Datuk Azzat Kamaludin who retires by rotation pursuant to Article 93 of the Company’s Articles of Association and being eligible, offers himself for re-election. **(Ordinary Resolution 3)**
4. To re-elect Juan Villalonga Navarro who retires by rotation pursuant to Article 93 of the Company’s Articles of Association and being eligible, offers himself for re-election. **(Ordinary Resolution 4)**
5. To re-elect Kenneth Shen who retires by rotation pursuant to Article 93 of the Company’s Articles of Association and being eligible, offers himself for re-election. **(Ordinary Resolution 5)**
6. To approve the payment of Directors’ fees of RM30,000.00 per month for the Non-Executive Chairman (NEC) and RM20,000.00 per month for each Non-Executive Director (NED) with effect from the 22nd Annual General Meeting (22nd AGM) until the next Annual General Meeting of the Company. **(Ordinary Resolution 6)**
7. To determine and approve the payment of the following Directors’ fees with effect from the 22nd AGM until the next Annual General Meeting of the Company:-
  - i) Directors’ fees of RM4,000.00 per month to the NEC and RM2,000.00 per month to each of the NEDs who are members of the Board Audit Committee;
  - ii) Directors’ fees of RM1,200.00 per month to the NEC and RM800.00 per month to each of the NEDs who are members of the Board Nomination Committee; and
  - iii) Directors’ fees of RM1,200.00 per month to the NEC and RM800.00 per month to each of the NEDs who are members of the Board Remuneration Committee;

(each of the foregoing payments being exclusive of the others).

**(Ordinary Resolution 7)**
8. To re-appoint Messrs PricewaterhouseCoopers having consented to act as the Auditors of the Company for the financial year ending 31 December 2014 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 8)**

## **AS SPECIAL BUSINESS:-**

To consider and, if thought fit, to pass the following Ordinary Resolutions:-

### **9. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**“THAT**, in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) (Main LR), approval be and is hereby given for Axiata and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, as set out in 'Appendix I' of the Circular to Shareholders dated 6 May 2014 (Circular) despatched together with the Company's 2013 Annual Report, which are necessary for the day-to-day operations in the ordinary course of the business of the Company and/or its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;

**THAT** such approval will continue to be in force and effect until:-

- i) the conclusion of the next Annual General Meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at such general meeting;
- ii) the expiration of the period within which the Company's next Annual General Meeting is required to be held under Section 143(1) of the Companies Act, 1965 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

**AND THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts, deeds and things (including without limitation, to execute such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) to give effect to the aforesaid shareholders' mandate and transactions contemplated under this resolution.” **(Ordinary Resolution 9)**

### **10. AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR DIRECTORS TO ALLOT AND ISSUE SHARES IN THE COMPANY**

**“THAT** pursuant to Section 132D of the Companies Act, 1965, full authority be and is hereby given to the Directors of the Company to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting, and upon such terms and conditions, and for such purposes, as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being.” **(Ordinary Resolution 10)**

### **11. PROPOSED DIVIDEND REINVESTMENT SCHEME THAT PROVIDES THE SHAREHOLDERS OF AXIATA (“SHAREHOLDERS”) WITH THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND ENTITLEMENTS IN NEW ORDINARY SHARES OF RM1.00 EACH IN AXIATA (“AXIATA SHARES”) (“PROPOSED DRS”)**

**“THAT** subject to the relevant regulatory approvals being obtained, if required, and to the extent permitted by law in relation to the Proposed DRS, approval be and is hereby given to the Directors of the Company to:-

- i) establish and implement the Proposed DRS on and in accordance with the terms and conditions set forth in Part B and 'Appendix II' of the Circular;

# Notice of Annual General Meeting

- ii) to determine, in the Directors' absolute discretion, which cash dividend (whether interim, final, special or any other cash dividend) declared and/or approved by the Directors and/or the Company at any time and from time to time the Proposed DRS is to apply to; and
- iii) allot and issue such number of new Axiata Shares from time to time as may be required to be allotted and issued pursuant to the Proposed DRS until the conclusion of the next Annual General Meeting of the Company, upon such terms and conditions as the Directors may, in their absolute discretion, deem fit and in the best interest of the Company;

**THAT** the said new Axiata Shares to be issued pursuant to the Proposed DRS shall, upon allotment and issue, rank *pari passu* in all respects with the existing Axiata Shares then in issue, except that the holders of such new Axiata Shares shall not be entitled to any and all dividends, rights, allotments and/or other distributions in respect of which the entitlement date is before the allotment date for the said new Axiata Shares. For the purpose thereof, the entitlement date means the date as at the close of business on which shareholders of the Company must be registered in order to participate in any dividend, right, allotment and/or other distribution;

**THAT** the Directors of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the Proposed DRS with full powers to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said condition, modification, variation and/or amendment as the Directors may deem fit and in the best interest of the Company;

**AND THAT** the Proposed DRS shall not be offered for subscription, and no document relating to the Proposed DRS shall be issued or sent, to any Shareholder having his/her/its registered address outside Malaysia, or any Shareholder which has not provided an address in Malaysia at which such documents may be delivered to.”

**(Ordinary Resolution 11)**

## 12. **PROPOSED EXTENSION OF THE DURATION OF AXIATA'S PERFORMANCE-BASED SHARE OPTION AND SHARE SCHEME (“AXIATA SHARE SCHEME”)**

“**THAT** approval be and is hereby given for the proposed extension of the duration of Axiata Share Scheme for another 2 years from 15 April 2017 to 15 April 2019 (Proposed Extension);

**THAT** approval be and is hereby given for the execution by the Company of the supplemental deed to vary the terms of the Bye-Laws governing Axiata Share Scheme, the terms of which are set out in Section 2.2, Part C of the Circular (Proposed Supplemental Deed) to give effect to the said Proposed Extension;

**AND THAT** in order to implement, complete and give full effect to the Proposed Extension and the Proposed Supplemental Deed, approval be and is hereby given to the Directors of the Company to do or procure to be done all acts, deeds and things and to execute, sign and deliver on behalf of the Company, all such documents as they may deem necessary, expedient and/or appropriate, with full powers to assent to any condition, modification, variation and/or amendment thereto as the Directors of the Company may deem fit and in the best interest of the Company.”

**(Ordinary Resolution 12)**

- 13. To transact any other ordinary business for which due notice has been given in accordance with Section 151 of the Companies Act, 1965.

## **NOTICE ON DIVIDEND ENTITLEMENT AND PAYMENT**

**NOTICE IS ALSO HEREBY GIVEN THAT** a final tax exempt dividend under single tier system of 14 sen per ordinary share for the financial year ended 31 December 2013 as recommended by Directors of the Company on 19 February 2014 and if approved by the shareholders of the Company at the forthcoming 22nd AGM will be paid on 19 June 2014 to Depositors whose names appear in the Register of Members/Record of Depositors of the Company on 4 June 2014.

**FURTHER NOTICE IS HEREBY GIVEN THAT** a Depositor shall qualify for entitlement to the dividends only in respect of:-

- i) Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 2 June 2014 (in respect of shares which are exempted from Mandatory Deposit);
- ii) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 4 June 2014; and
- iii) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

Shareholders are reminded that pursuant to Securities Industry (Central Depositories) Act 1991 (SICDA), all shares not deposited with Bursa Malaysia Depository Sdn Bhd (Bursa Depository) by 12:30 p.m. on 1 December 1998 and not exempted from Mandatory Deposit, have been transferred to the Ministry of Finance (MoF). Accordingly, the dividend for such undeposited shares will be paid to MoF.

## **BY ORDER OF THE BOARD**

**Suryani Hussein** (LS0009277)  
Group Company Secretary

Kuala Lumpur, Malaysia  
6 May 2014

# Notice of Annual General Meeting

## NOTES:

### Proxy and/or Authorised Representatives

1. A Member entitled to attend and vote at the above Meeting is entitled to appoint a proxy without any restriction to the qualification of the proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the restrictions provided in Section 149(1) (a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
2. The Company shall be entitled to reject any instrument of proxy lodged if the member is not shown to have any shares entered against his name in the Register and/or subject to Article 34A of the Company's Articles of Association in relation to the Record of Depositors made available to the Company.
3. A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where a Member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
4. Where a Member is an authorised nominee as defined under the SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

Every appointment submitted by an authorised nominee as defined under the SICDA, must specify the CDS Account Number.

5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in respect of each securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominees may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall:-
  - a) in the case of an individual, be signed by the appointer or by his/her attorney; or
  - b) in the case of a corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

If the instrument appointing a proxy is signed by an officer on behalf of the corporation, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document, which is still in force, no notice of revocation has been received". If the instrument appointing a proxy is signed by the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a power of attorney, which is still in force, no notice of revocation has been received".

7. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 89 of the Company's Articles of Association.

8. The instrument appointing the proxy together with the duly registered power of attorney referred to in Note 6 above, if any, must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding of the Meeting or at any adjournment thereof.

### Members Entitled to Attend, Speak and Vote

9. For purposes of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting Bursa Depository, in accordance with Article 66 of the Company's Articles of Association and Section 34(1) of the SICDA, to issue a General Meeting Record of Depositors as at 20 May 2014. Only a depositor whose name appears in the General Meeting Record of Depositors as at 20 May 2014 shall be entitled to attend, speak and vote at the said meeting or appoint a proxy(ies) on his/her behalf.

### Audited Financial Statements for financial year ended 31 December 2013

10. The Audited Financial Statements under Agenda 1 are laid before the shareholders pursuant to the provisions of Section 169(1) and (3) of the Companies Act, 1965. The same is for discussion and tabled for voting as a formality.

### Re-election of Directors who retire by rotation pursuant to Article 93

11. Article 93 of the Company's Articles of Association provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an Annual General Meeting of the Company. All the Directors shall retire from office once at least in each three years but shall be eligible for re-election.

As stated in the Statement Accompanying Notice of 22nd AGM, profiles of the retiring Directors are set out in the Profile of Directors' section of the Company's 2013 Annual Report from pages 050 to 055.

### Determination and Payment of Directors' fees

12. Article 106(i) of the Company's Articles of Association provides that the fees payable to the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting. Such fees cannot be increased except pursuant to an ordinary resolution passed at the Company's general meeting. Therefore, shareholders' approvals are required for the determination and payment of Directors' fees.

The rationale for the introduction of monthly fixed fees for Board Committees is provided on page 104 of the Company's 2013 Annual Report.

### Appointment of Auditors

13. The Board had at its meeting held on 19 February 2014 recommended the re-appointment of Messrs PricewaterhouseCoopers as Auditors of the Company.

## EXPLANATORY NOTES ON SPECIAL BUSINESS

### I. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The proposed Ordinary Resolution 9, if approved, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions with related parties in the ordinary course of business which are necessary for the Group's day-to-day operations and are on terms not more favourable to the related parties than those generally available to the public and shall lapse at the conclusion of the next Annual General Meeting unless authority for its renewal is obtained from shareholders of the Company at such general meeting.

Detailed information on the Proposed Shareholders' Mandate is set out in Part A of the Circular which is despatched together with the Company's 2013 Annual Report.

### II. AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR DIRECTORS TO ALLOT AND ISSUE SHARES IN THE COMPANY

The proposed Ordinary Resolution 10, if approved, will empower the Directors to timely allot and issue new Axiata Shares up to an amount not exceeding in total 10% of the issued and paid-up share capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This provides the Directors with flexibility for any possible fund raising activities, including but not limited to further placing of shares, for working capital and/or general corporate purposes. The authorisation, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

### III. PROPOSED DIVIDEND REINVESTMENT SCHEME

The proposed Ordinary Resolution 11, if approved, will provide Shareholders with an opportunity to reinvest their cash dividends (Dividends) in new Shares (New Shares) in lieu of receiving cash. Subject to determination by the Directors, Shareholders may be offered an option to reinvest such Dividends in New Shares (Option to Reinvest) and where applicable, the portion of such Dividends to which the Option to Reinvest applies (Electable Portion).

Shareholders shall have the following options in respect of the Option to Reinvest:-

- a) to elect to participate by reinvesting in whole or in part the Electable Portion at the issue price for New Shares.

In the event that only part of the Electable Portion is reinvested, the Shareholders shall receive the remaining portion of the Dividends entitlement wholly in cash; or

- b) to elect not to participate in the Option to Reinvest and thereby receive the entire Dividends entitlement wholly in cash.

Detailed information on the Proposed DRS is set out in Part B of the Circular.

## IV. PROPOSED EXTENSION

The Company had, on 16 April 2009, established the Performance-based Employee Share Option Scheme (Axiata ESOS) for a period of 8 years. Effective 15 July 2011, the Bye-Laws governing Axiata ESOS was amended to include a restricted share plan, and the Axiata ESOS was thereafter renamed the Axiata Share Scheme. The Axiata Share Scheme is expiring on 15 April 2017 and in this regard, Axiata proposes to extend the duration of the Axiata Share Scheme for a period of 2 years until 15 April 2019 (Extended Expiry Date). The Proposed Extension of the Axiata Share Scheme is consistent with the maximum duration of 10 years allowed by the Main LR for any employee share issuance scheme.

Apart from the Proposed Extension, the other salient terms and conditions of the Bye-Laws, including among others, the following, shall remain unchanged:-

- a) the maximum number of Axiata Shares available under the Axiata Share Scheme and maximum allowable allotment;
- b) eligibility of employees to participate in the Axiata Share Scheme; and
- c) ranking of the Axiata Shares to be issued under the Axiata Share Scheme where grants are made under the restricted share plan.

The proposed Ordinary Resolution 12, if approved, will allow for two (2) annual grants to the eligible employees prior to the Extended Expiry Date which have a vesting period of up to three (3) years, subject to such employees meeting the financial and performance targets determined by the Board.

The Proposed Supplemental Deed will facilitate the implementation of the Proposed Extension. The Proposed Supplemental Deed shall be effective upon the approval of the shareholders at the 22nd AGM and execution of the same by the Company.

Detailed information on the Proposed Extension and the Proposed Supplemental Deed is set out in Part C of the Circular.

# Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.27(2) Main LR

## **DIRECTORS STANDING FOR RE-ELECTION AT THE TWENTY-SECOND ANNUAL GENERAL MEETING**

The following are Directors retiring by rotation pursuant to Article 93 of the Company's Articles of Association:-

1. Datuk Azzat Kamaludin
2. Juan Villalonga Navarro
3. Kenneth Shen

The profile of the above Directors are set out in the Profile of Directors' section of the Annual Report from pages 050 to 055.

None of the above Directors have any direct and/or indirect interest in the Company and its related corporations.

# Administrative Details for the 22<sup>nd</sup> Annual General Meeting

**Day & Date** : Wednesday, 28 May 2014  
**Time** : 10.00 a.m.  
**Place** : Grand Ballroom, 1st Floor, Sime Darby Convention Centre (SDCC), 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia

## **PARKING**

Parking is free and you are advised to park your vehicle at SDCC car park.

## **REGISTRATION**

1. Registration will start at 8.00 a.m. at the entrance of the meeting hall.
2. Please read the signage to ascertain the registration area to register yourself for the meeting and join the queue accordingly.
3. Please produce your original Identity Card (IC) to the registration staff for verification. Please make sure you collect your IC thereafter.
4. Upon verification, you are required to write your name and sign on the Attendance List placed on the registration table.
5. You will be given an identification wristband and no person will be allowed to enter the meeting hall without the identification wristband. There will be no replacement in the event that you lose or misplace the identification wristband.
6. If you are attending the meeting as shareholder as well as proxy, you will be registered once and will be given only one identification wristband to enter the meeting hall.
7. After registration, please leave the registration area immediately and proceed to the meeting hall.
8. No person will be allowed to register on behalf of another person even with the original IC of that other person.
9. The registration counter will handle only verification of identity and registration.

## **HELP DESK**

1. Please proceed to the Help Desk for any clarification or queries.
2. The Help Desk will also handle revocation of proxy's appointment.

## **ENTITLEMENTS TO ATTEND, SPEAK AND VOTE**

Only the Depositor registered in the Register of Members/Record of Depositors and whose name appears in the Register of Members/Record of Depositors as at 20 May 2014 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his/her behalf in respect of the number of shares registered in his/her name at that time.

## **PROXY**

1. If you are a member of the Company at the time set out above, you are entitled to appoint not more than two (2) proxies to exercise all or any of your rights to attend and vote at the Annual General Meeting. If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your Proxy Form in accordance with the notes and instructions printed therein.
2. If you wish to attend the meeting yourself, please do not submit any Proxy Form for the meeting that you wish to attend. You will not be allowed to attend the meeting together with a proxy appointed by you.
3. If you have submitted your Proxy Form prior to the meeting and subsequently decided to attend the meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.
4. If you wish to submit your Proxy Form by facsimile, please fax to the office of the Share Registrar, Tricor Investor Services Sdn Bhd at Fax No. +603-2282 1886 not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Please also ensure that the original Proxy Form is deposited at the office of the Share Registrar not less than 48 hours before the time appointed for holding the meeting.

# Administrative Details for the 22<sup>nd</sup> Annual General Meeting

## CORPORATE MEMBER

Any corporate member who wishes to appoint a representative instead of a proxy to attend the meeting should submit the original certificate of appointment under the seal of the corporation to the office of the Share Registrar at any time before the time appointed for holding the meeting or to the registration staff on the meeting day for the Company's records.

## ENQUIRY

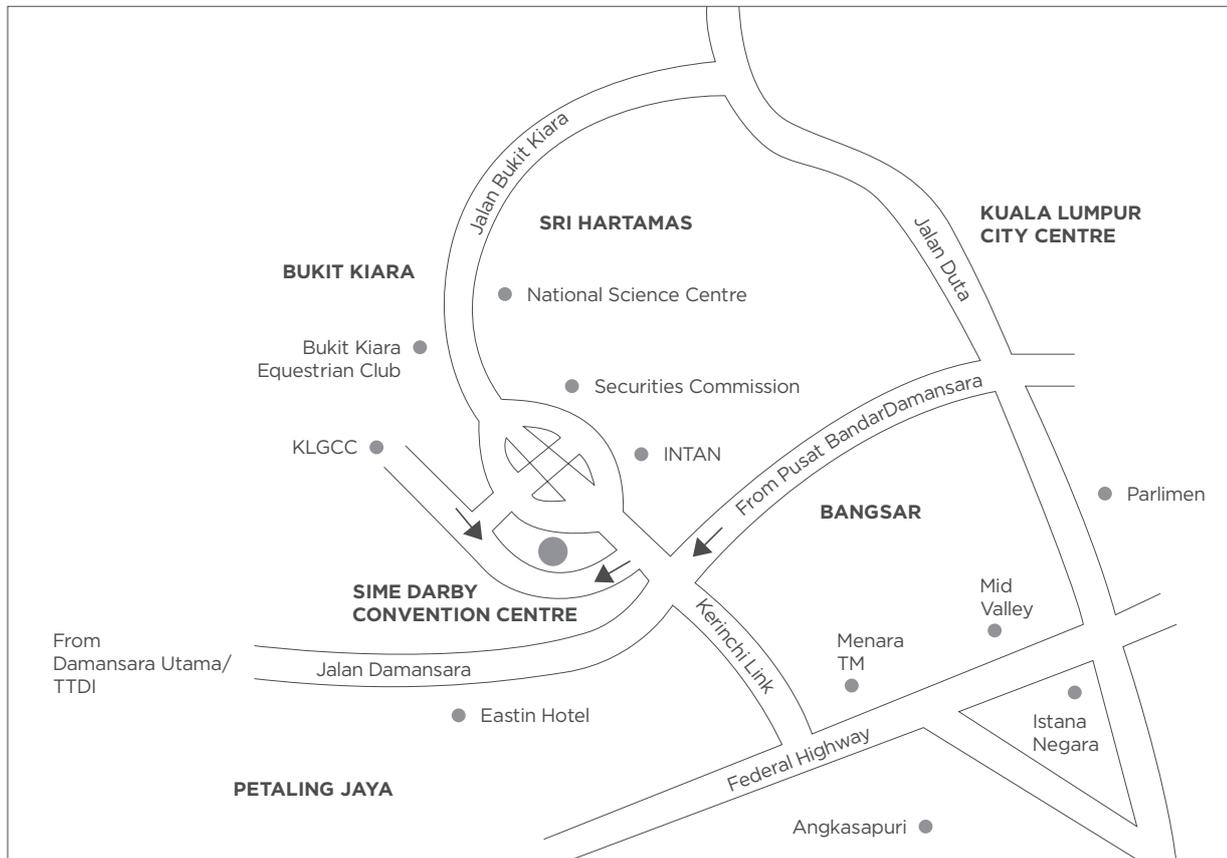
If you have general queries prior to the meeting, please contact the Share Registrar during office hours:-

Telephone : General +603-2264 3883  
Nor Azimah Hj Bulat +603-2264 3935  
Afifah Abu Bakar +603-2264 3894

Fax : General +603-2282 1886

Email : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)  
[nor.azimah@my.tricorglobal.com](mailto:nor.azimah@my.tricorglobal.com)  
[afifah@my.tricorglobal.com](mailto:afifah@my.tricorglobal.com)

## MAP OF SDCC



# Proxy Form

(Before completing the form, please refer to the notes overleaf)



“A” I/We, \_\_\_\_\_  
(NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_ (COMPANY NO.) \_\_\_\_\_

of \_\_\_\_\_  
(FULL ADDRESS)

\_\_\_\_\_ (TELEPHONE/MOBILE NO.) \_\_\_\_\_

being a Member/Members of **AXIATA GROUP BERHAD** hereby appoint \_\_\_\_\_

\_\_\_\_\_ (NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him/her, \_\_\_\_\_  
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our **first** proxy to vote for me/us on my/our behalf at the 22nd Annual General Meeting of **AXIATA GROUP BERHAD** to be held at the Grand Ballroom, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Wednesday, 28 May 2014 at 10.00 a.m. or at any adjournment thereof.

“B” If you wish to appoint a second proxy, please complete this section.

I/We, \_\_\_\_\_  
(NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_ (COMPANY NO.) \_\_\_\_\_

of \_\_\_\_\_  
(FULL ADDRESS)

\_\_\_\_\_ (TELEPHONE/MOBILE NO.) \_\_\_\_\_

being a Member/Members of **AXIATA GROUP BERHAD** hereby appoint \_\_\_\_\_

\_\_\_\_\_ (NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him/her, \_\_\_\_\_  
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our **second** proxy to vote for me/us on my/our behalf at the 22nd Annual General Meeting of the Company to be held at the Grand Ballroom, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Wednesday, 28 May 2014 at 10.00 a.m. or at any adjournment thereof.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:-	
	Percentage (%)
Proxy* “A”	
Proxy* “B”	
<b>TOTAL</b>	100%

\* Please fill in the proportion of the holding to be presented by each proxy

My/Our proxy/proxies is/are to vote as indicated below:-

Please indicate with an ‘X’ in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote or abstain at his/her discretion.

Resolutions	Proxy “A”		Proxy “B”	
	For	Against	For	Against
<b>Ordinary Business</b>				
1. Ordinary Resolution 1 - Audited Financial Statements and the Reports of Directors and Auditors thereon				
2. Ordinary Resolution 2 - Declaration of a final tax exempt dividend under single tier system of 14 sen per ordinary share				
3. Ordinary Resolution 3 - Re-election of Datuk Azzat Kamaludin				
4. Ordinary Resolution 4 - Re-election of Juan Villalonga Navarro				
5. Ordinary Resolution 5 - Re-election of Kenneth Shen				
6. Ordinary Resolution 6 - Payment of Directors’ Fees				
7. Ordinary Resolution 7 - Determination and payment of Directors’ Fees to Board Committees				
8. Ordinary Resolution 8 - Re-appointment of Messrs. PricewaterhouseCoopers as Auditors				
<b>Special Business</b>				
9. Ordinary Resolution 9 - Proposed Shareholders’ Mandate				
10. Ordinary Resolution 10 - Authority to Allot and Issue shares under Section 132D of the Companies Act, 1965				
11. Ordinary Resolution 11 - Proposed Dividend Reinvestment Scheme				
12. Ordinary Resolution 12 - Proposed Extension				

No. of ordinary shares held	CDS Account No. of Authorised Nominee*												

\* Applicable to shares held through a nominee account

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

\_\_\_\_\_  
 Signature(s)/Common Seal of Member(s)

2. Fold this flap to seal

The Share Registrar  
**Tricor Investor Services Sdn Bhd** (118401-V)  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur, Malaysia

AFFIX STAMP  
RM0.80  
HERE

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#### NOTES:

##### *Proxy and/or Authorised Representatives*

1. A Member entitled to attend and vote at the above Meeting is entitled to appoint a proxy without any restriction to the qualification of the proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the restrictions provided in Section 149(1) (a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
2. The Company shall be entitled to reject any instrument of proxy lodged if the member is not shown to have any shares entered against his name in the Register and/or subject to Article 34A of the Company's Articles of Association in relation to the Record of Depositors made available to the Company.
3. A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where a Member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
4. Where a Member is an authorised nominee as defined under the SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

Every appointment submitted by an authorised nominee as defined under the SICDA, must specify the CDS Account Number.

5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in respect of each securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominees may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall:-
  - a) in the case of an individual, be signed by the appointer or by his/her attorney; or
  - b) in the case of a corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

If the instrument appointing a proxy is signed by an officer on behalf of the corporation, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document, which is still in force, no notice of revocation has been received". If the instrument appointing a proxy is signed by the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a power of attorney, which is still in force, no notice of revocation has been received".

7. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 89 of the Company's Articles of Association.
8. The instrument appointing the proxy together with the duly registered power of attorney referred to in Note 6 above, if any, must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding of the Meeting or at any adjournment thereof.

##### *Members Entitled to Attend, Speak and Vote*

9. For purposes of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting Bursa Depository, in accordance with Article 66 of the Company's Articles of Association and Section 34(1) of the SICDA, to issue a General Meeting Record of Depositors as at 20 May 2014. Only a depositor whose name appears in the General Meeting Record of Depositors as at 20 May 2014 shall be entitled to attend, speak and vote at the said meeting or appoint a proxy(ies) on his/her behalf.