Life
Made
Easier™



LIFE 360°

Integrated Annual Report 2016









Life Made Easier

We're living in the Era of Convergence
and it makes our life easier
and smarter than ever before.
Where life becomes effortless and
everything can be as easy as
a touch of a button...
Allowing us to do amazing things,
where innovations help to
enhance our lives everyday....
...enabling us all to live in a Better Malaysia.

This is Life in the Era of Convergence.

My Life









My Work

Business Made Easier

Where we are able to go beyond our
boundaries and stay on top of everything...
Moving businesses to be agile.
It enriches our lives and
other people around us...
...enabling us all to innovate
and live in a Better Malaysia.

This is Business in the Era of Convergence.







LIFE 360°

The orange and blue in the circle on our cover represent our personal and professional lives. The way the two colours project into each other depict the way both worlds are interlinked. We at TM facilitate those important links with our convergence products, services and solutions, which provide unparalleled connectivity and a seamless experience, no matter where you are, what you're doing and how. We make life easier, in a truly holistic sense, hence the tagline Life 360°.

TM AURA

This TM Integrated Annual Report is enhanced with TM AURA, an augmented reality app developed by TM Research & Development (TM R&D). The app allows you to scan selected pages and images from the report to access extended rich content.

Download TM AURA on your phone or tablet (iOS and Android) for a converged augmented reality experience!

Search for 'TM AURA' in the Apple App Store or Google Play Store to download.

Download on the App Store

GET IT ON Google play

FACTS AT A GLANCE

Convergence Champion

NO.1
Converged Communications Services Provider

2.37 million
broadband customers

> 2.23 million
high speed broadband ports nationwide

TM'S MOST VALUABLE ASSET - OUR PEOPLE

28,045 employees

REVENUE

RM12.06 billion
with 2.9% growth YoY

TOTAL RETURN TO SHAREHOLDERS

350.37%

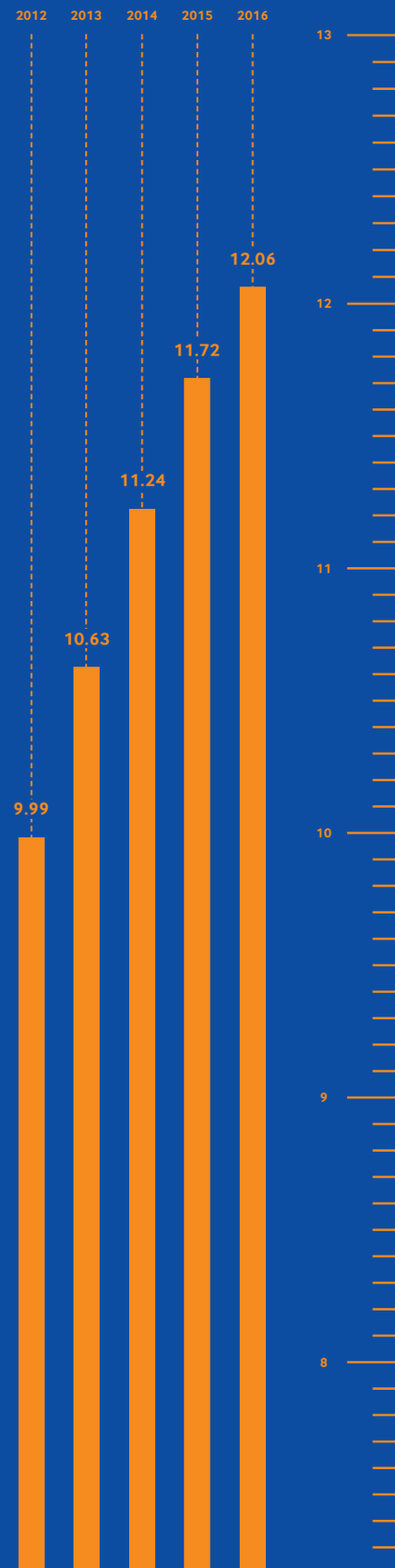
TOTAL ASSETS

RM25.0 billion

TOTAL DIVIDEND PAYOUT

RM808.0 million

OPERATING REVENUE
(RM MILLION)



OUR REPORTS

We produce a full suite of reports and other documents to cater to the diverse needs of our broad stakeholder base. Of these, our integrated annual report is the most comprehensive and serves the needs of our shareholders and other stakeholders. In addition to providing an account of our financial performance, it also describes the way in which we uphold corporate governance and add value to our stakeholders. It is supplemented by our Sustainability Report and online disclosures on our quarterly financial results, corporate presentations, Bursa announcements and media releases.

Report	Reporting Framework	Assurance
Integrated Annual Report (this Report)		
 Our primary report for communicating to our shareholders and other stakeholders	• Malaysia Companies Act 1965 • Financial Reporting Standards (FRS) • Main Market Listing Requirements of Bursa Malaysia Berhad • Malaysian Code on Corporate Governance 2012 • International Integrated Reporting Framework • Global Reporting Initiative (GRI)	• Internal controls and management assurance • Compliance and internal audit reviews • External audit by PricewaterhouseCoopers on financial information • Board approval assisted by the Board Audit Committee
Sustainability Report		
 Our main disclosure on efforts to create value for stakeholders by taking into account material issues	• Main Market Listing Requirements of Bursa Malaysia Berhad • Malaysian Code on Corporate Governance 2012 • International Integrated Reporting Framework • Global Reporting Initiative (GRI)	• External Audit by SIRIM QAS International Sdn. Bhd.
Quarterly Financial Statements		
Financial statements on our performance every quarter	• Malaysia Companies Act 1965 • Financial Reporting Standards (FRS) • Main Market Listing Requirements of Bursa Malaysia Berhad	• Internal controls and management assurance • Compliance and internal audit reviews • External audit by PricewaterhouseCoopers on financial information • Board approval assisted by the Board Audit Committee
Bursa Announcements		
Announcements made to Bursa Malaysia on key corporate activities	• Main Market Listing Requirements of Bursa Malaysia Berhad	• Internal controls and management assurance • Board approval
Media Releases		
Announcements made to the media on key corporate, social, environmental and financial events and activities		• Internal controls and management assurance



This icon refers you to other reports that form part of the Group's suite of reporting publications



This icon indicates where more detail can be accessed online



This icon indicates where more detail can be accessed elsewhere in this report

ABOUT THIS REPORT



AS A LEADING TELECOMMUNICATIONS PROVIDER IN MALAYSIA AND ONE OF THE LARGEST IN SOUTHEAST ASIA,

Telekom Malaysia Berhad (TM or the Group) has a vast number of stakeholders who are impacted by what we do.

Not only by our financial performance but also the way we conduct our business. We appreciate that this large and varied group needs to understand our commitments and policies, our direction and strategies, and our current as well as future prospects to be able to place their trust in us.

Although we disseminate information about the Group regularly via press releases, Bursa Malaysia announcements and quarterly reports, our Integrated Annual Report is the ultimate summary of our performance for every financial year. This year's Integrated Annual Report marks a sharp departure from those produced in the past as we have strived to create greater transparency in the content disclosed as well as the manner in which it is presented.

For the first time, we have adopted the International Integrated Reporting Framework (IIRF) because we believe it enables us to communicate our strategies, actions and outcomes in a manner that is meaningful to our stakeholders. Through this new reporting standard, we intend to present a coherent model of our business that demonstrates how everything we do is integrated with our ultimate vision of creating value – not only for our shareholders and customers, but also for our employees, business partners, the government and regulators and the larger community.

We have introduced new sections – such as 'What We Live For', 'Who Keeps Us in Business' and 'What We Do' – to expose the core essence of who we are, where we aim to go, and how we plan to get there.

In addition to the IIRF, our non-financial statements reflect Bursa Malaysia's recently released Listing Requirements and the Malaysian Code on Corporate Governance 2012. Our financial statements, audited by PricewaterhouseCoopers, have been prepared according to the requirements of the Malaysia Companies Act 1965 and Financial Reporting Standards (FRS).

We have made every effort to ensure this Integrated Annual Report presents a balanced and accessible assessment of our strategy, performance, governance and prospects. The issues and developments included were determined by quantitative and qualitative considerations that have an impact on our current and future performance.

The entire Integrated Annual Report has been approved by our Group Audit Committee and the Board.

NAVIGATION

TM's impact on and contributions to the six capitals of value creation described in the <IR> Framework are addressed in an integrated manner throughout this report, including all elements previously reported in a separate sustainability section.

The following table provides an overview of how the capitals are indicated in the report and where the bulk of the commentary pertaining to each can be found:

Manufactured capital	Where We Operate
Financial capital	Group Financial Review
Human capital	Human Capital Development - Smarter Workforce
Social and relationship capital	Engaging our Stakeholders
Intellectual capital	Beyond Products & Services
Natural capital	What Matters Most

WHAT WE LIVE FOR



1

Where we are going

We have a very clear vision, which goes beyond making profits. In fact, it's not about us at all, but the people who matter most to us – our customers – and about enhancing their lives.

OUR VISION

To make life and business easier,
for a better Malaysia

WHAT WE LIVE FOR

2



We exist today for the same reason we did 70 years ago – to connect people. Only, now, we are connecting our customers through their everyday interactions, for the greater good of our communities and through supporting the drivers of the nation's growth.

OUR PURPOSE

To keep people connected
in more ways than one

3



We could take many roads to serving you. But we have chosen the path that brings the greatest sustainability of our service to you. This path is filled with...

OUR VALUES

1. **Total Commitment** to Customers
2. Uncompromising **Integrity**
3. **Respect** & Care

4



Our game plan has already been set along with our Vision. We have three simple priorities that will keep us on our toes.

OUR MISSION

We deliver life made easier:

1. To customers, through **converged lifestyle communication experiences**
2. To businesses, by collaborating with and **supporting them with integrated solutions**
3. To the nation, by **supporting socio-economic development** through education, innovation & social initiatives

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32nd Annual General Meeting

KRISTAL HALL, TM CONVENTION CENTRE,
MENARA TM, JALAN PANTAI BAHARU 50672 KUALA LUMPUR, MALAYSIA

WEDNESDAY, 26 APRIL 2017
10.00 A.M.

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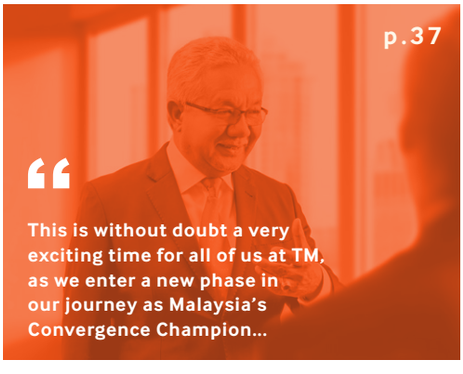
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LIFE
360°

Smarter Living



Through our products and services, we are making life more intuitive... and effortless.



“Everything I need is at the touch of a button.”

TM AURA

ACHIEVEMENTS

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2016



THE 16TH MALAYSIA HR AWARDS 2016



LIFE@WORK AWARDS 2016 (TALENTCORP)



HWM + HARDWAREZONE.COM TECH AWARDS 2016



HWM + Hardwarezone.com Tech Awards 2016

16 February 2016

Best Fiber Broadband Service - TM UniFi

Festival of Media Asia Pacific (FOMA)

22 March 2016

1. Best Use of Content (Gold) - Corporate Raya
2. Best Use of Video (Silver) - Corporate Raya

Malaysian e-Payments Excellence Award 2016

4 April 2016

Special Award - JomPAY Outstanding Biller

The Golden Globe Tigers 2016

11 April 2016

1. Brand Excellence in Digital Advergaming Sector - How TM Gamified a TVC to help those in need
2. Best in Online Content - How TM Reinvented itself with The Makers of Tomorrow
3. Best in Online Content - How #PakcikPower Reignited Passion for Malaysia Football
4. Best Use of Social Media in Marketing - How TM Gamified a TVC to help those in need
5. Best Search Engine Marketing - HyppRush

World Brand Congress Conference & Awards 2016 (Asia Edition)

11 April 2016

1. Malaysia Best Employer Brand Awards 2016
2. The Most Influential Brand Leadership Award - Izlyn Ramli
3. The Golden Globe Tigers Award for CIO Excellence & Leadership - Giorgio Migliarina
4. The Golden Globe Tigers Award for Education Leadership Award - Prof. Dr. Murali Raman (MMU)

Frost & Sullivan Malaysia Excellence Awards 2016

14 April 2016

1. Malaysia Fixed Broadband Service Provider of the Year
2. Malaysia Telecom Wholesale Service Provider of the Year
3. Malaysia Telecom Service Provider of the Year

The Appies 2016 Malaysia

19 May 2016

Government, Cultural, Social and Environmental Campaigns (Gold) - Corporate Raya

Festival of Media Global (FOMG) 2016

20 May 2016

Best Use of a Video (Bronze) - How TM Gamified a TVC to help those in need

Malaysia Media Awards (MMA) 2016

3 June 2016

1. Advertiser of the Year
2. Best Use of Branded Content on Screen (Gold) - How TM Gamified a TVC to help those in need
3. Best Use of Social Media (Gold) - How TM Gamified a TVC to help those in need
4. Best Use of Branded Content on screen (Silver) - How TM Reinvented itself with The Makers of Tomorrow
5. Best Use of Out of Home/POS Media (Silver) - How TM Reinvented itself with The Makers of Tomorrow
6. Best Use of Activation/Event (Silver) - How #PakcikPower Reignited Passion for Malaysia Football

The Loyalty and Engagement Awards 2016

15 July 2016

1. Best Use of Integrated Media Campaign (UniFi: For the Makers of Tomorrow)
2. Best Use of CSR (RE: Change that Inspires Change - RE: Corporate Driven Startup Accelerator Program)

7th CMO Asia Awards for Excellence in Branding & Marketing 2016

4 August 2016

Marketing Campaign of the Year - UniFi Launch

MALAYSIA-ASEAN CORPORATE GOVERNANCE TRANSPARENCY INDEX, FINDINGS & RECOGNITION (MSWG) 2016



FROST & SULLIVAN MALAYSIA EXCELLENCE AWARDS 2016



NATIONAL CENTER FOR SUSTAINABLE REPORTING (NCSR)'S SUSTAINABILITY REPORTING AWARDS 2016



10th Annual Best Financial Institution Awards - Southeast Asia's Institutional Investor - Corporate Awards 2016 (Malaysia)

1 September 2016

1. Most Organised Investor Relations
2. Strongest Adherence to Corporate Governance
3. Most Consistent Dividend Policy
4. Best CFO in Malaysia - Datuk Bazlan Osman

Promotion Marketing Asia Awards (Dragon Awards) PMAA

7 October 2016

1. Best Integrated Marketing Campaign (Gold) - How TM Reinvented itself with The Makers of Tomorrow
2. Best Mobile Marketing Campaign (Gold) - Shop-in-a-box SurePay
3. Best Event or Experiential Marketing Campaign (Bronze) - TM Piala Malaysia
4. Best Product Launch or Re-launch Campaign (Bronze) - UniFi For The Makers of Tomorrow
5. Best Social Media or Word of Mouth Campaign (Black Dragon) - Corporate Raya

Life@Work Awards 2016 (TalentCorp)

24 October 2016

The Best Initiative Category (VADS STEP-UP Programme)

Putra Brand Awards 2016

25 October 2016

Communication Networks (Bronze)

Marketing Excellence Awards 2016 Malaysia

27 October 2016

1. Excellence in Brand Strategy (Gold) - UniFi: For the Makers of Tomorrow
2. Excellence in Consumer Insights/Market Research (Gold) - UniFi: For the Makers of Tomorrow
3. Excellence in Government Sector Marketing (Bronze) - RE: Change That Inspires Change

The 16th Malaysia HR Awards 2016

27 October 2016

Grand Award for Employer of Choice (GLC)

National Annual Corporate Report Awards (NACRA) 2016

1 December 2016

1. Most Outstanding Annual Report of the Year – Gold
2. Industry Excellence Award for Main Board Companies in the Trading & Services Sector - 20 consecutive years
3. Best Design Annual Report - Platinum
4. Best Corporate Social Responsibility Reporting Award – Silver

Jim Bound IPv6 Award - Malaysia

7 December 2016

World Leader Award - Tan Sri Dato' Sri Zamzamzairani Mohd Isa

5th Annual CFO Innovation Awards

8 December 2016

CFO of the Year (Excellence in Financial Planning & Analysis) - Datuk Bazlan Osman

National Center for Sustainable Reporting (NCSR)'s Sustainability Reporting Awards 2016

14 December 2016

Commendation for Best Practice in Sustainability Reporting in Malaysia

Malaysia-Asean Corporate Governance Transparency Index, Findings & Recognition (MSWG) 2016

15 December 2016

1. Excellence Award for Top CG and Performance (Overall Category)
2. Excellence Award for Long-Term Value Creation
3. Merit Award for CG Disclosures
4. Industry Excellence (Telecommunications & Media)
5. Merit Award for Board Diversity
6. Merit Award for Best AGM (Overall Category)

MILESTONES 2016

JANUARY

1. TM collaborates with Celcom for the provision of domestic roaming services, enabling webe to deliver seamless mobile network connectivity to its customers.
2. TM launches its flagship and popular football talent search television show Mencari Ramli season 5.
3. Multimedia University opens its 3rd campus in Nusajaya, Johor, offering Bachelor of Cinematic Arts programme (CAP).

FEBRUARY

1. TM offers Viu, an OTT service, on its HyppTV platform following the strategic partnership with Vuclip, a PCCW media company.
2. TM on track for Convergence Year; records 4.3% increase in Group revenue for financial year 2015.

MARCH

1. TM seals WiFi roaming deal with BT, enabling end users to experience seamless LTE and WiFi roaming services in Malaysia and the UK.
2. New Point-of-Presence (PoP) established in Laos, following an agreement between TM and Lao National Internet Centre (LANIC).

APRIL

1. New look of TMpoint outlet unveiled, with the inaugural outlet in Quill City Mall, Kuala Lumpur, and TM introduces its new UniFi PRO Plan with broadband speed of 100Mbps.
2. P1 rebrands as webe and launches webe community.
3. Bay of Bengal Gateway (BBG) submarine cable system which links Malaysia and Singapore to Oman and the UAE, with branches to India and Sri Lanka, goes live.
4. Shareholders of TM approve all resolutions presented at the Company's Annual General Meeting (AGM) and at the Extraordinary General Meeting (EGM).

MAY

1. TM and Hurricane Electric establish strategic partnership for high speed IP broadband services.
2. TM holds TM Reaching Out Day 2016 with activities carrying volunteerism theme.

JUNE

1. TM Team Malaysia officially recognised as the "Official Supporter of the National Athletes" at the 50th Anugerah Sukan Negara.
2. HyppTV's HyppSports HD becomes the Official IPTV Broadcaster for the Rio 2016 Olympic Games in Malaysia; and TM launches campaign leading up to the Rio 2016 Olympic Games.
3. TM calls Malaysians to #DoMoreGood with its project, #TiffinMalaysia.



MILESTONES 2016

JULY

1. TM Team Malaysia Fan Run is back to garner support from Malaysians nationwide for the athletes taking part in the Rio 2016 Olympics.

AUGUST

1. webe receives new Chief Executive Officer and Executive Director, Azizi A. Hadi.
2. TM through HyppTV makes a TV breakthrough by showcasing the Rio 2016 Olympic Games in 4K quality content - first in Malaysia.
3. VADS launches VADS Marketplace, Malaysia's first Cloud exchange digital marketplace.
4. Sistem Kabel Rakyat 1Malaysia (SKR1M) which connects Peninsular Malaysia and East Malaysia, lands on Sabah shore.
5. TM officially launches webe – the Group's Centre of Excellence for Mobility – ushering in a new era of mobility for TM Group.
6. TM and Aspen Vision All Sdn Bhd (AVA), a subsidiary company of Aspen Group inked a collaboration Agreement to facilitate the deployment of Smart Services.

SEPTEMBER

1. TM collaborates with MRCB to empower MRCB development projects with ICT and IoT-enabled smart services.

OCTOBER

1. HyppTV enriches its entertainment content variety with two (2) new channels – BBC First and BBC World News.
2. VADS Lyfe Sdn Bhd partners with Cyberview Sdn Bhd for Cyberjaya smart traffic analytics and recognition system.

NOVEMBER

1. Multimedia University – the first private university in Malaysia – celebrates its 20th anniversary.
2. TM organises "Humanitarian Logistics & Supply Chain Management Training 2016" - strengthen its role in national disaster preparedness.

DECEMBER

1. Malaysia-Cambodia-Thailand (MCT) submarine cable system reaches its milestone with the commencement of cable laying works in Cherating, Pahang.
2. TM bags six (6) awards at the Malaysia-ASEAN Corporate Governance 2016 Awards and four (4) awards at the National Annual Corporate Report Awards (NACRA) 2016.
3. South East Asia – Middle East – Western Europe 5 (SEA-ME-WE 5) consortium completes the submarine cable system, connecting three continents.



MEDIA MILESTONES

New MMU campus opens in Johor

'MALAYSIAN HOLLYWOOD': MMU Iskandar Puteri to house Faculty of Cinematic Arts

ALIZA ISHAK
KUALA LUMPUR
news@mediaprima.com.my



The Multimedia University Iskandar Puteri campus in Johor is well equipped with state-of-the-art facilities.

MULTIMEDIA University (MMU) will launch its third campus, MMU Iskandar Puteri, in Iskal2iq, Johor, today.

It is expected to be opened by Johor Menteri Besar Datuk Seri Mohamed Khaled Nordin.

The new campus, which houses the Faculty of Cinematic Arts (FCA), offers a new Bachelor of Cinematic Arts programme, in association with the University of Southern California (USC) School of Cinematic Arts (SCA).

MMU vice-president (Academic) Professor Dr Ahmad Kafi Mohamed Ershaq said the programme offered a comprehensive syllabus, following international standards and state-of-the-art facilities to support the growth of the content industry, particularly film and television production and creative content in the country.

He said the campus' proximity to the Pinewoods Iskandar Malaysia Studios would give students an opportunity to obtain first-hand experience in the cinematic industry before graduating.

"With these combined elements, it is only a matter of time before a Malaysian Hollywood emerges.

"Cinematic arts is a field that is relevant to the development of the nation, and MMU ensures that its programmes are highly relevant, especially to the industry, so as to be able to contribute to the engine of growth."

Rafi said the innovative programme would enable students to explore a range of cinematic art forms, as well as delve into the historical contexts, in which they are produced and consumed.

"Students have opportunities to explore their ideas and interests, and they will also be supported by our academic staff, who have experience in film-making.

"The modules examine a range of past, recent and contemporary production for both big screen and small, with emphasis on technology and industry-driven connections.

"Using the script-to-screen approach, the students begin their studies with the basics of ideation and storyboarding right up to producing their own works," he said.

Rafi said students would be equipped with knowledge in the discipline such as cinematography, digital cinematography, cinematography, sound production and art direction, which would enable them to become creative film-makers, either independently or in a team.

"Together with USC, MMU has developed the programme's modules that are relevant to today's exacting standards, as well as shadows future trends in the field of cinematic arts, modules that merge the creative digital development process with cinematic theories and principles," he said.

The USC School of Cinematic Arts, which is the oldest film school in the United States, has produced world-class animators, scholars, teachers, writers, directors, producers, cinematographers, editors, sound experts, scholarly award winners and industry executives since 1929.

Its alumni include International 3-acclaimed director George Lucas (*Star Wars*) and producer Jon Landau (*Titanic*, *Avatar*).

Rafi said MMU had produced successful alumni in the film, content and creative industries for both local and international scenes.

"For instance, Nizam Abdul Razak, the managing director of Astro Shaw, is an MMU graduate (Iskandar Puteri) and was previously involved in the creation of Upin dan Ipin, Ejen Ali, Who was involved in the production of Academy Award winning movie *Life of Pi* and *Ghaz Abu Bakar*, the director of *Polis Evo*," he said.

The programme also offers a scholarship known as Khazphere Ventures — MMU Cinematic Arts Scholarship, which is sponsored by Khazphere Ventures Sdn Bhd, a wholly-owned subsidiary of Khazanah Nasional Berhad.

The campus has 130 local and international students and those interested to get more details about the programme can contact 1300 88 0448 or visit its website at www.mmu.edu.my.

The Olympics on HyppTV and RTM

HYPPTV's eight dedicated Olympics channels are available for all Malaysians for free as long as they download the HyppTV Everywhere mobile app.

HyppTV subscribers will be able to view the eight channels on their TV sets, on top of watching them on the HyppTV Everywhere app.

TM New Media executive vice president Jeremy Kung said in a press statement: "In line with TM's Team Malaysia initiative, HyppTV shows support to our national athletes by providing viewers non-stop free "flow" coverage and exclusive Rio 2016 content."

HyppTV's Olympics coverage has already begun on seven HyppSports HD channels (Ch 720 to 726) and an interactive channel, Rio 2016 Interactive Channel, and will end on Sept 2.

The Olympics opening ceremony will air live tomorrow at 6.30am and the closing ceremony on Aug 22, 6.30am on HyppSports HD (Ch 720, 723 to 725).

For more information, visit www.tm.com.my/Rio2016.

For RTM viewers, TV1 will be airing the opening and closing ceremony live tomorrow at 6.15am and Aug 22 at 6.30am respectively. Both TV1 and TV2 have also allocated a number of programming slots for the Rio Olympics every day, from Aug 7 to 21.

TV1 will be airing highlights of the sporting events daily at 10am to 12.30am, and 2pm to 5pm (Fridays at 2.30pm), while daily reports from the Rio Olympics will air at 7pm to 8pm and 1am to 6am.

TV2 will air highlights of the opening and closing ceremony tomorrow at 4pm to 5pm, and Aug 22 at 4pm to 6pm respectively. Its Olympics programming belt comprises daily reports at 1am to 10am and highlights of the sporting events at 5pm to 6pm. – **Kenneth Chaw**



Telco's 2016 turnover surpasses RM12bil boosted by strong demand

B.K. SIDHU
sidhu@thestar.com.my

JALA LUMPUR: Local telecom int Telekom Malaysia Bhd (TM) w its revenue breaching the #12bil mark in 2016, its highest er, led by strong demand coupled th efforts at lowering operating sts.

Managing director and group ief executive officer Tan Sri muammarizani Mohd ha (pic) pects the growth momentum to ntinue this year, and has set growth targets of 3.5% to 4% for revenue for 2017.

However, for the fourth quarter of October-December 2016, TM suffered a foreign-exchange loss of RM120.5mil versus a gain of RM24.6mil a year ago due to the weaker ringgit against the US dollar. This was due to TM's loan exposure.

In the same quarter, its net profit fell nearly 20% to RM154mil from RM192mil previously, although it added 1.7% in revenue to RM1.2bil from RM1.1bil.

For the full financial year ended Dec 31, 2016 (FY16), TM reported a 10% rise in net profit to RM776mil from RM706mil previously, and added 2.9% to revenue to RM12.0bil from RM11.7bil.

Earnings before interest, tax, depreciation and amortisation was marginally higher at RM3.7bil from RM3.6bil.

Earnings per share for the full year was at 20.6 sen from 18.7 sen. Its share price closed three sen down to RM6.14 yesterday.

The group has declared a dividend of 12.2 sen per share, bringing the total dividend payout for the year to 21.5 sen or RM868mil.

"Overall, we had a solid good year, although it was challenging," Zamzamzairani said during a press conference to announce the company's results.

Analysts said TM's FY16 results were within expectations.

One analyst said he would be reviewing his outlook on TM, including his target price and fore-

> TURN TO PAGE 2



PCCW executive director and group managing director Srinivasan Rangarajan Gangadeb (left) and TM Group chief executive officer Tan Sri Zamzamzairani Mohd Isa at the launch of the viu app yesterday. Pic by Nazua Ismail

TM offering Viu streaming service

TIE-UP WITH PCCW: UniFi and Streamyx customers to enjoy 3-month free access

FRANCIS DASS
KUALA LUMPUR
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TELEKOM Malaysia Bhd (TM) is adding out all the stops to make its UniFi service a hit. It has also struck a partnership with Viu — an over-the-top video-on-demand (OTT) service by PCCW.

Malaysia's telecommunications giant said Celebrities-based Viu is the first OTT service in the country which streams content from South Korean broadcasters, such as KBS, MBC, CJ and tvN.

The group revenue as the enterprise market has huge potential for growth. We will grow our business by cross-selling and up-selling products and services to customers," Wan Ahmad added.

TM's enterprise segment has 10,000 customers nationwide using its products and services that include secure cloud and data services. This is a rise from the 9,000 customers recorded last year.

He said by 2020, 78 per cent of local small businesses would be fully adapted to the cloud platform, up from 30 per cent in 2014.

Wan Ahmad said TM's wholly-owned subsidiary, VADS Bhd, operates 11 data centres nationwide and two in Hong Kong and Los Angeles.

The telecom giant, which commands 20.3 per cent of the business process outsourcing market, will be organising more TM Biz Fusion to engage more businesses to embrace ICT in their operations.

TM signs Wi-Fi roaming agreement

Deal with BT allows both to leverage on each other's network

KUALA LUMPUR: Telekom Malaysia Bhd (TM) has paired up with British Telecommunications Plc (BT) in a Wi-Fi roaming agreement.

The agreement allows both parties to leverage on each other's Wi-Fi networks in Malaysia and the United Kingdom and enables the monetising of UK-Malaysia roaming.

"We understand that telecommunications infrastructure is critical in providing quality solutions and services to our customers across the world.

"As Malaysia's leading communications provider and convergence champion, TM is committed to its customers and their increasingly sophisticated requirements.

"To this end, we continue to venture into strategic collaborations with other telecommunications players, including regional and global players," said TM executive vice-president for global and wholesale Mohamad Rasdeey Abd Rahman in a statement.

Through the agreement, TM's national Wi-Fi footprint will be included in BT's global Wi-Fi roaming hub, and will enable BT's customers to leverage on TM's Malaysian Wi-Fi estates while roaming in the country and region.

TM will also be interconnected with BT's global Wi-Fi roaming hub, which allows its end customers to access the full range of global and UK-based Wi-Fi capabilities for a converged mobile roaming experience while travelling abroad and in the UK.

"The UK is a key roaming destination for Malaysians and connecting TM to our global Wi-Fi roaming hub helps TM address customer needs and differentiate in a competitive market. In turn, with access to TM's domestic Wi-Fi estate, BT is enhancing the global footprint of its Wi-Fi Hub in a vibrant South East Asian key market, extending our long-standing relationship with Malaysia's incumbent operator," said BT vice president for global telecom markets Andrew Dodsworth.

BT's global Wi-Fi roaming hub integrates Wi-Fi estates globally to provide mobile and Wi-Fi operators Wi-Fi roaming for their end users.

This allows for seamless Wi-Fi roaming embedded in the Mobile Network Operator standard authentication processes to reduce capital expenditure requirements. It will also roll out stand-alone, conglomerate or converged Wi-Fi roaming that is simple and easy to manage.

The hub creates a global Wi-Fi roaming ecosystem that has significant traction in the Asian market, and will be especially attractive to UK and global customers roaming in Malaysia with over 4,000 hotspots locations at airports, hotels, convention centres and cafés.

TM will also gain access to nearly 400,000 hotspots in the UK supporting Wireless Internet Service Provider roaming (WISPr) compliance, which includes 802.1x Security and Extensible Authentication Protocol authentication to enhance its converged roaming offerings to their end customers.

TM upbeat on enterprise segment contribution

DOUBLE-DIGIT GROWTH: More retail, manufacturing businesses expected to use ICT services

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TM executive vice-president of enterprise sales **Wan Ahmad Kamal** *after launching "TM Biz Fusion 2016" showcase for its enterprise customers in Kuala Lumpur yesterday.* Pic by Ghazali Kori

TELEKOM Malaysia Bhd (TM) is positive that its information and communications technology (ICT) services will see a take-up boost as businesses in the retail and manufacturing space embrace information technology in their operations and services.

TM executive vice-president of enterprise sales, Wan Ahmad Kamal, said the group's ICT business should generate high double-digit growth this year, just like last year.

Wan Ahmad also expected TM's enterprise sales segment to contribute substantially to group revenue.

"TM's enterprise (segment) contributed 16 per cent to group revenue last year. This year, the contribution should exceed 16 per cent," he said after launching "TM Biz Fusion 2016" showcase for its enterprise customers, here, yesterday.

"We hope to contribute more to

TM kicks off '850 by webe' pre-launch campaign

EXCITEMENT: Campaign to last for 7 weeks with different activities and rewards

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TM '850 by webe' footballers kicking off with the Amazing Maze at Sunway Pyramid Blue Concourse, Lot 10a SS2 (Inset). Pic by Saiful Nafi

TELEKOM Malaysia Bhd's (TM) digital mobility services arm yesterday kickstarted its pre-launch marketing campaign called "850 by webe" to engage consumers ahead of its commercial phase launch.

Consumers can download the webe 850 app from the Google App Store or Google Play to join the competition for RM6 million worth of prizes, including a year of free data, and the chance to be among the first on webe's new mobility network.

webe chief marketing officer Lai Shu Wei said the campaign gives users a taste of the new mobility brand's philosophy and excitement even before products are officially launched.

"When we announced webe last month, many were surprised we weren't launching any plans yet. This was intentional. We want to do things differently — not charge into the market with gigabytes, price plans, and contracts.

"In line with TM Group's aspiration, we aim to be Malaysia's true convergence champion — delivering ourselves from the pack by offering a truly differentiated mobility service," he said after launching the marketing campaign, here, yesterday.

Lai said the webe product is on track to be in the market by year-end.

"850 by webe" will last for seven weeks, with each week offering different activities and rewards.

webe, or previously known as Packet One Networks (M) Sdn Bhd (P1), had signed investment agreements with TM, Green Packet Bhd, and 5K Telecom Co Ltd, which saw the giant telecommunications companies injecting RM2 billion into it.

TM holds a 32.9 per cent stake in P1. The inclusion of P1 employed TM's full service offerings.

Johor to tap Hollywood expertise

ISKANDAR PUTERI: The Johor government is embarking on a push in the creative industry through a "Creative Development Blueprint" that will create a link with experts in Hollywood.

Menteri Besar Datuk Seri Mohamed Khaled Nordin said the state aimed to gain with the new Multimedia University (MMU) campus in Educity and Pinewood Iskandar Malaysia Studios.

"The economy calls for bold, immediate action, not only in creating job opportunities, but to lay a new foundation for growth.

"We have made the beginning of Johor's move to venture into the creative industry, through the Creative Development Blueprint," said Khaled when launching MMU's third campus at EduCity here yesterday.

He said MMU's Johor campus offered a Bachelor of Cinematic Arts programme with collaboration with University of Southern California's (USC) School of Cinematic Arts.

Being the oldest film school in the United States, the USC School of Cinematic Arts had produced world-class professionals in the film industry such as acclaimed director George Lucas of *Star Wars* fame and producer Jon Landau (*Titanic* and *Avatar*).

Khaled said the collaboration would create a link that enabled Malaysian students to tap the creative expertise involved in Hollywood.

He said while MMU and Pinewood were catalysts in Johor's Creative Development Blueprint, proper planning would be needed to ensure benefits for Johor folk.



Johor Menteri Besar **Datuk Seri Mohamed Khaled Nordin** *(centre) visiting the Multimedia University (MMU) campus in Iskandar Puteri yesterday. With him are University of Southern California's (USC) Cinematic Arts Dean* **Professor Elizabeth M. Daley** *and MMU chairman* **Tan Sri Datuk Dr Sulaiman Mahbob.** Pic by **Mohd Azrul Samsudin**

Aspen partners TM to offer smart city services

COMPREHENSIVE ECOSYSTEM: Aspen Vision City to be progressive business model

KUALA LUMPUR

SMART solutions and services, such as security surveillance, fire alarm, energy management, smart parking, control and waste management, will be the latest offerings made to investors for Penang-based property developer Aspen Group's "Aspen Vision City" project at Batu Kawan on mainland Penang.

The company, via subsidiary Aspen Vision All Sdn Bhd, yesterday inked a collaboration agreement with Telekom Malaysia Bhd (TM) to facilitate the deployment of smart services, converged telecommunications as well as information and communications technology (ICT) services for the Aspen Vision City development.

The agreement is said to be the first between TM and Aspen Group to enable Aspen Vision City to become a progressive business model for smart city services in the real estate development segment.

"This business model will be replicated at more property developments by TM in the nation," said the companies in a joint statement.

Aspen Vision City, which is sprawled over 99.1ha with a gross development value of RM8 billion, is being developed by Aspen Vision Land Sdn Bhd, which is owned by the Aspen Group, and Ikano Pte Ltd, the operator of Swedish furniture store Ikea in Singapore, Thailand and Malaysia.

The project is located at the landing point of the Sultan Abdul Halim Muadzam Shah bridge and its key development values of RM8 billion, is being developed by Aspen Vision Land Sdn Bhd, which is owned by the Aspen Group, and Ikano Pte Ltd, the operator of Swedish furniture store Ikea in Singapore, Thailand and Malaysia.

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A Columbia Asia Hospital, gated-and-guarded commercial enclave, residential and mixed development, upscale landed property, a financial hub, four-star business hotel and an international school together with more than 10ha central park will also be featured in the development.

TM chief technology and innovation officer Giorgio Migliorino and its enterprise sales executive vice-president Wan Ahmad Kamal Wan Hailim signed the collaboration agreement on behalf of TM yesterday while Aspen Group was represented by its chief executive officer Datuk M. Murly and director Oh Kim Sun.

Also present to witness the signing were TM group chief executive officer Tan Sri Zamzamzairani Mohd Isa and Aspen Group chairman and executive director Datuk Seri Nazir Ariff Mushir Ariff.

"We are pleased and excited that Aspen Group has entrusted us with the deployment of a comprehensive smart city services ecosystem for its development projects," said Migliorino.

"We recognise the real estate vertical segment as well as the increasing need for smart services, so this collaboration provides the opportunity to demonstrate our capabilities and expertise in the development of smart services hubs.

"With the availability of telecommunications and connectivity services, as well as ICT and Internet of Things solutions integrated into local property developments and townships, we will be able to deliver an enhanced digital lifestyle to more Malaysians," he added.

Murly also said that "we have been sharing with TM our ideologies and aspirations in offering intelligence and innovation into every fiber of Aspen Vision City... as we transform and enrich the lives of people we are building for".

"Today, this vision has become a reality, and we will continue to make this a reality in every Aspen Group project," he added.


(From left) TM enterprise sales executive vice-president **Wan Ahmad Kamal Wan Hailim**, *TM chief technology and innovation officer* **Giorgio Migliorino**, *TM group chief executive officer* **Tan Sri Zamzamzairani Mohd Isa**, *Aspen Group chairman and executive director* **Datuk Seri Nazir Ariff Mushir Ariff**, *Aspen Group CEO* **Datuk M. Murly** *and Aspen Group director* **Oh Kim Sun** *at the signing ceremony yesterday.*



Latest offering: Migliolo speaks at the launch of VADS cloud-exchange digital marketplace, which is said to be the nation's first.

VADS unveils cloud-exchange service

KUALA LUMPUR: VADS Bhd, a unit of Telekom Malaysia Bhd, is launching what it claims to be the nation's first cloud-exchange service, aimed at small and medium enterprises (SMEs).

The VADS marketplace is a one-stop centre where customers will be able to acquire cloud solutions from well-known global players as well as local independent software vendors.

"We have a very strong focus on digital and for us making this leap will have a very big impact on the way we do business," its chief executive officer Massimo Migliulo said at briefing after the launch of VADS marketplace yesterday.

The cloud solution was also touted as one of the strategic drivers for TM group's transformation journey to "Go Digital".

"It is an example of how our digital transformation changes the way we serve our customers. For example, while it used to take up to a few weeks to fulfill customers orders, with marketplace, orders can be delivered almost instantly.

"This way, we are also assisting business owners to embark on their own digital transformation," TM's group CEO Tan Sri Zamzamzairani said in a statement.

Customers of VADS marketplace will be able to experience the most integrated digital business solutions, providing them with all the products and services that they need to stay competitive in the business world.

VADS vice-president of partnership and marketing Mahmoud Dassier said companies, especially small and medium enterprises, could see cost savings of as much as 30% with the integrated offering.

VADS, which is a wholly owned subsidiary of TM, is also able to offer its customers a converged solution – from cloud, smart services to managed services.

SKR1M to increase broadband speed

> Submarine fibre optic cable will boost capacity up to 4Tbps

KOTA KINABALU: The Malaysia People's Cable System (SKRM), the 5,800-km submarine fibre optic cable linking Peninsular Malaysia, Sabah and Sarawak, is capable of providing a terabytes per second (Tbps) broadband capacity.

Deputy Communications and Multimedia Minister Datuk Jalaludin Johari said the capacity was much bigger compared to the current 600-700 gigabyte per second generated through the domestic submarine cable developed 25 years ago.

"Once fully completed, the SKRM system capacity can also be upgraded in stages up to 12tbps depending on demand," he said at the symbolic opening of the SKRM cable landing here yesterday.

Jalani said SKRM not only provided high speed broadband services but would offer competitive communication and information technology services.

The SKRM project, built using a combination of Japanese and local expertise, was implemented under the Economic Transformation Programme (ETP) initiative that targeted 99% of the populated areas in Malaysia with internet access by 2020.

The RM867-million SKRM project, with Malaysian Communications and Multimedia Commission (MCMC) contributing RM422 million and Telekom Malaysia another RM445 million, is a joint venture between the federal government through MCMC and Telekom Malaysia.

The project was first implemented in 2015 and expected to be fully ready by June next year.

Jalani said the SKRM system made up five submarine cable connecting segments, namely (i) that connects Mersing, Johor and Kuching, Sarawak, (ii) Kuching to Bintulu, Sarawak, (iii) Bintulu to Miri, Sarawak), (iv) Miri to Kota Kinabalu, Sabah) and (v) (Kota Kinabalu to Cherating, Pahang). – Bernama


Cables for the SKRM system have been brought to the Tanjung Aru beach near Kota Kinabalu.

MEDIA MILESTONES

MRCB embraces smart city concept

INTERNET OF THINGS: Group partners TM to incorporate solutions in its projects



NEW SPORTS NETWORK

TELEKOM Malaysia Bhd (TM) has launched its latest sports channel, offering four new Fox Sports channels.

The new channels, all in HD, are Fox Sports 1HypTV 706, Fox Sports 2 HypTV 705, Fox Sports 3 HypTV 708 and Fox Sports News HypTV 709.

The Fox Sports Network is the exclusive broadcaster of the most compelling live events from sports leagues, including the Barclays Premier League, Major League Soccer, NASCAR Cup, MotoGP and top football action from Asia and Germany coupled with the Fox Sports News Channel, the first 24-hour sports news channel dedicated to Asian sports fans.

TM executive vice president of new media Jeremy Kang and Fox Networks Group Malaysia's vice president Vineet Puri recently launched the new channels during the HypTV HypeLaunch at Bintang.

Kang said: "We are delighted to offer Fox Sports channels as part of our sports channel offering. This is in line with our continuous improvement effort to further diversify our HypTV content offerings for our viewers.

"HypTV was the official IPTV broadcaster for the Rio 2016 Olympic Games, where we received great response from our customers for our channel offerings. Throughout the Games, we offered a total of 12 channels. This proves our commitment and capability to deliver a variety of live, world-class sporting events for our customers."

Vineet said: "We are proud to be part of the HypTV family of channel partners. This will allow us to bring our premium, international sports content to more Malaysians than ever before."

FREE VIEWING

HypTV celebrates the new Fox Sports channels offering with a special free viewing promotion from now until Sept 30 for all customers including HypTV Everywhere mobile app users.

After the promotion period, HypTV customers can continue to enjoy the channels as part of HypTV Jumbo Pack at RM69 per month or with HypTV Sports Pack at RM30 per month, as well as a la carte subscription at RM4.90 for Fox Sports, Fox Sports News and Fox Sports 2.

While Fox Sports News channel will be available for free to all customers, Fox Sports channels are also offered in HypTV's SME and Hospitality Entertainment solution customers.

For more information visit www.tm.com.my/hyptv



(From left) Fox Sports presenter Nikki Mullet, TM Vice President, Business and Media Operations, New Media Emily Wee, Vineet, Kang, Fox Networks Group Asia Head of Programming and Acquisitions Craig Dobbs, and Fox Sports presenter Alex Young at the launch.



TM officially launches webe

SUBANG JAYA — Telekom Malaysia Bhd (TM) yesterday launched "webe" — which was renamed from F1 in April — as the group's mobility entity of excellence, with the promise of delivering a fast 4G LTE mobile service to the public in the fourth quarter of the year.

The digital mobility services provider started rolling out its mobile service plan by inviting selected, loyal webe (previously F1) and TM customers to join the service beginning June 20, webe introduced one simple plan offering unlimited calls, sms and data from RM79 per month.

This will be rolled out to the public sometime in the fourth quarter of this year, with enterprise plans also in the pipeline, said webe chief executive officer Azizi Hadi.

Azizi said TM Group wants to "reimagine" the provision of connectivity solutions and to open up a "digital world of possibilities" to Malaysians, instead of recreating what other telecommunications companies are doing.

The service aims to "set consumers free" through unlimited domestic calls, SMS, and data without contracts, to emphasise on simplicity and enriching customer experience, he said.

According to Azizi, webe calls itself a digital mobility services provider because mobility means much more than data packages, speeds and coverage area.

"We feel that it is really limiting when you try to define mobility by the network you have — because it's so much more than that. This is the beginning of data, liberated."

Azizi said Malaysians are heavy users and consumers of mobility services, but they have worries about data caps and quotas.

"The internet is a powerful and useful daily tool, that we want the community to be able to enjoy and freely with peace of mind," Azizi said.

"The webe customers' experience is designed to be digital from end-to-end beginning with the sign-up page to the delivery of the SIM pack. For those invited, purchasing a service plan is as simple as logging onto a website and having their SIM delivered to them the next day.

The launch of webe is the culmination of a two-year journey in co-create a company and brand. Webe began by launching its crowdhacking platform, webe community, alongside the new brand reveal earlier in April.

TM group chief executive officer Tan Sri Zamzamzairani Mohd Isa said webe's launch extends the group's promise of "Life on A Business Made Easier" into the mobile space, and it perfectly fits into our transformation journey.

"With webe, our customers can experience seamless connectivity everywhere. At the same time, we are taking the opportunity to redefine what mobility means by bringing to life a brand new end-to-end digital experience, from the inside-out.

"We believe that to be a truly digital brand, the organisation needs to behave like one and we have invested into making this happen. We turned it into our mission to help connect communities and make it easy to enjoy a digital lifestyle. This has always been TM Group's vision as the nation's convergence champion," he said.



Better and cheaper: (from left) Irwan, Zamzamzairani and Bashan at a media briefing to announce TM's initiatives to further upgrade nationwide broadband reach, quality and affordability.

Cheaper broadband

TM to offer higher speed access at lower prices over next two years

By LEONG HUNG YEE
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PETALING JAYA: Telekom Malaysia Bhd's (TM) will unveil more affordable packages in stages to make broadband services considerably cheaper within the next two years.

All its broadband subscribers will be existing Unifi customers who are entitled to a free higher speed upgrade for the same price.

"We are still in discussion with the Government on how to implement this (reduction in prices). We have a window of two years to work on it.

"We were already planning for a reduction as that is where the trend is heading. It was a question of timing to implement it" group chief executive officer Tan Sri Zamzamzairani Mohd Isa said in a briefing yesterday.

Under the initiative, existing Unifi subscribers would need to get the free upgrade, subject to eligibility and technical feasibility.

The greatest beneficiary of the upgrade will be those currently on the VP5 and VP10 subscription and above packages, while about 68% of Unifi customers are on packages of 10Mbps and above.

Zamzamzairani was responding to the Budget 2017 announcements that fixed-line broadband service providers would have to offer services at a higher speed for the same price effective January 1, 2017.

For example, a subscriber of its free 5Mbps package at RM348 will enjoy a package with twice the speed, which is 10 Mbps.

Within the next two years, for this package, the speed will be doubled at a price reduction of 50%.

TM mentioned yesterday its broadband improvement Plan for 2017 to provide Malaysians with higher value offerings.

The plan will initially benefit TM's home customers riding on the high-speed broadband (HSBB) and suburban broadband (SUBB) project areas.

Meanwhile, Fitch Ratings said Malaysian consumers would continue to experience revenue constriction, margin squeezes and high capital expenditure. It sees continuing pressure on data tariff limiting any meaningful recovery in mid single-digit revenue.

"For home customers, they can expect the broadband speed to be upgraded in phases beginning January 2017 and not at the flick of a switch," he said.

"The announcement made during the tabling of the Budget 2017 is a reflection of the government's aim to increase and upgrade the broadband speeds of our existing customers in 2017 this year when we launched our Unifi Pro P1 offering 100Mbps," Izmil said.

Group chief financial officer Datuk Basil Osman said broadband improvement was part of the company's commitment and would not materially change its financials.

He explained that the better customer experience that TM intends to provide with high speeds could help the group in terms of customer retention and churn rate, thus mitigating costs.

Broader advantage

TELEKOM Malaysia Bhd is stepping up its broadband plan in line with the government's target to double service speed for the same price.

REPORT ON B2



Telekom Malaysia Bhd group chief executive officer Tan Sri Zamzamzairani Mohd Isa says the company lauds the government's recognition of the importance of digital connectivity.



KL CONVERGE! 2016 A SUCCESS

BIG HIT: More than 15,000 people visited 3-day event

KAMALA SUPPIAH

KL Converge! 2016 concluded recently with outstanding success, attracting more than 15,000 visitors over the three days, which was held from Sept 22 to 24, featured 200 booths and attracted more than 15,000 visitors.

The innovative yearly successor have made this year's event a benchmark of sorts, given that the digital economy would be the focus of the upcoming 2017 Budget, as announced by Prime Minister Datuk Seri Najib Razak at the Budget Consultation Meeting recently.

Communications and Multimedia Minister Datuk Seri Salleh Said Keruak, when officiating the event, said KL Converge! 2016 was a platform for the country's tech and digital, information and communications technologies, particularly broadband, cloud computing, Big Data, and the Internet of things were driving the digitalisation in all industries.

These technologies were also promoting improvements in planning and construction, management and operations, flexible environments and human-machine interactions, he said.

With the local creative content industry ranging closer by 20 per cent to RM5.4 billion in 2015 from RM4.5 billion last year, KL Converge! 2016 has brought Malaysia closer to becoming a hub for the international creative content industry market.

Over 200 local and international technology (IT) players participated in the event, including Maxis, Celcom, Digi, Telekom Malaysia, Media Prima, Astro, Radio Televisyen Malaysia, National Film Development Corporation (Finas), Malaysia Digital Economy Corporation and Mesiad.

Also making an appearance were global giants, including Japan's Fujitsu, Intel, Huawei and Cisco, who came to interact and share new ideas, strategic partnerships and discuss standards within the IT industry.

The event covered issues from different angles, such as the role of technology, business, technology, services, creativity, skills and social issues. The targeted results will bolster business connection, research, creation of new business opportunities, networks of ideas and influencers for customer conversation and inspiration.

KL Converge! 2016 centred on the creative content and communications industry, which is one of the most innovative, animation and film overlooking, digital creative, music competitions and short-video competition and connecting session for the creative content industry.

The offerings targeted youth groups, who comprised players in the creative content sector to position themselves dynamically, and fit into the shape of the digital economy in all areas of technological connectivity.

Making its debut was MyMIC's "Kids Blogging", which showcased more than 20 online businesses operated by children, ranging from those selling jewellery for them to read facts in a productive and productive atmosphere.

By bringing together local and international players, KL Converge! 2016 was a platform for them to meet face-to-face which was focused on the conversations and creative content industry to create investment opportunities and sharing of ideas and knowledge.

In conjunction with the event, Finas, an agency under the Communications and Multimedia Ministry, hosted the 5th Asia Content Business Summit (ACBS) 2016 from Sept 21 to 23 at Nu Sentral, as part of these main highlights.

Finas Centre of Excellence (CoE) director Raja Muhamad Ashrim Raja Ahmad said the centre would further develop the local content industry by including animated films and documentaries of the country's historical events. The centre is expected to be fully operational next year.

ACBS 2016 will be the main organised three programmes components comprising ACBS, Sari Di Lumiere and VFX-a-Film Summit.

ACBS saw 80 international delegates from 15 countries, including Japan, Indonesia, Korea, China, Canada and the United States, engaging issues and ideas affecting the creative content industry through dialogues between creative content and business, media and broadcasters.

Co-organised by the Ministry of Economy Trade and Industry of Japan, ACBS aimed to raise and develop the creative content industry in Asia by bringing together players in the public and private sectors.

It was hoped that ACBS members and participants could better connect and collaborate with each other to form ties which was focused on the conversations and creative content industry to create investment opportunities and sharing of ideas and knowledge.

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2016 CORPORATE EVENTS



JAN 25

MMU launches third campus in Nusajaya

Multimedia University (MMU) launched its new campus at Educity @ Iskandar, Nusajaya Johor. The 45,000 sq ft campus offers state-of-the-art facilities including a digital library/media resource centre, gallery, post-production laboratories, shooting stage and recording studio, to cater to its signature Bachelor of Cinematic Arts Programme (CAP).

FEB 24

Group revenue up for FY2015

TM announced its performance for the financial year ended 31 December 2015, with 4.3% growth in revenue and 1.6% increase in EBITDA compared to the financial year 2014.





MAR 22

SME BizFest™ 2016 is bigger and bolder!

TM launched its annual SME BizFest™ to showcase the latest, most innovative ICT solutions and business tools targeted at entrepreneurs, small businesses and start-ups.

JUN 09

HyppTV becomes Olympics IPTV broadcast partner

TM joined in the hype of the Rio 2016 Olympics Games with an exciting campaign featuring on-ground activities as well as online contests. It also announced non-stop free coverage and exclusive Rio 2016 content on eight dedicated HyppTV channels from 25 July until 2 September.

MAR 31

TM launches new-look outlet and high-speed plan

TM launched its new-look TMpoint outlet at Quill City Mall, Jalan Sultan Ismail, Kuala Lumpur, while also unveiling its new UniFi Pro Plan offering broadband at the speed of 100Mbps.





MAY 26

TM inspires volunteerism among employees

TM held its inaugural TM Reaching Out Day 2016 to introduce the community and environmental projects it will be running together with NGO partners, and encourage employees to volunteer for the projects.

JUN 27

Winners of Mencari Ramli 5 unveiled

TM revealed the 15 "Ramli"s, or winners of the fifth season of its football talent search television show, *Mencari Ramli*, realising the dreams of budding footballers.

2016 CORPORATE EVENTS



JUL 17

Over 10,000 participants rally for athletes bound to Rio

TM held its trademark TM Team Malaysia Fan Run to show support for national athletes competing in the Rio 2016 Olympics. The event this year featured three categories - 5km, 10km and, for the first time, 21km, for running enthusiasts.

AUG 09

HyppTV presents Rio 2016 in 4K

HyppTV made a breakthrough by showcasing the Rio 2016 Olympic Games in 4K quality, a first in Malaysia, at a special event at Sunway Pyramid. This was made possible via UniFi bandwidth capabilities and Huawei's technology on the service's IPTV network.



AUG 10

Malaysia's first cloud exchange launched

VADS officially launched the nation's first cloud exchange – an online store offering Business-To-Business (B2B) cloud-hosted solutions – supported by a one-stop omnichannel customer engagement centre.



AUG 16

TM officially launches webe

TM officially launched webe, extending the promise of "Life and Business Made Easier" to the mobile space. With webe, customers can experience seamless connectivity for as low as RM79 per month with unlimited domestic calls, SMS and data without contracts.



SEP 01

TM, MRCB to offer IoT-enabled smart services

TM and Malaysian Resources Corporation Berhad (MRCB) signed a Memorandum of Understanding (MoU) to provide integrated telecommunications, ICT and Internet of Things (IoT)-enabled smart services in property development projects owned by MRCB.

DEC 01

TM continues winning streak at NACRA

TM won the Most Outstanding Annual Report of the Year (NACRA) - Gold Award for second consecutive year, in addition to the Industry Excellence Award - Main Board Companies in the Trading & Services Sector for 20th consecutive year, Best Designed Annual Report - Platinum Award for second consecutive year and Best Corporate Social Responsibility Reporting Award – Silver.

TM wins big at MSWG awards

TM made a sweep of six awards at the Malaysia-ASEAN Corporate Governance Transparency Index, Findings and Recognition organised by the Minority Shareholder Watch Group (MSWG), including the Excellence Award for Top CG and Performance (Overall Category).

DEC 15

SEA-ME-WE 5 submarine cable system completed

The South East Asia – Middle East – Western Europe 5 (SEA-ME-WE 5) consortium, which includes TM, announced the completion of the 20,000km submarine cable infrastructure connecting three continents. The submarine cable system had earlier won the Project of the Year – Subsea award at the Global Carrier Awards in Paris for technological and managerial excellence.

DEC 30

WHO KEEPS US IN BUSINESS

TM exists for our customers and stakeholders.

We are driven to innovate on our products and solutions in order to fulfil our customers' needs. We are also revamping our interfaces to ensure a consistently high level of customer experience. However, we are supported in our mission – both directly and indirectly – by various other stakeholders. Key among them are our employees, business partners, suppliers, government and regulators, investors and shareholders, and our local communities.

In the following pages we describe in what ways these stakeholders are important to us, and how we build strong relationships with them.







Stakeholder Group	Customers	Employees	Business Partners
Why it's important for us to engage	Our customers are central to the sustainability of our business. In an environment as competitive as ours, it is critical to understand our customers' needs as well as to be aware of how satisfied they are with our service. Customers who are happy with TM become our ambassadors while those who are not could mar our reputation in the marketplace.	Our employees determine how well we perform, as their efforts drive the success of our business strategies. By engaging with them we acknowledge their importance to the organisation, create a sense of trust and loyalty, and encourage productivity. We also create channels for them to contribute their perspective on how we can improve our business.	Our business partners work with us to offer attractive products and solutions. It is important to engage with them for both parties to understand each other's business objectives and needs. In this manner, we are able to support each other and create synergies for win-win outcomes.
What matters most to them	We actively seek feedback from our customers after every interaction they have with us by sending them SMS-es. We also have an annual satisfaction survey. In addition, customers can get in touch with us via our call centres, TM Live Chat and Facebook. We also engage with customers using Twitter and YouTube, and have face-to-face interactions at events, roadshows and other sessions.	We have various platforms through which senior management engage with employees, such as Jom Bersama Townhall sessions and senior management visits to TM premises at the states as well as Teh Tarik with the top management. Additionally, messages are communicated to the employees via the intranet, enterprise social network - Yammer, departmental meetings and newsletters. We also undertake an annual employee satisfaction survey, which is anonymous, thus encourages employees to voice their feelings openly.	We keep in regular contact with our business partners through one-on-one meetings, phone calls and emails. We also have regular progress reports on ventures being undertaken together. We deliver our annual and sustainability reports for them to keep track of our performance, and also make corporate presentations on an ad hoc basis.

WHO KEEPS US IN BUSINESS






	Suppliers	Government and Regulators	Investors and Shareholders	Communities
	Suppliers and contractors have an impact on our ability to provide products and deliver services. We engage with them to ensure they comply with our health, safety and environment (HSE) requirements, as well as our integrity commitments. This is vital to our business continuity, viability and operational efficiency.	The government has a keen interest in developing the telecommunications industry as this contributes to national growth, while the regulators ensure a healthy playing field for operators. We work closely with both to provide input on regulatory matters as well as to ensure our business keeps in line with the government's broader economic, social and environmental imperatives.	Our shareholders have placed their trust in our ability to deliver healthy returns on their investments. We therefore have a responsibility not only to provide adequate returns but also to maintain an open and transparent relationship with them so they can make informed judgements as to the soundness and sustainability of the Group.	Our local communities play a role in maintaining our reputation and are significant to our long-term sustainability. However, our engagement with them is driven not only for business reasons but also because we believe we have a responsibility towards creating greater socio-economic equity in the society.
	We conduct a transparency survey on our suppliers to ensure they maintain ethical business practices. We also provide training programmes to help them enhance their business. We have a dedicated supplier relationship management team to maintain close ties with our growing number of suppliers. Our contractors are invited to attend our OSH seminars, training, briefings, exercises and competitions. Their workers are required to acquire the NIOSH-TM Safety Passport (NTMSP) before working on any of our sites. We keep track of their performance via audits.	We have formal meetings with the government and regulators and provide regular performance reports, especially on initiatives undertaken in collaboration with the Malaysian Communications and Multimedia Commission (MCMC) such as the Universal Service Provision. We also serve on the National Crisis Management Committee, and attend all its meetings.	We keep the investing community updated on our performance via one-on-one meetings, analyst briefings and other investor relations (IR) events such as roadshows and conferences. We make available our quarterly and annual results on our website, the annual results being further presented in integrated annual reports. We engage with shareholders directly at our EGMs and AGMs and provide them with updates as and when necessary.	We run numerous community programmes – from school adoption to the empowerment of women from marginalised backgrounds. Our volunteers go out to the community in force in times of national crisis, such as floods, and in display of solidarity to share in the joy of festive seasons. We also rally all Malaysians in a show of support for our national athletes through Team Malaysia, and provide budding football talents the opportunity to train at the Manchester United Soccer School (MUSS). In addition, we engage with members of our communities through various on-ground events and activities.

SR *For more on **Engaging Our Stakeholders**, please refer to pages 52 and 53, and also our Eco 360° Sustainability Report 2016, at pages 16 to 17.*

WHAT WE DO



Telekom Malaysia Berhad (TM) was established back in 1946 as the Telecommunications Department of Malaya and since then, the Company has been continuously developing and enhancing the country's telecommunications infrastructure and services to fulfil the communications needs of Malaysians regardless of their locations.

The Group has been on track for its transformation journey to become Malaysia's true Convergence Champion and No. 1 Converged Communications Services Provider, offering a comprehensive suite of communication services and solutions in fixed (telephony and broadband), mobility, content, WiFi and smart services. As a market leader, TM is

WHAT WE DO





driven by stakeholder value creation in a highly competitive environment. The Group places emphasis on delivering an enhanced customer experience via continuous customer service quality improvements and innovations, whilst focusing on increased operational efficiency and productivity.

Leveraging on our extensive global connectivity, network infrastructure and collective expertise, TM is well positioned to propel Malaysia as a regional internet hub and digital gateway for South-East Asia.

As a multiple award winning model corporate citizen committed to good governance and transparency, TM continues its pledge to ensure the integrity of our processes, people and reputation as well as the sustainability of our operations. With a focus on ICT, the Group promotes 3 major pillars of Corporate Responsibilities (CR) i.e. Economic, Environment and Social (EES), through our Reaching Out programmes.

TM will continue to leverage on the strategic investments made earlier in webe and TM Business Solutions to realise its Convergence and "Go Digital" aspirations as its moves beyond connectivity services into new value added digital services. The Company is embarking on a holistic approach covering customer experience, process optimisation and new business opportunities.

This entails building a digitally aware and smarter workforce that acts as a catalyst to the digital transformation of TM, thus powering Malaysia's digital economy.

TM looks forward to serving customers with relevant convergence propositions via the 5 pillars of Smarter Living, Smarter Businesses, Smarter Cities, Smarter Communities and a Smarter Nation - delivering a seamless digital experience and integrated business solutions to cater to individual lifestyle and business communication needs - towards making "Life and Business Easier for a Better Malaysia".

For further information on TM, visit www.tm.com.my.

CORPORATE INFORMATION

BOARD OF DIRECTORS

1
Tan Sri Dato' Seri Dr Sulaiman Mahbob
> *Chairman*
> *Non-Independent Non-Executive Director*

2
Tan Sri Dato' Sri Zamzamzairani Mohd Isa
> *Managing Director/ Group Chief Executive Officer*
> *Non-Independent Executive Director*

3
Datuk Bazlan Osman
> *Executive Director/ Group Chief Financial Officer*
> *Non-Independent Executive Director*

4
Dato' Sri Dr Mohmad Isa Hussain
Non-Independent Non-Executive Director

5
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Non-Independent Non-Executive Director

6
Dato' Ibrahim Marsidi
Senior Independent Non-Executive Director

7
Datuk Zalekha Hassan
Independent Non-Executive Director

8
Davide Giacomo Federico Benello @ David Benello
Independent Non-Executive Director

9
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor
Independent Non-Executive Director

10
Gee Siew Yoong
Independent Non-Executive Director

11
Tunku Afwida Tunku Dato' A.Malek
Independent Non-Executive Director

12
Balasingham A. Namasiwayam
Independent Non-Executive Director

13
Asri Hamidin @ Hamidon
> *Alternate Director to Dato' Sri Dr Mohmad Isa bin Hussain*
> *Non-Independent Non-Executive Alternate Director*

14
Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil
> *Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin*
> *Non-Independent Non-Executive Alternate Director*

SENIOR INDEPENDENT DIRECTOR

Dato' Ibrahim Marsidi
Email : sid@tm.com.my

COMPANY SECRETARIES

1. **Hamizah Abidin**
(LS0007096)

2. **Zaiton Ahmad**
(MAICSA 7011681)

REGISTERED OFFICE

Level 51, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia

Tel : +603-2240 1221
Fax : +603-2283 2415

HEAD OFFICE

Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia

Tel : +603-2240 9494
Website : www.tm.com.my

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
(378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel : +603-7849 0777 (Helpdesk)
Fax : +603-7841 8151/52
Website : www.symphony.com.my
Email : ssr.helpdesk@symphony.com.my

STOCK EXCHANGE LISTING

Listed on the Main Market of
Bursa Malaysia Securities Berhad
Listing Date : 7 November 1990
Stock Name : TM
Stock Code : 4863
Stock Sector : Trading/Services

AUDITORS

PricewaterhouseCoopers (AF: 1146)
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

Tel : +603-2173 1188
Fax : +603-2173 1288
Website : www.pwc.com

PRINCIPAL BANKERS

1. CIMB Bank Berhad
2. Malayan Banking Berhad

CONTACT US

For any enquiries on
TM products and services

1. www.tm.com.my
2. Email: help@tm.com.my
3. Call:
   - > **100**, if you are calling from a fixed line in Malaysia.
   - > **1 300 888 123** if you are calling from a mobile device
   - > **+603-2241 1290** if you are calling from overseas.
   - > **+603-2240 9494** to reach our general line.
4. Follow TM on Twitter:
   - > **@TMCorp** (www.twitter.com/tmcorp)
   - > **@TMConnects** (www.twitter.com/tmconnects)

1

CHIEF CUSTOMER EXPERIENCE

Dato' Rafa'ai Samsi

Dato' Rafa'ai is responsible for TM's overall customer service experience management and transformation initiatives. He is also the Chief Technology and Innovation Officer. His profile is disclosed on page 104 of the Integrated Annual Report (IAR) 2016.

Tel : +603-2240 2944
Fax : +603-2240 8590
Email : rafaai@tm.com.my

2

HEAD OF INVESTOR RELATIONS

Rohaila Mohamed Basir

As the General Manager, Investor Relations, Rohaila is responsible for investor relations matters, reporting to the Executive Director/ Group Chief Financial Officer. Rohaila graduated with an LLB (Hons.) from the University of Malaya. She joined TM in February 2011. Rohaila spent five years in private legal practice specialising in banking and corporate finance prior to joining Malaysian Airline System Berhad in 2004, where she served as General Counsel until 2008. She then joined MMC Corporation Berhad as its Legal Advisor and later moved on to be Senior Manager, Group Managing Director's Office in 2009, where she headed the corporate communications function and handled investor relations for the company.

Tel : +603-2240 4848
Fax : +603-7955 0533
Email : rohailabasir@tm.com.my

3

CHIEF INTERNAL AUDITOR

Hazimi Kassim

Hazimi is responsible for the management of internal control and review of its effectiveness, adequacy and integrity. His profile is disclosed on page 107 of the IAR 2016.

Tel : +603-2240 1919
Fax : +603-7955 6235
Email : hazimi.kassim@tm.com.my

4

CHIEF LEGAL AND INTEGRITY OFFICER

Idrus Ismail

Idrus is responsible for legal and corporate ethics and integrity matters in the Group. His profile is disclosed on page 106 of the IAR 2016.

Tel : +603-2240 1700
Fax : +603-2240 6791
Email : idrus.ismail@tm.com.my

5

CHIEF CORPORATE & REGULATORY OFFICER

Ahmad Ismail

Ahmad is responsible for the Group's corporate and regulatory matters. His profile is disclosed on page 107 of the IAR 2016.

Tel : +603-2241 5799
Fax : +603-2241 5769
Email : ahmisa@tm.com.my

GROUP CORPORATE STRUCTURE

AS AT 3 MARCH 2017

MASS MARKET

CONSUMER & SMALL MEDIUM ENTERPRISE (SME)

- Telekom Sales & Services Sdn Bhd (100%)

NEW MEDIA

- TM Net Sdn Bhd (100%)
- TM Info-Media Sdn Bhd (100%)

- Telekom Applied Business Sdn Bhd (100%)

MANAGED ACCOUNTS

GOVERNMENT

- GITN Sdn Bhd (100%)

ENTERPRISE

VADS BERHAD (100%)

- VADS Business Process Sdn Bhd (100%)
  - PT VADS Indonesia (100%) (90% owned by VADS Business Process Sdn Bhd and 10% by VADS Berhad);
- VADS Professional Services Sdn Bhd (100%)
- VADS Solutions Sdn Bhd (100%)
- VADS e-Services Sdn Bhd (100%)
- Meganet Communications Sdn Bhd (100%)

- Intelsec Sdn Bhd (100%)
  - Inneonusa Sdn Bhd (51%)
  - Lyfe Medini Sdn Bhd (51%)
- VADS Lyfe Sdn Bhd (100%)

GLOBAL WHOLESALE

WHOLESALE

- Fiberail Sdn Bhd (54%)
- Fibrecomm Network (M) Sdn Bhd (51%)

GLOBAL

- Telekom Malaysia (USA) Inc (100%)
- Telekom Malaysia (UK) Limited (100%)
- Telekom Malaysia (Hong Kong) Limited (100%)
- Telekom Malaysia (S) Pte Ltd (100%)
  - Bluetel Networks Pte Ltd (29%)
- Telekom Malaysia (Australia) Pty Ltd (100%)

MOBILE & WIRELESS

- Mobikom Sdn Bhd (100%)
  - **WEBE DIGITAL SDN. BHD. (72.9%) (formerly known as Packet One Networks (Malaysia) Sdn Bhd)**
    - Millercom Sdn Bhd (100%)
    - Packet One (L) Ltd (100%)
    - P1.Com Sdn Bhd (100%)
    - RuumzNation Sdn Bhd (100%)

EDUCATION GROUP

- Universiti Telekom Sdn Bhd (100%)
  - Unitele Multimedia Sdn Bhd (100%)
    - MMU Creativista Sdn Bhd (100%)
  - Multimedia College Sdn Bhd (100%)

- Yayasan Telekom Malaysia [1]

CUSTOMER EXPERIENCE MANAGEMENT & TRANSFORMATION

IT & NETWORK TECHNOLOGY

- Telekom Research & Development Sdn Bhd (100%)

SUPPORT BUSINESS

- TM Facilities Sdn Bhd (100%)
  - TMF Autolease Sdn Bhd (100%)
- Menara Kuala Lumpur Sdn Bhd (100%)

CORPORATE CENTRE

Legend

- Market Clusters
- Line of Business
- Education Group
- Foundation
- Business Functions
- Support Business and Corporate Functions
- TM Subsidiary

Note:

[1] *Yayasan Telekom Malaysia is a charitable trust established under the Trustees (Incorporation) Act 1952*

- *This chart represents TM's lines of businesses, subsidiaries, associates, business functions and corporate functions.*
- *List of TM Group of Companies are shown on pages 323 to 328 inclusive of this Integrated Annual Report.*

GROUP ORGANISATION STRUCTURE

AS AT 3 MARCH 2017



WHERE WE OPERATE - INTERNATIONAL & DOMESTIC INFRASTRUCTURE & TRUNK FIBRE OPTIC NETWORK

Manufactured capital

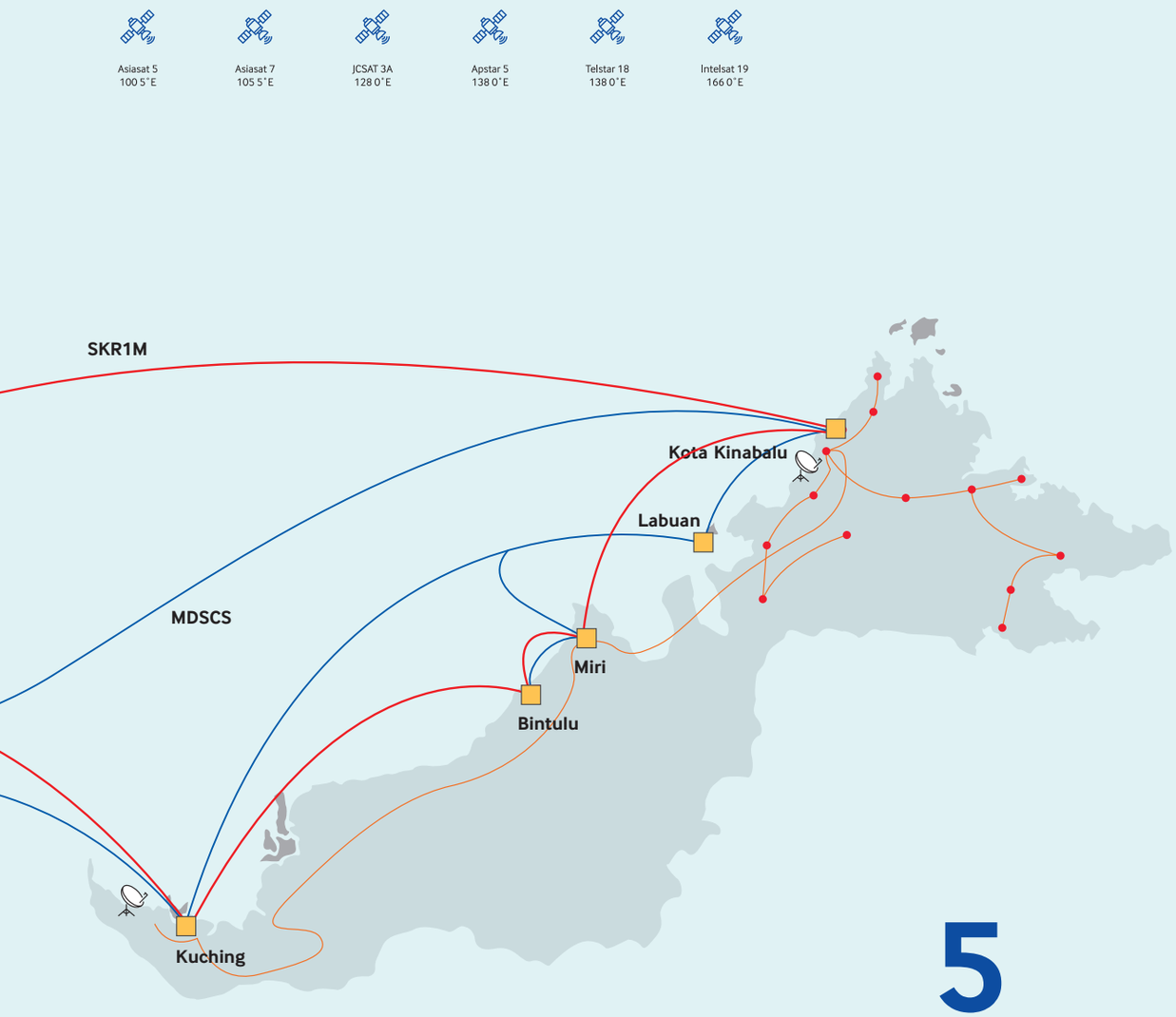


More than

3,200,000

kilometres domestic fibre core trunk and **junction**

WHERE WE OPERATE - INTERNATIONAL & DOMESTIC INFRASTRUCTURE & TRUNK FIBRE OPTIC NETWORK



5

international Cable Landing Stations (CLS)

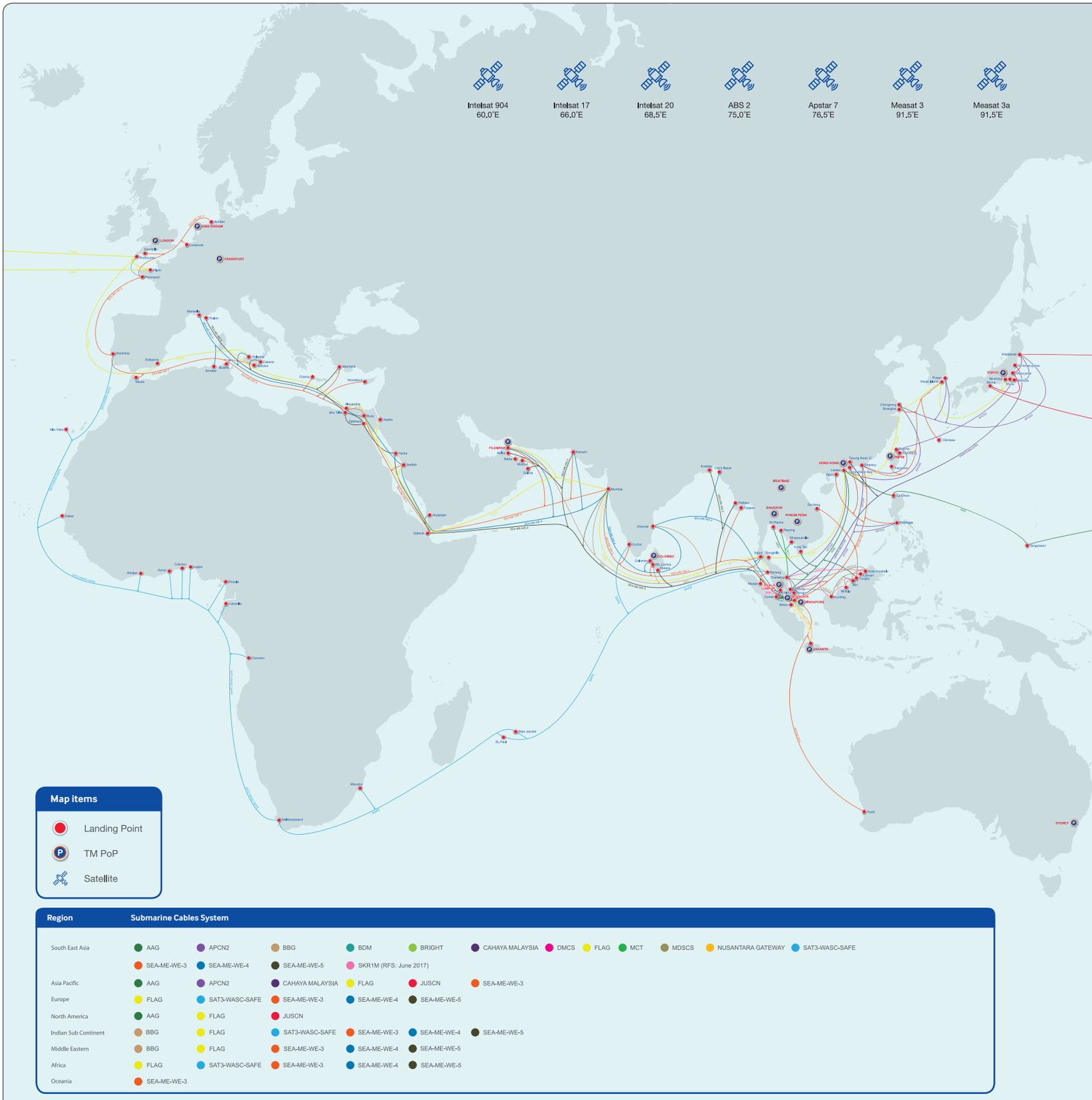
7

domestic Cable Landing Stations (CLS)

Legend

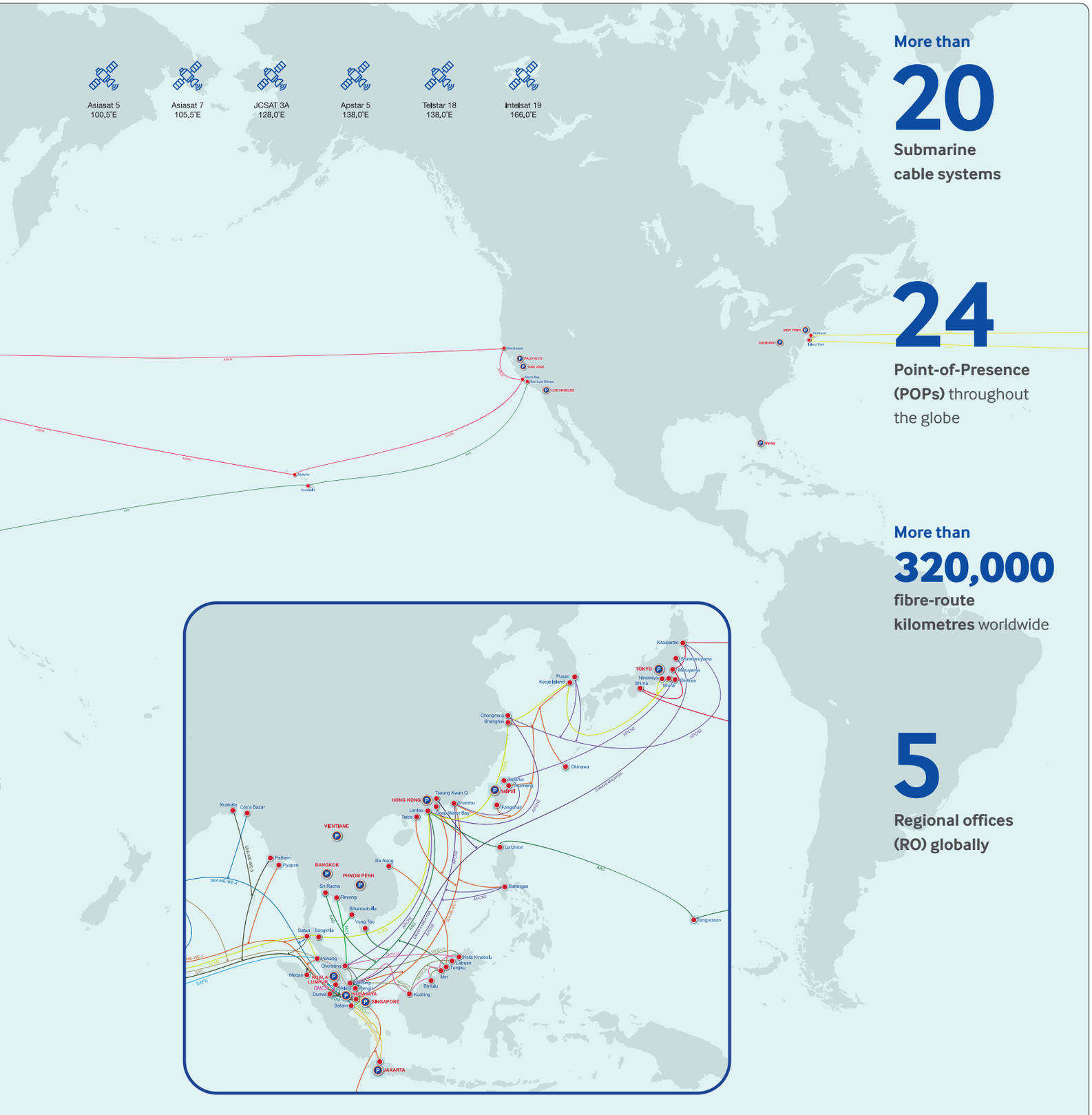
- Trunk cables
- Malaysian domestic submarine cable system (MDSCS)
- International Submarine Cable System
- Sistem Kabel Rakyat 1Malaysia (SKR1M)
- Satellite
- Earth Station
- International cable landing stations
- Domestic cable landing stations
- Trunk nodes

WHERE WE OPERATE - TM WORLDWIDE COVERAGE



Region	Submarine Cables System
South East Asia	AAG, APCN2, BBG, BDM, BRIGHT, CAHAYA MALAYSIA, DMCS, FLAG, MCT, MDSCS, NUSANTARA GATEWAY, SAT3-WASC-SAFE, SEA-ME-WE-3, SEA-ME-WE-4, SEA-ME-WE-5, SKR1M (RFS: June 2017)
Asia Pacific	AAG, APCN2, CAHAYA MALAYSIA, FLAG, JUSCN, SEA-ME-WE-3
Europe	FLAG, SAT3-WASC-SAFE, SEA-ME-WE-3, SEA-ME-WE-4, SEA-ME-WE-5
North America	AAG, FLAG, JUSCN
Indian Sub Continent	BBG, FLAG, SAT3-WASC-SAFE, SEA-ME-WE-3, SEA-ME-WE-4, SEA-ME-WE-5
Middle Eastern	BBG, FLAG, SEA-ME-WE-3, SEA-ME-WE-4, SEA-ME-WE-5
Africa	FLAG, SAT3-WASC-SAFE, SEA-ME-WE-3, SEA-ME-WE-4, SEA-ME-WE-5
Oceania	SEA-ME-WE-3

WHERE WE OPERATE - TM WORLDWIDE COVERAGE



More than

20

Submarine cable systems

24

Point-of-Presence (POPs) throughout the globe

More than

320,000

fibre-route kilometres worldwide

5

Regional offices (RO) globally

THE VALUE WE CREATE

TM'S VALUE CREATION

We create value by delivering our brand promise of 'Life and Business Made Easier'. This is encapsulated not only in the products that we offer to customers, but also in the way we deliver our service, and the effort we put into looking after the needs of our stakeholders. It means creating great employment opportunities for our people, helping our suppliers develop their business, providing a lending hand to the underprivileged, and supporting the government in driving the nation's economy.

Value Creation Activity



Products, Services and Infrastructure

Our extensive range of products and services as well as infrastructure enable Malaysians to connect with each other and to the rest of the world. Today, they are also facilitating better, safer, more enriching lives.

People and Human Capital

We provide a stimulating, performance-driven environment for our employees and invest in their professional development to enhance their job satisfaction, as well as our productivity.

Customer Experience

We are a service organisation and our customers determine our business success. We therefore ensure every time they interact with us, they receive the best possible service.

Capital Input

We are dependent on our people (human capital), business partners (social capital), new and existing technologies (intellectual capital), infrastructure as well as networks (manufactured capital) and energy (natural capital) to run our business successfully.

- We train our employees and provide them with a conducive work environment.
- We collaborate with business partners and share our knowledge, infrastructure and technology.
- We build and invest in infrastructure (such as high speed broadband, LTE networks and submarine cables) to enable the transmission of voice and data.
- We are investing in digital technology to enable a smooth customer experience when they transact with us.

Capital Output and Outcome

Our most important outputs are the products and services we offer that enable people to stay connected, namely phone, internet, television, mobile and ICT services.

However, we also empower communities, develop our people, support our business partners and start-ups and collaborate with the government to achieve its socio-economic agenda. At the same time, we make a conscious effort to minimise our carbon footprint to protect the environment and are nurturing a generation of environment-conscious youth who will continue to champion efforts to preserve the environment.

Our capital outputs are described in greater detail in the following page.

THE VALUE WE CREATE

In the Market

- We provide our customers with converged products and services that make life and business easier
- We are digitalising our customer journey, and nurturing a professional workforce with customer-centric mindset, to deliver an exceptional customer experience
- We are extending our High Speed Broadband (HSBB) coverage to more state capitals, selected major towns, industrial zones and educational institutions
- We are enhancing the entire vendor ecosystem to develop strong, resilient, competitive and sustainable Bumiputera corporate champions in line with the national agenda
- We are enhancing SMEs in Malaysia through ICT & digital solutions enabling them to expand beyond borders
- We are working with innovative start-ups to promote the content ecosystem

In Developing Our People

- We develop our employees through training, and nurture future leaders through TM Fast Track Programme
- We motivate high performance through performance-based rewards
- We engage actively with our people through Jom Bersama GCEO, Jom Sembang and departmental events
- We promote inclusivity through TM ROVers and other employee volunteerism programmes, as well as through our clubs and societies
- We provide a safe and conducive workplace
- We respect our unions and employees' rights

In the Community

- Empower single mothers under Program Sejahtera by providing them entrepreneurial skills and seed funds to either set up or enhance their businesses
- Provide educational opportunities to deserving students through scholarships, grants and financial assistance administered by Yayasan Telekom Malaysia (YTM)
- Provide educational assistance to 12 adopted schools since 2003, including Sekolah Kebangsaan Pendidikan Khas Pekan Tuaran, Sabah for visually impaired children, under our school adoption programme
- Contribute towards Universal Service Provision (USP) by installing network and application services to underserved or unserved communities throughout Malaysia
- Introducing Broadband for General Population (BBGP) in low penetration areas to achieve the Government's target of 90.0% broadband penetration by 2020
- Nurture a technically competent workforce at Multimedia University (MMU)
- Provide aid to the community in times of crisis through TM ROVers
- Provide donations and monetary aid focusing on providing basic rights, education and health to the underserved

In Protecting the Environment

- Reducing our carbon footprint via various energy-saving initiatives and measuring our carbon emissions in order to be able to work towards set targets. We have established a baseline and benchmark for electricity usage of our telecommunications network exchanges and commercial buildings using Power Usage Effectiveness (PUE) by Green Grid and Building Energy Intensity (BEI)
- We have migrated our legacy copper network to a New Generation Network (NGN) which consumes less energy and power, potentially reducing our energy consumption by 91.0GWh/year
- Organise BumiKu campaign to create awareness of the importance of preserving the environment among employees of TM and our subsidiaries
- Organise TM Earth Camp in collaboration with the Malaysian Nature Society (MNS) to increase environmental awareness among school children nationwide

LIFE
360°

Smarter Businesses



We empower businesses with cloud-based business solutions to forward their B2B2C journey.


"Where we are able to go beyond our boundaries and stay on top of everything."
TM AURA

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

The pace of change at TM never ceases to amaze me. In last year's annual report we introduced a refreshed brand vision, to make life and business easier. This year, we are taking the proposition even further by making our disclosures easier to comprehend. More specifically, we are making it easier for you to understand our business model and strategies, as well as our performance, by creating greater transparency and clarity via an integrated style of reporting.



TAN SRI DATO' SERI DR SULAIMAN MAHBOB

CHAIRMAN, **TELEKOM MALAYSIA BERHAD**

In this integrated report, we aim to present to you a clear picture of what exactly TM does, how we create value for our stakeholders, where we want to be, and how we aim to get there. We will be as open as we can about our key performance indicators (KPIs), so you can track our performance against stated goals. Where we do not meet our targets, we will explain the circumstances that prevented us from doing so, and present plans to navigate around these obstacles so as to go forward. You will therefore have access to all the information that you would have got from our traditional style of reporting, and more.

TM IS DELIVERING ON OUR CONVERGENCE CHAMPION ASPIRATION WHILE STILL

This, we believe, will help to create a greater sense of accountability and stewardship in TM in line with our higher purpose in nation-building, with stronger bonds of trust with our stakeholders, and make it easier for our investors to assess the health of their funds in our Company. Ultimately, it is what annual reports should do; and we are proud to be part of a small group of corporations to take this step in pioneering a new standard of reporting in the country – delivering a more strategic document that displays our value creation over the short, mid and long term.

Creating Greater Value for Customers and the Nation

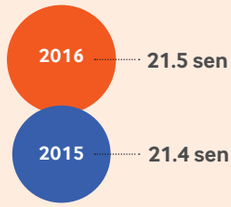
As indicated in last year's annual report, we expected 2016 to be our year of convergence. With the launch of webe, we are delivering on our Convergence Champion aspiration while still expanding the reach of broadband access across the nation, thus connecting even more Malaysians to each other and the rest of the world. This, finally, completes the circle of our services from satisfying customers' needs at home or in the office, using our fixed network, to fulfilling their connectivity needs while on the go.

As Malaysia's Convergence Champion, we will continue to offer relevant convergence propositions to Malaysians via the five pillars of Smarter Living, Smarter Businesses, Smarter Cities, Smarter Communities and a Smarter Nation.

Following the High Speed Broadband Phase 2 (HSBB 2) and Sub-Urban Broadband (SUBB) agreements signed with the Government in December 2015, we have begun to roll out the necessary infrastructure and are well on track to delivering 95 HSBB-ready exchanges by end of 2017 providing access to 390,000 premises; and 420,000 ports delivering HSBB access through copper line upgrades and fibre (for areas with 'fibre to the home') by 2019.

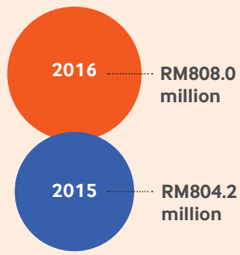
TOTAL DIVIDEND

21.5 SEN PER SHARE



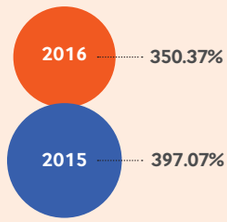
TOTAL DIVIDEND PAYOUT

RM808.0 MILLION



TOTAL RETURN TO SHAREHOLDERS

350.37%



We have always considered the delivery of broadband to everyone as one of our major goals in support of national development, and are pleased when the Government announced in its 2017 Budget a desire to see fixed broadband providers offer higher speeds at the same price as of January 2017.

This vision is, in fact, in line with what TM has already been doing over the years. Along with increased speeds under our different UniFi packages, our fee per Mbps has decreased up to 78% for home subscribers and 75% for business subscribers. Spurred by the announcement, we have outlined a Broadband Improvement Plan under which we commit to making broadband even more accessible and affordable to all Malaysians. Subject to technical availability, we will start upgrading eligible customers to the next plan offering faster speeds, at no extra cost, starting from January 2017.

Financial Performance

While serving to fulfil our national duty, we of course maintain a very steady eye on our financial performance, as achieving healthy profits is critical to our business sustainability. Together with revenue and our customer satisfaction index, as measured by TRI*M, earnings before interest and tax (EBIT) is one of our headline KPIs.

During the year, we met all three headline KPIs, recording 2.9% growth in revenue to RM12.06 billion, crossing the RM12 billion mark for the first time; achieving a healthy EBIT of RM1.15 billion and exceeding our TRI*M target at more than 72, above industry global average of 68, for the 6th consecutive year.

It gives me pleasure to share that, based on these results, we are able once again to fulfil our commitment to our shareholders and are proposing for shareholders' approval at the Annual General Meeting (AGM), a second interim single-tier cash dividend of 12.2 sen per share. Together with the first interim dividend of 9.3 sen per share amounting to RM349.5 million which was paid in October 2016, the total dividend payout will be 21.5 sen per share, or RM808.0 million. Since the demerger in 2008, we have delivered a total return to shareholders (TRS) of 350.37%, which ranks among the highest to be paid by listed companies on Bursa Malaysia in that time frame.

EXPANDING THE REACH OF BROADBAND ACCESS ACROSS THE NATION.

CHAIRMAN'S STATEMENT



Convergence Champion & Going Digital

Going forward, we have our path set for us as we continue along our journey towards convergence, offering our customers the full benefits of unparallelled connectivity and a seamless experience, no matter where they are or what device they use. We will continue to leverage on strategic investments made to realise our Deliver Convergence and Go Digital aspirations as we move beyond connectivity into quad play, and new value added digital and smart services. We are also investing a great deal on digitalising our internal systems and services for greater operational and functional efficiencies, helping us to further increase our customer satisfaction. TM's success depends to a large extent on our ability to innovate and remain ahead of the curve at all times. This is something we are very conscious of, and have been focusing our efforts over the last few years.

Already, we are seeing the fruits of our endeavour, in the shape of webe and increasingly more attractive UniFi bundles. We will continue to build on these exciting platforms as well as our ICT, smart services and value-add products, such as HyppTV to bring an integrated digital lifestyle to individuals, homes and businesses. As we do so, we will further strengthen our unique position to deliver a seamless digital lifestyle across B2C, B2B and B2B2C customer segments. From this vantage point, we will continue to make life and business easier, for a better Malaysia.

> **We are also investing a great deal on digitalising our Internal systems and services, for greater operational and functional efficiencies, helping us to further increase our customer satisfaction.**

Acknowledgements

Our successes to date have been the culmination of the contributions of various stakeholders, whom I would like to acknowledge.

First and foremost I would like to thank the Government and regulators such as the Malaysian Communications and Multimedia Commission, who have created a healthy ecosystem for all telcos. We look forward to working with you to continue to open up more ICT possibilities for the further advancement of the nation. I would also like to thank our business partners and collaborators for their diligence and commitment to working towards common goals. A thank you goes to the media for disseminating fair and honest opinions on the industry and its players, including TM; and to our customers, for their loyalty and support, and for being with us on our exciting journey in the era of convergence. We feel truly beholden to our shareholders, for the trust you have placed in us, and will strive continuously to return your goodwill with attractive returns.

Finally, I would like to express my heartfelt gratitude to the entire Warga TM for being who they are – the true champions of this Company, continuously driving us forward with their passion and dedication. We are blessed to be surrounded by individuals of incredibly high calibre on the Board, who guide this Company so ably with wisdom and integrity. To Dato' Danapalan T.P Vinggrasalam and Dato' Ir Abdul Rahim Abu Bakar, who have resigned, thank you for all your contributions during your esteemed and valued tenure with us. To Mr Balasingham A. Namasiwayam and YAM Tunku Afwida Tunku Dato' A Malek, welcome on board; we look forward to your valued inputs.

Our Management deserves a special mention for their strong leadership, determination and ability to translate our vision into business results and shareholder returns. And as for our employees, words cannot describe how much we appreciate your dedication, perseverance and enthusiasm which have made possible TM's commendable performance in 2016. Thanks to you, we have made webe, and convergence, a reality. Thanks to you, we are once again achieving an impressive roll-out under HSBB 2 and SUBB. And most of all thanks to you, we have transformed our Customer Experience. As a token of our appreciation, we are granting eligible employees shares in the Company, which we hope will motivate you to continue with your outstanding performance, as it is, this that shapes our future, and the future for so many Malaysians.



Tan Sri Dato' Seri Dr Sulaiman Mahbob
Chairman

GROUP CHIEF EXECUTIVE OFFICER'S MANAGEMENT DISCUSSION & ANALYSIS

DEAR SHAREHOLDERS,

2016 was both an exciting and challenging year for Telekom Malaysia Berhad (TM). We had said it would be our Year of Convergence, and we made good on that promise. Despite a soft economy, we went full steam ahead to launch webe, our mobility service, and the first fully digital mobile company in Malaysia. With this, we are well on our way towards our aspiration to offer Malaysians the full benefits of a convergence lifestyle – the ability to stay connected with the world of information and entertainment, and with friends as well as business, no matter where or when, or on whatever device.



TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA

GROUP CHIEF EXECUTIVE OFFICER, **TELEKOM MALAYSIA BERHAD**

FOR THE 6TH CONSECUTIVE YEAR, OUR MEASURE OF CUSTOMER SATISFACTION (TRI*M) EXCEEDED THE INDUSTRY AVERAGE OF 68

To support our mobility service, we aggressively rolled out the Long Term Evolution (LTE) network on which it is based. By the end of the year we had achieved 2,127 LTE-ready sites and are continuing to expand this rapidly, achieving for LTE what we had for our high speed broadband (HSBB) when this was first rolled out. In fact, we are continuing to expand our HSBB infrastructure, closing the year with a wider footprint of 2.23 million ports nationwide.

Although expansion of our infrastructure increased our capital expenditure (capex), the take-up rates of both webe and UniFi validate our spend. For webe, we achieved our first year internal targets within four months of its launch in August 2016. Our overall HSBB take-up rate stands at 42.6%, while just in the fourth quarter of the year we activated more than 949,000 UniFi customers, 79% of whom were on speeds of 10Mbps or more. This further contributed to an increase in average revenue per user (ARPU), boosting our profit margins.

Above all of this, we have started converging our own systems to be able to offer an exceptionally smooth experience every time our customers interact with us. This contributed to a customer satisfaction index (TRI*M) of more than 72, exceeding our headline key performance indicator (KPI), and outstripping the industry's average of 68, for the 6th consecutive year.

GROUP CHIEF EXECUTIVE OFFICER'S MANAGEMENT DISCUSSION & ANALYSIS

Even with the RM3.3 billion capex that we invested during the year, we have been able to meet all three of our headline KPIs. Other than the TRI*M index, we are continuing to reward our shareholders and other stakeholders with healthy revenue growth of 2.9% and Group operating profit (or earnings before interest and tax (EBIT)) of RM1.15 billion.

Most of all, the year has been truly rewarding for us at TM, as we achieved our long-held aspiration of serving the nation as its champion of convergence. As Malaysia's Convergence Champion, we will continue to offer relevant convergence propositions via the five pillars of Smarter Living, Smarter Businesses, Smarter Cities, Smarter Communities and a Smarter Nation. In other words, we aim to touch and enhance the lives of all Malaysians in every aspect of their day-to-day living. This is aptly reflected in the themes of our annual report and sustainability report, namely Life 360° and Eco 360°. It means we are committed to providing holistic connectivity and experience (Life 360°) as well as holistic sustainability (Eco 360°), in line with our ultimate vision "To Make Life and Business Easier, for a Better Malaysia".

OUR OBJECTIVES & STRATEGIES

Our objective is as stated in our Vision, namely **To Make Life and Business Easier for a Better Malaysia**. We believe we can achieve this by:

1. **providing our customers with an extensive range of convergence solutions** to meet their every need, at any point in a day, no matter where they are; and
2. **ensuring they enjoy a seamless experience** every time they connect to our services.

The first strategic thrust is essentially that of Delivering Convergence, while the second is encapsulated by our Going Digital, i.e. digitalising our systems and processes to make it easier, faster and more convenient for customers to communicate and interact with us.

Deliver Convergence

Convergence to us is more than having the technology or infrastructure that allows for converged solutions; rather it is about enabling a high-quality experience whenever customers use TM to access internet, data and application services, wherever they are and whatever device they employ. In other words, convergence is part of the customer value proposition that we aspire to deliver, which we are realising by further expanding our reach and coverage; making available higher speeds and seamless broadband connection; with mobility, content and smart solutions; to fulfil our customers' lifestyle and business needs.

Today, we are already living in the era of convergence. With the launch of webe, we have completed our suite of convergence services, and intend to leverage fully on our new mobile capabilities to take convergence to a new level. webe is supported by the LTE network, for which we have approximately 2,100 sites nationwide serving 61% of the population. We are working to expand webe's LTE network while also conscientiously focusing on meeting our targets under the High Speed Broadband Phase 2 (HSBB2) and Sub-Urban Broadband (SUBB) agreements signed with the Government in December 2015. The HSBB2 project is further expanding coverage to other state capitals and selected major towns whilst the SUBB project is focusing on expanding coverage to sub-urban areas not covered under the HSBB and HSBB2 projects.

HSBB 2 entails the expansion of the existing infrastructure to 95 more exchanges providing 390,000 ports which will cover about 650,000 premises by end 2017. As at end December 2016, more than 281,000 ports were deployed under HSBB2 against a target of 240,000 ports (119% achievement). For SUBB, we are working towards upgrading 421 exchanges providing 420,000 ports which will cover about 750,000 premises by 2019. As at end December 2016, more than 219,000 ports were deployed under SUBB against a target of 200,000 ports (representing a 110% achievement).

"OUR GO DIGITAL ASPIRATION ENCOMPASSES A HOLISTIC APPROACH THAT WILL CATALYSE OUR OWN DIGITAL TRANSFORMATION AND, EVENTUALLY, SERVE TO POWER MALAYSIA'S DIGITAL ECONOMY."

Meanwhile, we continue to invest in upgrading our network so as to be able to increase the quality and experience offered to customers. That the market is hungry for higher bandwidth can be seen from the very encouraging take up of our UniFi Advance and Pro plans quality and experience, which now account for more than half of our total UniFi customer base.

Go Digital

Our Go Digital aspiration, meanwhile, encompasses a holistic approach covering customer experience, process optimisation and new business opportunities. This entails building a digitally aware and smarter workforce that will catalyse our own digital transformation and, eventually, serve to power Malaysia's digital economy.

For our business customers, we have started to introduce a wealth of digitalised solutions that will greatly enhance their productivity through the ability to store, retrieve, analyse and share vast amounts of data. We launched the country's first cloud exchange, and will soon be launching twin core data centres to enable businesses to embrace big data technologies, the Internet of Things (IoT) and other cutting-edge solutions to stay ahead of the Fourth Industrial Revolution (IR 4.0). As a measure of our commitment to digitalisation, in 2016, we set up a new Group Digital Centre (GDC) and appointed a Chief Digital Officer to spearhead our Digital Transformation. Among the main responsibilities of the GDC are to drive a consistent digital experience for our customers at all touch points, and explore technical reusability. It will also set up Digital Centres of Excellence within each business cluster and partner the business to explore new business opportunities enabled by digital.

GROUP CHIEF EXECUTIVE OFFICER'S MANAGEMENT DISCUSSION & ANALYSIS



THIS IS WITHOUT DOUBT A VERY EXCITING TIME FOR ALL OF US AT TM, as we enter a new phase in our journey as Malaysia's Convergence Champion offering innovative products with strong value propositions.

In October we kick-started the first phase of our Digital Transformation with Digitalising the Customer Experience (DiCE) project. DiCE aims to create a better experience for customers at each of six stages in a typical journey they take with us, starting with when they join TM to how they use our services, make payments, engage with us, renew their subscription and, finally, stay with TM. We are leveraging on input gained from customers – from channels such as the Net Easy Score (NES) and Net Promoter Score (NPS) – to resolve pain points and create greater efficiencies at each customer interface, and hope to release the entire revamped digitalised platform by the third quarter of 2017.

Read more about this in **Beyond Products & Services** on **page 71** and **Human Capital Development - Smarter Workforce** on **page 86**.

Productivity & Innovation

Our entire Deliver Convergence and Go Digital strategy is underpinned by added emphasis throughout the organisation on continuous productivity enhancement as well as being innovative in everything we do.

Efforts to enhance productivity are aimed at fulfilling the basic principle of increasing efficiency and maximising output with existing resources. To achieve this, we constantly review and update our processes and procedures, while enhancing our technology, our resources (namely our people, equipment and assets), and our capabilities and culture. In 2016, we introduced a holistic productivity framework to ensure Group-wide alignment with our productivity initiatives.

We also set up a centralised governance body to monitor and track our performance against set targets throughout the organisation.

As a technology-driven company, innovation is critical to ensuring we stay ahead of the game. We invest considerably into innovation and have an established innovation ecosystem, centering around our internal innovation hubs of TM R&D and Multimedia University (MMU), as well as the RE: Accelerator Programme through which we engage with promising start-ups and enter into partnerships with leading innovators. Via these collaborations, we have been able to invest in and adopt various new technologies that are driving greater efficiencies within TM. These have included data analytics for faster troubleshooting and service restoration.

More generally, we are inculcating a culture of innovation in TM to encourage all employees to suggest ways in which we can improve our systems, processes and operations to enhance our business. During the year, we launched a Distinctiveness Innovation Initiative (DII) to channel their ideas through a sifting process determining their viability and potential to create positive change. Ideas that pass through the funnel and are implemented earn the employees who contributed them recognition.

Through our Deliver Convergence and Go Digital initiatives, we hope to transition into the next phase of our convergence journey, namely Convergence 2.0. To accelerate our progress, we will continue to communicate our convergence messages throughout the Group, keeping steadfast as we work together in the spirit of 1TM to achieve our common goals.

Read more about this in **Strategy Review** on **pages 48** to **51.**

REVIEW OF OUR FINANCIAL PERFORMANCE

I am very pleased by the solid performance achieved during the financial year, with revenue growth seen across all our customer clusters driven mainly by Internet, data and others. This is in line with our expanding broadband customer base, increase in number of customer projects and ICT-BPO revenue. As mentioned above, we achieved 2.9% growth in Group revenue, from RM11.72 billion in 2015 to RM12.06 billion. Not only did this meet our headline KPI, it also marked the first time we have crossed the RM12 billion mark.

Segmentally, Voice revenue dropped by 5.0% year-on-year to RM3.33 billion along with decreased STD and IDD traffic minutes as well as a reduction in our cumulative DEL subscriber base.

We achieved a milestone this year with Internet becoming our largest revenue contributor for the first time. Internet revenue increased by 8.9% to RM3.67 billion, driven mainly by UniFi and HyppTV content, which accounted for RM131.2 million and RM147.3 million respectively, in line with a higher customer base and HyppTV Premium Channel buys. Revenue from TM Direct at Managed Accounts – at RM37.6 million – also contributed to the increase from new installations and bandwidth upgrades.

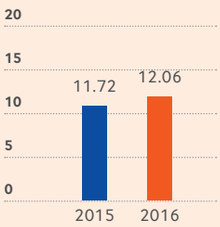
Data revenue grew 2.8% compared to 2015 to RM2.74 billion. This expand mainly due to increased Wholesale Ethernet, IRU and International Leased revenue at Global Wholesale. We also recorded higher data services revenue, in particular broadcast transmission and IPVPN at Business Solutions and GITN respectively.

GROUP CHIEF EXECUTIVE OFFICER'S
MANAGEMENT DISCUSSION & ANALYSIS

GROUP REVENUE

+2.9%

RM12.06 BILLION

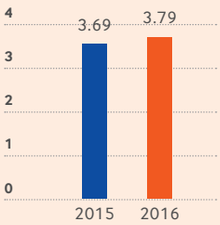


Crossing the RM12 billion mark for the 1st time

EBITDA

+2.5%

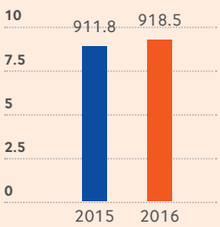
RM3.79 BILLION



GROUP PBT

+0.7%

RM918.5 MILLION



Revenue from Other services grew by 6.4% to RM2.32 billion, mainly from higher USP amortisation and customer projects in Managed Accounts. Other non-telco revenue also increased due to property development, tuition fees from Multimedia University and ticket sales at Menara Kuala Lumpur.

On the back of our robust revenue, we reported earnings before interest, tax, depreciation and amortisation (EBITDA) of RM3.79 billion, representing a 2.5% increase from RM3.69 billion in 2015.

Although our EBIT of RM1.15 billion was 8.2% lower than in 2015, this was due to higher operating costs and the impact of accelerated depreciation of WiMAX assets. Excluding one-off items such as unrealised foreign exchange gain (forex) on international trade settlement and the Group's early retirement scheme, the Group's normalised EBIT stood at RM1.19 billion, 4.4% lower than the previous year.

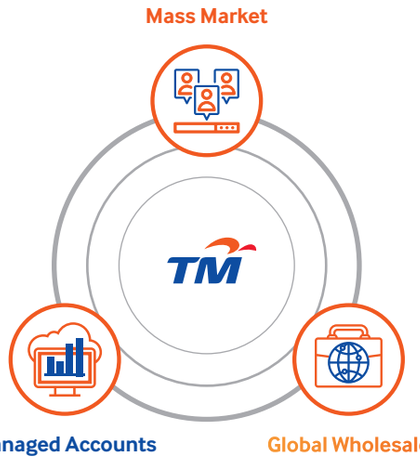
Group profit before tax (PBT) increased from RM911.8 million to RM918.5 million, while we reported a 10.8% increase in Group net profit (PATAMI) from RM700.3 million to RM776.0 million primarily due to other gains, lower forex losses on borrowings as well as tax incentives recognised in 2016. Our Normalised PATAMI, which exclude non-operational items, was 6.3% lower, at RM847.9 million against last year.

The LTE roll-out and launch of webe caused a spike in our expenditure, especially in the last quarter of the year. Taking the year as a whole, total capex as a percentage of revenue was 27.5%, amounting to RM3.3 billion, compared to capex as a percentage of revenue of 21.4%, amounting to RM2.5 billion, in 2015.

Along with this strong showing, we are able once again to fulfil our dividend commitment to shareholders. We are declaring a second interim single-tier cash dividend of 12.2 sen per share or RM458.5 million for the financial year ended 31 December 2016. Together with the first interim dividend of 9.3 sen per share amounting to RM349.5 million which was paid in October 2016, our total dividend payout amounts to 21.5 sen per share, or RM808.0 million. The dividend will be paid on 24 March 2017.

REVIEW OF OUR OPERATIONS

During the year, all our key business segments –



– aligned their energies and strategies towards TM as a Group achieving our Convergence Champion aspiration. Their determination and focus have paid off, as seen in numerous positive outcomes.

Mass Market

Intense competition for business from consumers and SMEs, together with lower willingness to spend by customers, has heightened the need for us to differentiate ourselves. This is being accomplished by offering the most extensive coverage, and strengthening our position as the Convergence Champion offering quality connection, value products and the best customer experience.

We are currently expanding our broadband infrastructure while also expanding our Long Term Evolution (LTE) coverage to support webe. Under the HSBB 2 and SUBB projects, we are deploying one million broadband ports across more than 600 exchanges over the next five years. We expect to see returns from these investments in the form of more customers and higher average revenue per user (ARPU). In 2016, our ARPU for UniFi grew to an average of RM201 per month from RM190 a month in 2015 while that for Streamyx increased to RM90. With broadband coverage currently at approximately 80% of 7.6 million households in Malaysia, and penetration rate at 78% of households, there is still much room for growth.

As we upgrade our network we are also able to introduce more attractive products. Following the launch of UniFi Advance with speeds of 30Mbps and 50Mbps in October 2015, we unveiled UniFi PRO plans offering speeds up to 100Mbps for consumers and businesses on 31 March 2016. These were bundled with more value added services and entertainment options. Our value added services received a boost with our latest partnerships with iFlix and Viu, which enable us to offer customers even greater selection of films and TV programmes over their HyppTV subscriptions.

We are pleased with the market's response to our initiatives. As at end 2016, we had more than 2.37 million broadband customers, of whom more than 900,000 are UniFi customers. Most encouragingly, we have seen very promising take-ups of UniFi ADVANCE and PRO, which have attracted in excess of 500,000 subscribers to date, translating to 54% of our total UniFi customer base. Overall, 79% of our RM2.37 million broadband customers are now on packages of 10Mbps and above.

While webe completed our converged suite of offerings, going into the mobile space is not without its fair share of challenges. The mobile market is already very competitive and we need to differentiate webe in order to stand out. Our ambitions are not to be just another mobile player, rather we look towards our vision of becoming a convergence champion. We will do this in two main ways: by offering a never-ending quota proposition under one simple plan, a first in our market; and by launching it with a ready-made community platform, enabling subscribers to contribute to social issues that are meaningful to them. For us at TM, webe also creates an internal benchmark in our digitalisation agenda, as the 1st Malaysian digital mobile company with the entire customer journey for this service being digital – from the moment customers subscribe to the service through to their online ordering and delivery, billing, the ability to engage in web and application-based live chat and online subscription to value added services.

We are excited with the strong initial take-up for webe, which was just launched in September 2016. We are expanding our LTE coverage leveraging on TM's nationwide fibre network and other infrastructure synergies. We have approximately 2,100 LTE sites nationwide covering 61% of the population at the end of 2016.

Read more about this in **Mass Market** on **pages 60** to **62**.

Managed Accounts

Competition within the Managed Accounts segment is also intense, with not only domestic but also global players offering ICT solutions to help business customers meet their communication and connectivity needs. As a result, connectivity has become highly commoditised and providers are under intense price pressure.

In the face of these challenges, we are moving aggressively into the digital space with offerings such as big data technologies, IoT and VADS Marketplace. The marketplace is Malaysia's first cloud exchange service, aimed at small and medium-sized enterprises (SMEs). It serves as an online store offering Business-To-Business (B2B) cloud-hosted solutions from well-known global players as well as local independent software vendors. Customers not only have access to an extensive range of solutions but will also have these delivered almost instantly.

We are also actively exploring collaborative opportunities with property developers on smart solutions and services for townships and other projects. During the year we introduced In Building Solutions (IBS) including Electrical Low Voltage (ELV) adjacent services such as smart parking, digital signage and waste management. These smart solutions have attracted the attention of developers such as See Hoy Chan based in Kuala Lumpur, and the Aspen Group in Penang. We are, additionally, in discussions with the management of the Refinery and Petrochemical Integrated Development (RAPID) complex in Pengerang, Johor.

At the same time, we are improving our integrated connectivity and ICT/BPO solutions tailored to vertical business requirements, and placing more emphasis on consultative selling. Rather than offer standalone products, we now propose converged customer solutions that meet the specific needs of a business vertical, thus strengthening our value proposition. Our ability to offer integrated ICT solutions targeted at specific verticals allows us to create more value for our customers and serves as a powerful differentiator against our competitors.

Our exciting new products and services were complemented by a refreshed go-to-market strategy that saw Managed Accounts brand its offerings as 'TM Business Solutions'. This places greater emphasis on the business benefits they can derive from our service offerings, and has so far been well received by the market.

Going forward, we foresee new growth opportunities in our Managed Account segment, and look forward to tapping on these by focusing more on our converged solutions (including ICT, BPO and Smart Services) that meet the specific needs of prioritised verticals. We will also focus on monetising our investments in VADS' Twin Core Data Centres in Iskandar Putri, Johor, which will be operational in 2017; as well as in Cyberjaya, which will open later. A number of our customers have geographically dispersed sites, which we can connect via cost-effective software-defined wide area networks (SD WAN), unified communications tools as well as cloud-based services.

Government agencies feature among our most prominent Managed Accounts customers, and we continue to cater to their need to be able to manage large volumes of data, efficiently and securely. A major success in this regard was signing on the National Statistics Department as our first customer in big data applications. We believe there is huge potential to grow this service and will look to further market it along with other ICT solutions such as IoT and virtualisation.

Read more about this in **Managed Accounts** on **pages 63** to **67**.

Global Wholesale (GW)

Our Global Wholesale (GW) business continues to add value to mobile service providers in the country by expanding our Next Generation Backhaul™ (NGBH™) services. During the year it fiberised more than 2,800 new EnodeBs/Cell Sites via a 10-year Mobile Backhaul contract inked with five operators in support of LTE network expansion.

At the same time, it is ensuring better global connectivity out of and into Malaysia with further submarine cable expansion. The year saw the completion of the 20,000km South East Asia – Middle East – Western Europe 5 (SEA-ME-WE 5) submarine cable connecting three continents. The project, which won the Project of the Year – Subsea award at the Global Carrier Awards in Paris in November, will boost our growth with international bandwidth, IP Transit, IPVPN, interconnection and backhaul services.

Another milestone in international connectivity was the Bay of Bengal Gateway (BBG) cable going live in April. This 8,100km submarine line links Malaysia and Singapore to Oman and the UAE, with branches to India and Sri Lanka. It creates another first in the world by boasting the most advanced high-speed broadband fibre optic technology – dense wavelength division multiplexing (DWDM) – which allows capacity to be increased at will without any additional submarine intervention. The cable system interconnects with existing land and undersea cables at Oman and UAE for Europe, the Middle East and Africa, and similarly at Malaysia and Singapore for the Far East up to the US.

Embarking on its own journey towards digitalisation and convergence, GW has launched a new Beyond Connectivity (BeC) product providing Media Delivery Solutions Vertical service (MDSV) to global vertical markets worldwide. This marks our foray into more non-traditional business in the global space.

Read more about this in **Global Wholesale** on **pages 68** to **70**.

GROUP CHIEF EXECUTIVE OFFICER'S
MANAGEMENT DISCUSSION & ANALYSIS

MANAGING OUR EMERGING RISKS

The most pervasive risk facing the industry, hence also TM, is increased competition. Malaysians are increasingly embracing a digital lifestyle and all telcos are rushing to fulfil their increased expectations and demands, leading to price wars. We are meeting this challenge by leveraging on our position as Malaysia's Convergence Champion, winning in the 'everywhere, anytime' domain with improved speed and coverage, complementing our core connectivity with services in entertainment content, business apps and tools and B2B2C solutions. More than that, we are making every effort to ensure an exceptionally smooth customer experience. Our entire digitalisation programme is geared towards this, and it is encouraging to see some early wins in this regard.

On the financial front, we have to manage foreign exchange (forex) risks especially in connection with borrowings and procurement activity in foreign currencies. To counter the continued devaluation of the Ringgit, we have been hedging, developing contracts based on the Ringgit, and revising our procurement policies.

Another key threat is that of cybersecurity. Along with the many benefits of digitalisation, IoT and disruptive technologies such as Software Defined Network (SDN) and Network Function Virtualisation (NFV), comes greater exposure to cyber threats. The more connected systems and networks are, the greater the potential of unwanted infiltration. We acknowledge this threat, and to guard against cyberattacks, we have established a Group Information Security (GIS) Division which brings together all network and information security teams and functions across TM. GIS is led by our Chief Information Security Officer (CISO), who is responsible for overseeing and implementing Group-wide information security functions including strategy, architecture, governance and threat intelligence.

Read more about this in **Directors' Statement on Risk Management & Internal Control** on **pages 166** to **172**.

BEYOND PRODUCTS & SERVICES

Over and above differentiating ourselves through our converged service offerings and enhanced customer experience, TM continues to make our mark on millions of stakeholders through our inclusive brand architecture that encompasses initiatives in the community. Under our five (5) convergence pillar of Smarter Living, Smarter Businesses, Smarter Cities, Smarter Communities and a Smarter Nation, we are involved in numerous programmes to uplift the lives of the marginalised and to bring Malaysians together to share common goals, dreams and aspirations.

For example under Smarter Businesses, we empower single mothers with knowledge and tools to enhance their income-earning potential thus be able to better provide for the needs of their families. It gives me great pleasure to share that we extended this programme in 2016 to embrace women from Selangor and the Klang Valley into our fold. Under a Smarter Nation, we invest considerably in bridging the education gap by adopting underperforming schools and helping them to improve their academic outcomes. Through our school adoption programmes, we have touched more than 20,000 lives throughout the country since 2003.

Meanwhile, our idea of Smarter Communities revolves around catalysing greater collaboration between Malaysians – either at work, or at play or even in the sporting arena. Our Team Malaysia platform, which brings together Malaysians of all walks of life in support of our national athletes, has truly grown from the time it was formed in 2011. In 2016, to spur our contingent that gave their all to bring home glory from the Rio Olympics, Team Malaysia sent a small group to the Brazilian capital, where they redefined the term 'mobile journalism'. Using their own initiative and spirit of innovation, Team Malaysia took live footage of the sporting events using their smart phones, interviewed our athletes as well as Malaysian officials and volunteers, to capture moments that Malaysians would not have got to see on mainstream media. All this was streamed in real-time over Facebook, creating a first, Team Malaysia brought together Malaysians who were in Rio independently as part of their group; and it also created a significant number of Brazilian fans who will now always remember Malaysia and our athletes.

The success of this team – which garnered no less than RM4.5 million worth of social media value – serves as an excellent example of the power of convergence. The team that went to Rio were from different departments in TM, converging our skills and expertise; they used convergence technology to transmit raw, evocative images and videos of our athletes, making Malaysian audiences feel almost as if they were there, with our heroes; and with their energy and enthusiasm, they bridged cultural divides to create new fans and friends of Malaysia, converging people of the world. We feel immensely proud of this team's success and look to create more heartwarming convergence stories in the future.

INSPIRING OUR PEOPLE

Operating in the fast changing and dynamic communications industry, it is important for us to be able to adapt to our environment, embrace new technologies and deliver their benefits to our consumers. In order to have such agility, we need our people to share our aspirations and work together as one – 1TM.

We place great emphasis on engaging with our people, encouraging open and honest discussion, and really listening to them as part of efforts to create a sense of belonging to TM. This is supported by the creation of an organisation culture that facilitates communication and collaboration. We are also providing more cross-function opportunities for employees to gain broader exposure of the business. More informally, members of the top management, including myself, regularly conduct Jom Sembang sessions (previously known as Teh Tarik sessions) with employees chosen at random, for work-related conversations. We further reinforce teamwork and a team spirit via our highly successful Teaming With Passion (TWP) programme, which we have kept evolving since it was launched in 2009 to be relevant to our needs as a business and to meet the needs of our people.

To keep track of how well we are doing in terms of engaging with our employees, we conduct an annual employee engagement survey called My1TM. I am personally very pleased to see that our score has increased steadily over the years. While our Employee Engagement Index (EEI) has always been consistently higher than the global average of 85% for telecommunication companies globally, we reached a new high in 2016, where it peaked at 92%. We have placed quite heavy demands on our people since embarking, first, on our HSBB journey and, now, as we progress our Convergence transformation. And it has been very gratifying to see how well they have stepped up to the occasion every time. For this, I would like to express a heart-felt thank you. Our successes are due to you.

OUTLOOK FOR 2017

Along with a gradual improvement in the global economy, Malaysia's real GDP growth is expected to increase to 4.5% in 2017 from a projected 4.2% in 2016, according to the Malaysian Institute of Economic Research (MIER). This will be driven primarily by domestic demand, which will compensate for a continued slowdown in global trade and investment flows.

GROUP CHIEF EXECUTIVE OFFICER'S MANAGEMENT DISCUSSION & ANALYSIS

We are delivering convergence to Malaysians via the five pillars

1 Smarter Living
2 Smarter Businesses
3 Smarter Cities
4 Smarter Communities
5 Smarter Nation

Within this environment, IDC expects traditional telecommunications services (voice, data and internet) in the country to grow at a minimal rate of 0.6%. This will be supported by growth of the fixed market and mobile data usage, offset by diminishing returns from traditional voice and SMS. In addition, there will be a need to expand LTE coverage with bigger backhaul capacity.

In contrast, ICT and smart services will continue to record high growth, at a compounded annual growth rate (CAGR) of up to 34% from 2015-2020, as would be expected with the dawn of IR 4.0. Verticals with the highest forecasted ICT spending and growth potential have been identified as: Banking and Securities, Manufacturing and Natural Resources, Government, Retail, Insurance, Healthcare and Education.[1]

Moving Forward with Convergence 2.0

We enter the year 2017 full of confidence, despite the challenging environment, given the landmark evolution we have made from being Malaysia's Broadband Champion into becoming the nation's Convergence Champion.

Our Convergence Champion positioning stands us apart from other players at a time when such differentiation is increasingly critical. To support our transition into Convergence 2.0 we will continue to invest in our infrastructure. Within the space of two months in 2017, we have already expanded our LTE network to more than 6,000 sites nationwide, covering more than 60% of the nation. In addition, we are pressing on with our HSBB, HSBB2, SUBB and subsea cables roll-outs, and will channel a larger portion of our revenue this year to support these projects.

As part of our Smarter Nation vision, we continue to take our broadband service to more rural and remote locations, to serve the underserved via the Universal Service Provision (USP). In 2016, we completed a fiberisation project connecting Jerantut to Kg. Mat Daling, both in Pahang. In 2017, we will start deployment works to take broadband to Pulau Pangkor, Pulau Perhentian and Pulau Tioman. Residents and visitors to these islands will get to enjoy high speed connections by 2019.

We are fully supportive of the Government's objectives to make broadband more widely available and affordable as well as to improve its quality. This is very much in keeping with our own vision, and has spurred us to accelerate our efforts by presenting a Broadband Improvement Plan under which we aim to double the speed of our offerings at the same price, thus bringing the cost per Mbps down.

Our Mass Market segment will focus on upselling and cross selling value added services, such as entertainment, security services, life services and SIMS, to homes and businesses to increase both stickiness and revenue. Using big data capabilities, we are 'fixing the hygiene', ie focusing on areas where we can create the most positive customer service impact – such as reducing service disruptions and providing greater billing clarity.

We will continue to invest into building Managed Accounts' capacity and capabilities while widening its market reach in new growth areas such as cloud, which will serve as the core platform through which all our converged services will be delivered. We are very excited about launching VADS' Twin Core Data Centres in Iskandar Putri and Cyberjaya this year, allowing us to grow our data centre services, which we plan to take even further by tapping into the ASEAN market and beyond.

GW will continue to support our convergence journey while serving domestic licensees and sourcing for new opportunities regionally, creating partnerships to offer Beyond Connectivity solutions. To mitigate anticipated challenges in expanding our LTE capacity and coverage in dense outdoor and in-building locations, it will deploy Smart Centralised Radio Access Network (Smart C-RAN) services. Meanwhile, international connectivity will be further enhanced by integrating network intelligence into our cable systems utilising SDN technology. Digitalisation of our submarine cable will be carried out in phases up to year 2019.

IT&NT will provide the technology support for all the plans and initiatives of our business clusters, enabling us to double our broadband speed, simplifying our network architecture, digitalising our internal activities and driving further innovation to enhance our network as well as our customer experience.

We recognise the importance of having a competent and skilled workforce to complement the many changes we hope to effect both in our markets as well as internally in our systems. Towards this end, we will continue to invest in a culture to drive innovation and productivity. Heads of our business clusters will co-lead and co-deliver programmes to upskill our employees while at the organisational level, we are developing a hierarchically flatter and more fluid organisation to encourage greater collaboration and sharing of ideas between teams, creating a conducive environment for innovation to flourish.

This is without doubt a very exciting time for all of us at TM, as we enter a new phase in our journey as Malaysia's Convergence Champion offering innovative products with strong value propositions. In line with our promise of Life and Business Made Easier, we will continue to rally our energies to deliver an enhanced and integrated lifestyle... for a better Malaysia.



Tan Sri Dato' Sri Zamzamzairani Mohd Isa
Group Chief Executive Officer

[1] *According to Gartner, a leading IT research and advisory company*

IN CONVERSATION WITH DATUK BAZLAN OSMAN GROUP CHIEF FINANCIAL OFFICER

We recorded a robust financial performance in 2016, achieving our Headline KPIs (without webe) of 2.9% revenue growth, and

FOR THE FIRST TIME RECORDING OVER RM12 BILLION IN REVENUE.



DATUK BAZLAN OSMAN
GROUP CHIEF FINANCIAL OFFICER, **TELEKOM MALAYSIA BERHAD**

Q Can we have an overview of 2016 from the financial perspective? Was there anything out of the ordinary?

A 2016 was exciting for TM Group as we progressed on our journey to deliver Convergence and Go Digital. It was a breakthrough year for us, as we embarked on many initiatives to transform the organisation for continued value creation.

We recorded a robust financial performance in 2016, achieving our Headline KPIs (without webe) of 2.9% revenue growth, and for the first time recording over RM12 billion in revenue. Both EBITDA and EBIT growth were healthy, as a result of strong cost optimisation programmes.

We continued the rollout of our LTE network and launched our webe mobile service, bringing TM closer to our Convergence Champion aspiration. To cushion the financial impact of this, we undertook an accelerated depreciation and write-off of WiMAX assets at webe.

TM Group's account receivable (AR) days also improved to 80 days in 2016, 5 days lower due to improvements in collection and better credit management.

We launched seven (7) high-impact business initiatives under Group Finance in 2016, i.e. Telekom Revenue Assurance System (TRACE), Collection & Credit Information System (CONCISE), FINALYP 2.0 (Business Financial Analysis and Planning System), System Enablement of Direct AP (SEDAP), Centralisation of Regional Payment Disbursement Banking, Real Time Payment Update and Asset Retirement Online System.

Despite a challenging landscape, we also maintained our dividend promise, with a 95% payout ratio, or a total of 21.5 sen per share. We managed to preserve a high level of investor confidence, and maintained our credit rating of AAA for our local currency debt, and A3 and A- for our foreign currency debt on the back of strong financial indicators. The strong credit rating has ensured three successful USD issuances totalling USD175 million in February, August and November 2016 from the USD750 million multi-currency Euro Medium Term Note programme at attractive rates.

IN CONVERSATION WITH DATUK BAZLAN OSMAN GROUP CHIEF FINANCIAL OFFICER

CASH BALANCE

RM2.9 BILLION

CAPEX

RM3.3 BILLION

GROUP FINANCE ASPIRATIONS

1



Solid Fundamentals

2



Value Adding Business Partner

3



Deliver Beyond Expectations

ALPHA SOUTHEAST ASIA'S INSTITUTIONAL INVESTOR - CORPORATE AWARDS 2016 (MALAYSIA)

Best CFO in Malaysia

5TH ANNUAL CFO INNOVATION AWARDS

CFO of the Year (Excellence in Financial Planning & Analysis)

Q What is your current liquidity position? How are you funding major projects?

A Overall, we ended 2016 strongly with a cash balance of RM2.9 billion, despite the heavy investments for TM's future growth (i.e. capital expenditure of RM3.3 billion).

We plan to support the continued investments with a capital expenditure guidance of approximately 30% of revenue for 2017. The expenditure will be primarily for further expansion of the HSBB2 and SUBB projects, data centres and submarine cable investments as well as for webe's LTE roll-out. We intend to finance these projects with a mix of internally-generated funds as well as external financing. At present, our gross debt to EBITDA ratio of 2.1x is well within our headroom of 2.5x, giving us capacity to fund our activities either through our existing programmes or with new debt.

Q How did Group Finance support the overall operations and strategic achievements for the year? Have your financial control frameworks strengthened during the year?

A Group Finance has played a vital role in supporting TM across the board with unrelenting focus on being a valued partner to the business, displaying high integrity, competency and diversity in skillsets. We pride ourselves in demonstrating our commitment toward making Life and Business Easier for our customers.

Recognising we can contribute beyond supporting our internal stakeholders, we were instrumental in the introduction of JomPay, a national initiative to drive e-payments. This initiative has helped to enhance efficiency in collection through ubiquitous collection points (42 collecting banks), real-time notification and reduced costs. TM's customers also benefit greatly as the increased efficiency results in lower rates of dispute and immediate restoration of service, on top of the convenience of online bill payment. Needless to say, these are key factors in ensuring sustained positive customer experience, as demonstrated in TM's higher TRI*M index for 2016.

Of course, this is in addition to the recognition received over the year from across our diverse stakeholder groups (ie investors, auditors and other organisations), particularly in corporate governance, transparency and long-term value creation.

To keep the momentum going, we underwent a redesign of TM's financial management and undertook initiatives to not only change the way we operate, but also embarked on a cultural shift by adopting digitalisation of our processes. These transformative projects encompass revenue assurance, utilising analytics for credit management, monitoring, financial analysis, forecasting and business planning, among others. The changes will enable us to be more agile and serve as a stronger partner to the business by going beyond numbers to add sustainable value to our stakeholders.

Many of the initiatives we took over the year yielded promising results, showing improved effectiveness of our financial functions and being an important contributor to the sustained financial performance of the Group.

Q What are your mid- to long- term strategies to create further value for the organisation?

A I am pleased to say that our initiatives have had a positive impact, but many are still underway. It is important that Group Finance stay the course to keep supporting the execution of TM's overall plans.

We expect the way we work to transform in line with Going Digital – all of which will assuredly result in increased efficiency and agility of the finance organisation.

LIFE
360°



Smarter Cities

We are embedding intelligent technology into how cities are planned and run.



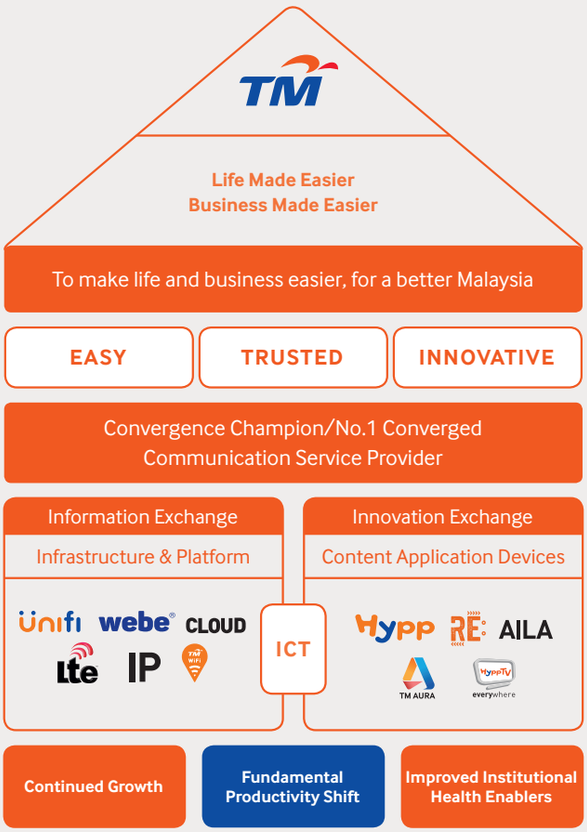
TM AURA

STRATEGY REVIEW

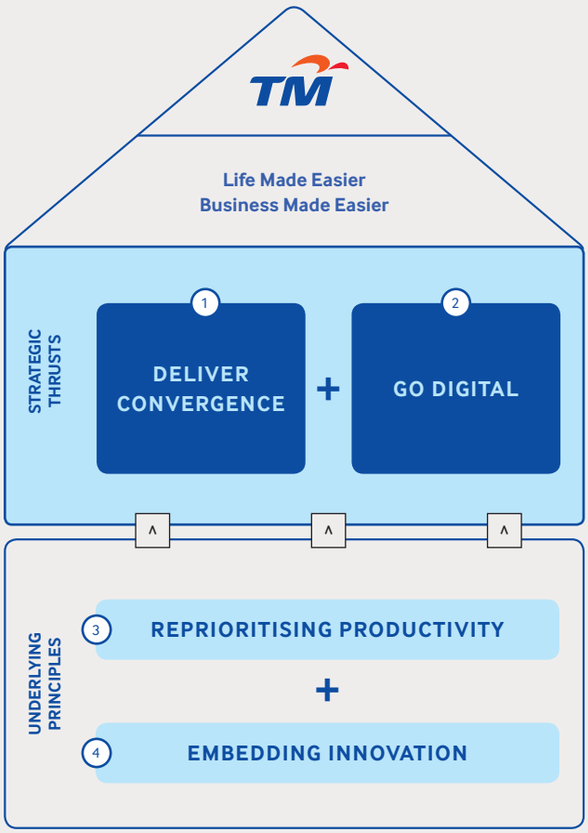
Our vision – to make life and business easier for a better Malaysia –

rests on becoming the nation's Convergence Champion
which, in turn, is supported by fulfilling our roles
as the No.1 Converged Communication Service Provider.

In the immediate term, we are focused on two key strategic thrusts; **Deliver Convergence** and **Go Digital**, underpinned by **Reprioritising Productivity** and **Embedding Innovation**.



Overall Strategic Framework



Immediate Key Focus Area 2016 - 2018

1 What do we mean by Convergence?

Convergence to us is all about our customer experience. It is about delivering superfast and seamless broadband connection everywhere and anytime; enabling and providing relevant lifestyle and business services on all devices; delivered in an easy and enjoyable experience. Towards this end, we are expanding our coverage, enabling higher broadband speeds, and increasing our wireless as well as mobile solutions, with mobility completing our convergence portfolio.

2 What do we mean by Going Digital?

Our Go Digital aspiration is about re-wiring our organisational DNA to change the way we do business, making us more efficient and productive. This is based on a three-pillar framework:

VISION — To Make Life and Business Easier, for a better Malaysia

DIGITAL PROGRAMMES

1 Customer experience	2 Process optimisation	3 New opportunities
"Generate easy and simpler ways for customers to engage with TM"	"Simplify and streamline internal processes through digitalisation"	"Create completely new businesses enabled by digital"
We are ensuring quality customer experience at every point of our customer's journey across multiple traditional and digital channels with the "I-Join" framework comprising I-Join, I-Use, I-Pay, I-Engage, I-Renew and I-Stay.	We are introducing two-speed IT architecture, and have begun streamlining processes such as SWIFT, doubling our field force productivity. At the Corporate Centre, we are developing apps to boost productivity and energise our employees.	We are leveraging on our assets/ investments to move beyond core connectivity into new value added and smart digital services such as cloud and Internet of Thing (IoT).

3 How are we Reprioritising Productivity?

We have embarked on initiatives to optimise outcomes from existing resources. A holistic productivity framework was introduced in 2016, supported by a centralised governance framework to monitor and track productivity initiatives throughout TM.

The initiatives focus on the following:

i. Processes and Procedures
ii. Technology Enablement
iii. Resource Configuration (people, equipment and assets)
iv. Capability and Culture

4 How are we Embedding Innovation?

We have frameworks that encourage employees to share their ideas, and allow us to integrate these ideas into our organisation. We also have formal innovation hubs – TM Research & Development (R&D) and Multimedia University (MMU) – where ideas are continuously generated; and external initiatives (through RE: and partnerships) from which we are able to tap into opportunities to improve the way we operate and the products we offer.

CONVERGENCE 2.0

The next step along our convergence journey takes us to Convergence 2.0, when we will no longer "Talk Convergence" but enable Malaysians to "Experience Convergence". **Life in the Era of Convergence** will be supported by five pillars of **smarter living**, **smarter businesses**, **smarter cities**, **smarter communities** and a **smarter nation**. These, in turn, will be complemented by our initiatives in the community that promote a better life for all Malaysians.

Smarter Living

Life becomes Effortless
Through our products and services, we are making life more intuitive and effortless.

Customers will enjoy:

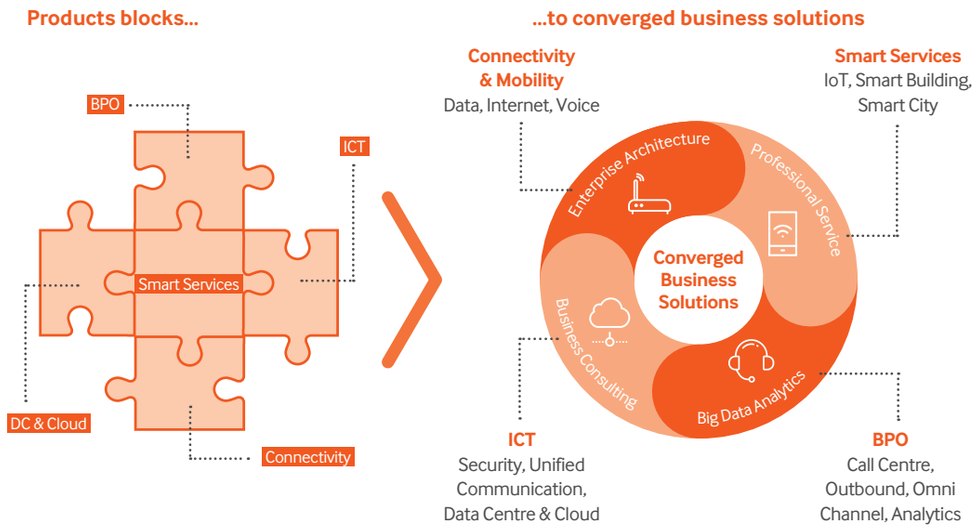
- Higher speed broadband packages
- A truly seamless connectivity experience as we extend our promise of 'Life and Business Made Easier' into the mobile space
- More value added services, e.g. video content
- Smart solutions like smart homes and appliances with security, surveillance & protection embedded
- All the above services will be delivered in an easy and enjoyable experience for customers

Smarter Businesses

Businesses become Agile
We empower corporate clients with cloud-based innovative solutions to forward their the Business-to-Business-to-Consumer (B2B2C) journey making business more agile.

Businesses will enjoy greater agility with:

- Our converged solutions, consisting of connectivity with mobility, ICT, BPO and smart services, tailored to vertical business requirements



- Our data centres and cloud, managed network services, managed security solutions, unified communication and collaboration
- VADS Marketplace offering B2B2C cloud hosted solutions powered by VADS Cloud eXchange

To make Life and Business Easier for a better Malaysia

Life in the Era of Convergence will be about...

Smarter Cities

Cities become Efficient

We are embedding intelligent technology to create efficiencies in the way cities are planned and run.

With IoT-enabled Integrated Operation Centres, residents will enjoy:

- Smart Street Lights Management for better flow of traffic
- Security Surveillance
- Smart and easy Parking Securities
- Energy-efficient water, waste management and comfortable buildings
- Next-Generation Network (NGN) initiatives

Smarter Communities

Communities become Collaborative

By bringing people together, we harness the power of communities to achieve common goals – be it for social or economic gain.

We bring people together through:

- Supporting our national athletes via Team Malaysia
- Uncovering hidden sporting talent in Mencari Ramli
- TM School Adoption Programme in collaboration with PINTAR Foundation, TM Robotic Programme and TM3Ducation Programmes – under which children get to understand the future of digital world
- Broadband services in rural areas via Pusat Internet 1Malaysia, an effort being undertaken with the Malaysian Communications and Multimedia Commission (MCMC)
- TMgo - LTE technology offering high speed broadband in underserved (rural and semi-rural) areas available in Kedah, Kelantan, Melaka, Negeri Sembilan, Pahang, Perak, Selangor, Sabah and Sarawak
- webe community

Smarter Nation

Nation becomes Progressive

We strive continuously to leverage on our technologies to improve lives; of individuals, families, neighbourhoods, communities, villages, institutions and the nation at large.

We contribute to a Smarter and Progressive Nation through:

- Projects such as HSBB, HSBB 2 and SUBB
- Providing connectivity beyond products and services to reduce the digital gap, increase ICT skills, build a knowledgeable nation and boost local capacity building via Innovation Cluster – TM R&D, RE, AILA & AURA.
- Partnering ICT companies in cutting-edge areas such as connectivity technologies, effective-efficient-elastic (E^3) networks, business process tools and digital services
- Nurturing a technically competent workforce at MMU while providing scholarships through Yayasan TM
- Working closely with the MCMC on the Universal Service Provision (USP) to ensure all Malaysians have access to connectivity services
- The spirit of volunteerism – serving the underprivileged and marginalised pockets of the community via by TM ROVers TM Reaching Out initiatives such as TM Earth Camp, BumiKu Camp, humanitarian relief missions and various community programmes.
- TM leads in Government-Linked Company (GLC) Disaster Response Network (GDRN) Initiatives

ENGAGING OUR STAKEHOLDERS

Social and relationship capital

As a Company that connects with nearly every Malaysian in some way, we have many stakeholders. Our stakeholders comprise any group or individual that influences, or is influenced by, our activities.

We want our stakeholders to be advocates for TM, so we work to develop quality relationships through meaningful engagement. This also helps us to keep abreast of evolving social and environmental expectations. We also use stakeholder insights to develop targeted products, services and programmes, as well as to drive advocacy.

Our approach to stakeholder engagement is guided by our values, and takes many forms, including face-to-face and social media interactions, surveys and market research. We are active in industry groups, participate in relevant networks and forums, and have teams across the Company that manage our relationships with specific stakeholder groups.

We know that we build greater trust with our stakeholders when we are transparent and accountable. Monitoring, measuring and reporting on our approach and performance – good and bad – helps us to achieve this. The high-level topics and concerns raised by our stakeholders this year are outlined in the table below, and formed a key component of our materiality assessment.

Stakeholder group	Material issues of most concern	Engagement approach
Communities We engage with communities wherever we operate. This includes non-profit organisations and programme partners, as well as community groups and individuals based or living close to our operations.	M2: Customer satisfaction M4: Innovation M6: Consumer data and privacy M8: Supporting communities M14: Resource use and waste	• Website and service catalogues • Annual and sustainability reports • Visits, seminars and joint activities • Community engagement activities
Customers Our customers are residential consumers, small to medium enterprises, large companies/organisations and government, and are represented by various consumer groups.	M1: Product quality M2: Customer satisfaction M6: Consumer data and privacy M7: Consumer health and safety M14: Resource use and waste	• Customer feedback management • Customer support centre at 100 • Social media tools - Twitter, FB, YouTube • Market research Loyalty programmes • Events, dialogue sessions, roadshows and engagement sessions
Employees Our workforce is large and diverse, with over 28,000 employees nationwide.	M2: Customer satisfaction M10: Talent retention and attraction M12: Employee health and safety	• Employee satisfaction survey • Dialogue and engagement • Top management messages • Intranet, internal social media, departmental meetings and newsletters • Employee engagement programmes • TM societies and clubs' activities

ENGAGING OUR STAKEHOLDERS

Stakeholder group	Material issues of most concern	Engagement approach
Government Regulators We engage with government at local, state and federal levels in Malaysia, from ministers and party leaders to department staff. We also work closely with industry regulators in all our markets.	M2: Customer satisfaction M5: Regulatory compliance M6: Consumer data and privacy M14: Resource use and waste	• Formal meetings • Performance reports • Discussions on government initiatives
Shareholders and investment community Our investment community comprises institutional investors, buy and sell-side analysts, and retail shareholders, some of whom invest with social and environmental preferences.	M3: Supply chain management M6: Consumer data and privacy M13: Climate change and energy management	• Investor Relations engagements • Annual and sustainability reports • Annual general meetings • Extraordinary general meetings • Shareholder updates • Quarterly reports
Media We regularly engage with representatives from print, radio, TV, social and online media at local, national and international levels.	M2: Customer satisfaction M4: Innovation M6: Consumer data and privacy	• Press releases • Press conferences, question and answer sessions • Media coverage • Media luncheons
Unions We work closely with our three trade unions to ensure their members' needs are met.	M5: Regulatory compliance M7: Employee health and safety M11: Human rights	• Dialogue and engagement • Joint activities • Consultations and negotiation
Suppliers We engage around 3,611 suppliers each year with total spend of around RM4.93 billion.	M3: Supply chain management M13: Climate change and energy management M14: Resource use and waste	• Transparency survey • Supplier training programmes • Supplier relationship management

MANAGING OUR MATERIAL ISSUES

We undertake a materiality process every year to ensure we identify and respond to the sustainability issues, risks and opportunities that are most important to our business and stakeholders.

In accordance with the GRI G4 Standards, we review the issues impacting TM, our stakeholders and the broader Information and Communications Technology (ICT) industry.

We prioritise issues according to their relative impact on our business and our stakeholders, as determined through analysis of a wide variety of sources. Inputs include internal documents such as the TM risk register and business strategy, as well as insights gained from participation in industry and cross sector initiatives, peer benchmarking and future trends analysis.

In 2016, we engaged more than 1,000 of our key community and industry stakeholders, government representatives, institutional investors and TM employees to get their view of our most material issues.

This engagement was done by way of a materiality survey. The 14 material issues were included in a list of six questions that sought to determine the level of importance of TM's material issues. The survey was sent to a wide sample of recipients, which included both internal and external stakeholders. Thereafter, one-on-one interviews through the phone were conducted on identified stakeholders to garner a more in-depth view.

The results of our materiality assessment help inform TM's sustainability strategy and programmes. We also use our findings to identify emerging sustainability trends and issues that have the potential to become more significant in the medium term. These issues are monitored and, where required, managed within TM to enable us to respond proactively. Emerging issues identified in 2016 include employee health and safety, customer satisfaction and product quality.

In 2016, we refined our materiality process to bring more focus to our reporting. While a broad range of issues were assessed to determine their materiality, we have consolidated our list of key topics to focus on only our most material impacts. As outlined in the matrix, we identified our most significant sustainability risks and opportunities as being:

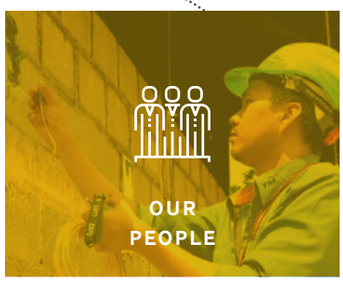
Our Material Issues



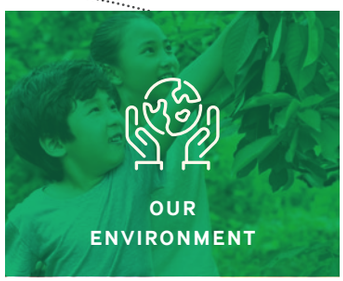
- M1 Product quality
- M2 Customer satisfaction
- M3 Supply chain management
- M4 Innovation
- M5 Regulatory compliance
- M6 Consumer data and privacy
- M7 Consumer health and safety



- M8 Supporting communities
- M9 Inclusivity



- M10 Talent retention and attraction
- M11 Human rights
- M12 Employee health and safety

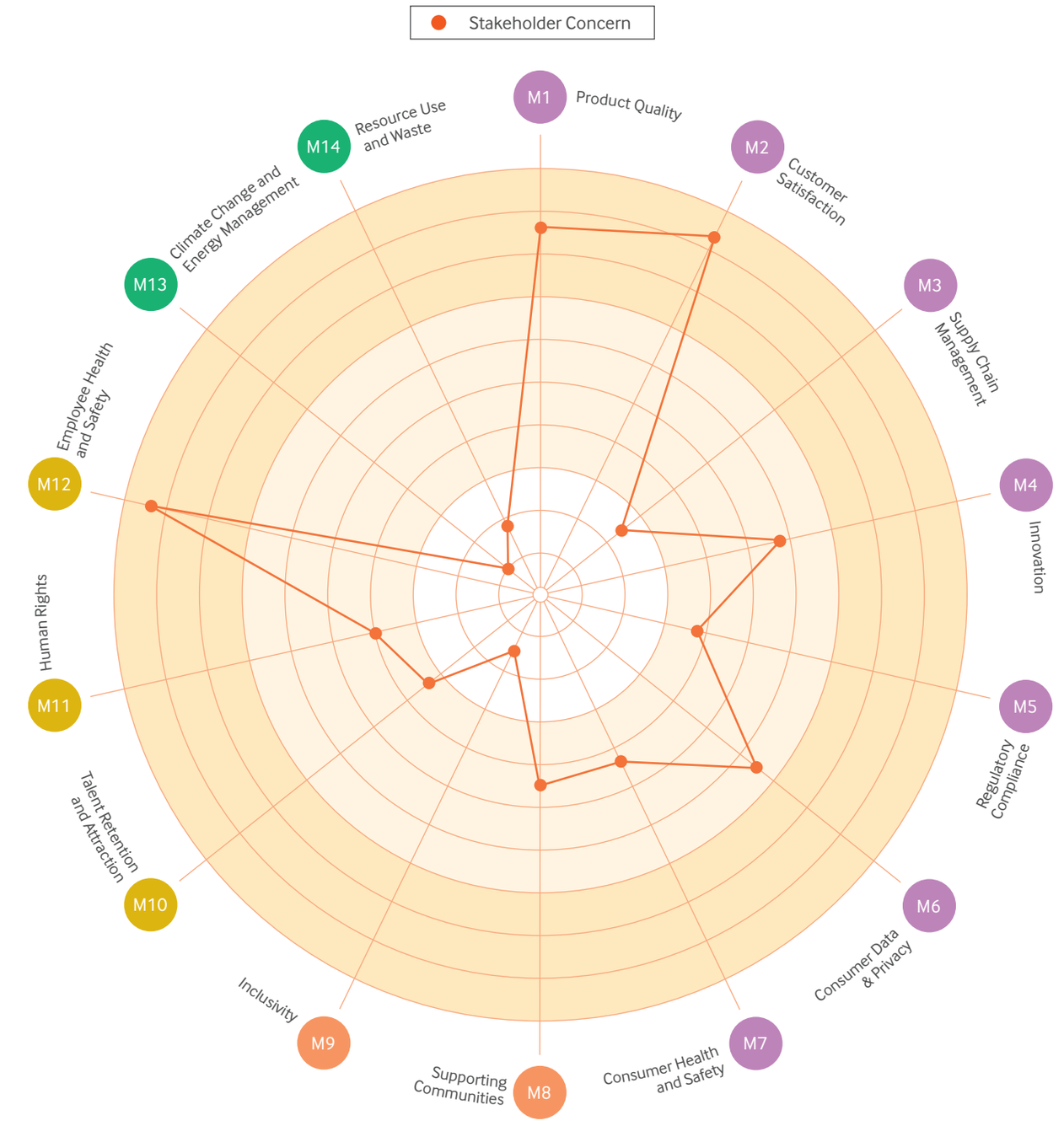


- M13 Climate change and energy management
- M14 Resourse use and waste

SR Detailed information on each of these risks, as well as how we are managing them can be found throughout Eco 360° 2016 Sustainability Report

Materiality Radar

Material issues ranking is based on the collective stakeholder concerns and is identified in orange. For the year under review, we have not mapped the material issues against the business impact. The process of determining business impact is being refined to allow for more in-depth understanding of the key issues which effect the Group's business strategies.



SUSTAINABILITY AT TM

Natural capital

OUR FRAMEWORK

Our aim is to deeply embed sustainability in our culture, values, decision-making, operations, products and services to create a sustainable business that is positioned for long-term success. We continue to review and enhance our approach to sustainability to achieve this goal.

Our focus is on areas we have determined to be material to TM; where we have an opportunity to take a leadership role; and where our skills, resources and expertise can make a positive difference to current and future generations.

We identify the areas we believe are important to both us and our key stakeholders through open and consistent communication, and we focus on shaping positive change in these key areas.

These focus areas form the foundation of our sustainability strategy, and are used to bring positive change across our four sustainability pillars: Our Business, Our Community, Our People and Our Environment.

We work continually to find new and innovative ways to transform the lives of the people we connect, and make a positive impact on our society. We do this by leveraging the power of communication and infotainment at our disposal.

We have the opportunity today to use our skills, resources and expertise to make a positive difference into the future.

Staying on track is critical to achieving our plan and vision so we continually measure how we're doing.

- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is our key measure of profitability
- Procurement Maturity Index (PMI) and Supplier Satisfaction Index (SSI) ensure an efficient value chain
- TRI*M, or measuring, managing and monitoring, is our key measure of customer satisfaction
- The Employee Engagement Index (EEI) is a measure of our people's satisfaction

We have identified a number of indicators that help us measure our performance and longer term objectives to bring about positive change for our people, community and the environment.

Scan the below QR code to find out more about our sustainability efforts in our Eco 360° Sustainability Report 2016.

TM'S SUSTAINABILITY FRAMEWORK

We aim to embed sustainability deeply in our DNA, culture, value system and the way we run our business and engage our stakeholders to create sustainability and long-term growth for our business, while leading and shaping positive change for our business, the communities we operate in, our people and the environment.

OUR BUSINESS



HIGHLIGHTS

- Delivering superior customer experience and transforming the way our customers live and work with converged communications
- Adhering to the highest standards of corporate governance
- Embracing responsible business practice

OUR COMMUNITY



HIGHLIGHTS

- Driving positive and sustainable changes among our adopted schools and other education initiatives
- Enabling the inclusion of women entrepreneurs and special needs students
- Engaging our people to support the community through corporate giving and volunteer programmes

OUR PEOPLE



HIGHLIGHTS

- To be an employer our people are proud to work for by providing care and equal opportunities in a workplace that celebrates diversity, inclusivity and collaboration
- Challenging and developing our people to reach their fullest potential

OUR ENVIRONMENT



HIGHLIGHTS

- Through understanding our impacts, we are committed to minimising our environmental footprint across our value chain
- We will achieve this by addressing climate change, reducing energy consumption in our networks and monitoring our noise, water and dust indicator's

TM's Material Issues	Contribution to the United Nations (UN) Sustainable Development Goals (SDGs)	
• M1: Product quality • M2: Customer satisfaction • M3: Supply chain management • M4: Innovation • M5: Regulatory compliance • M6: Consumer data and privacy • M7: Consumer health and safety	• M1: Product quality: SDG9, SDG11 • M2: Customer satisfaction: SDG9, SDG11 • M3: Supply chain management: SDG12 • M4: Innovation: SDG9, SDG11 • M5: Regulatory compliance: SDG16 • M6: Consumer data and privacy: SDG16 • M7: Consumer health and safety: SDG3 *SDG17 also applies to M1-M7*	 • SDG3 good health and well-being • SDG9 industry, innovation and infrastructure • SDG11 sustainable cities and communities • SDG12 responsible consumption and production • SDG16 peace, justice and strong institutions • SDG17 partnerships for the goals
• M8: Supporting communities • M9: Inclusivity	• M8: Supporting communities: SDG16, SDG17 • M9: Inclusivity: SDG4, SDG5	 • SDG4 quality education • SDG5 gender equality • SDG16 peace, justice and strong institutions • SDG17 partnerships for the goals
• M10: Talent retention and attraction • M11: Human rights • M12: Employee health and safety	• M10: Talent retention and attraction: SDG4 • M11: Human rights: SDG5, SDG10, SDG8 • M12: Employee health and safety: SDG3	 • SDG3 good health and well-being • SDG4 quality education • SDG5 gender equality • SDG8 decent work and economic growth • SDG10 reduced inequalities
• M13: Climate change and energy management • M14: Resource use and waste	• M13: Climate change and energy management: SDG13 • M14: Resource use and waste: SDG12 *SDG9 and SDG17 also apply to M13-M14*	 • SDG9 industry, innovation and infrastructure • SDG12 responsible consumption and production • SDG13 climate action • SDG17 partnerships for the goals

LIFE
360°

Smarter Communities



By bringing people together, we harness the power of communities to achieve common goals – be it for social or economic gain.


“Where it only takes a moment to bring communities together.”
TM AURA

MASS MARKET

Mass Market focuses on serving more than 3 million home and SME customers in Malaysia delivering fast and seamless internet connectivity with value added services including content, ICT solutions and mobility.



With the addition of webe to our portfolio, we are truly enabling our customers to connect to people, information and entertainment wherever they are, irrespective of the underlying technology.

Facts at a Glance:

Serves more than **2.66 million** **Malaysian households** and **0.45 million** **SME businesses**

32% of broadband customers **enjoying 10Mbps experience and beyond**

1.2 million **HyppTV viewers**, enjoying primetime, anytime entertainment on **110 channels (53 in HD)**

LTE

webe mobile service launched in September 2016, offering a **simple, worry-free** mobile experience

OUR BRAND ARCHITECTURE

We support our vision of Making Life and Business Easier through our unique brand architecture which not only focus on our products and services but also encompasses efforts to promote the nation's socio-economic development.

This, we believe, differentiates us from other communications companies and underlines our true commitment to convergence. We seek not only to enable customers to enjoy seamless experience through convergence technologies, we also seek to converge communities into a single, smarter more progressive nation.

TM

VISION: TO MAKE LIFE AND BUSINESS EASIER, FOR A BETTER MALAYSIA

Mass Market

We deliver Life Made Easier to customers, through converged lifestyle communication experiences

ALL CONVERGENCE NEEDS

Unifi

ALL MOBILE NEEDS

webe®

ALL CONTENT NEEDS

Hypp

Managed Accounts/GW

We deliver Business Made Easier to businesses, by collaborating with and supporting them with integrated solutions

MANAGED ACCOUNTS GO-TO-MARKET

TM

SOLUTION HOUSE BRAND

VADS

GW GTM BRAND

TM

Beyond Products & Services

We deliver Life Made Easier to the nation by supporting socio-economic development through education, innovation and social initiatives

EDUCATION GROUP

MMU www.mmu.edu.my

YUM YAYASAN UNIVERSITI MULTIMEDIA

INNOVATION GROUP

TM Research & Development RE:

SOCIAL INITIATIVES GROUP

YAYASAN TELEKOM MALAYSIA

Reaching out

TM MALAYSIA

MASS MARKET



With the addition of webe to our portfolio, we are truly enabling our customers to connect to people, information and entertainment wherever they are, irrespective of the underlying technology.

MASS MARKET



We deliver Life and Business Made Easier by fulfilling the lifestyle needs of home and business customers. We do not just connect our customers, but take pains to ensure they have a great experience every time they use our service. The more satisfied customers are with our service, the more likely they are to stay with us. We measure both customers' perception of our service performance every year via our TRI*M Index, one of our headline key performance indicators (KPIs). In 2016, the overall TRI*M Index of our home and SME customers improved to 72, above the global average of 68.

Listening to our customers, we keep improving the way we serve and interact with them – via our web portal, sales agents, telemarketers, call centre and service restoration field team. Feedback is collated from all our customer touchpoints, which collectively handle about 3 million interactions a month.

Complementing the customer touchpoint improvements, we enhanced our convergence product portfolio with the launch of UniFi Pro in March 2016, a 100Mbps broadband plan with value added services allowing home and SME customers to do more with this high speed broadband service. Together with UniFi Advance, a 30Mbps high speed broadband plan, the market-leading all new UniFi offers unlimited experiences, unmatched choices and unbeatable value for our home and SME customers.

Our convergence product portfolio was completed in September 2016, with the launch of webe, ushering a new era of mobility for our customers. With webe, customers experience a seamless connectivity experience of UniFi at home and webe when they step out of their home. webe also delivers a new end-to-end digital experience, from the moment a customer signs up right up to customer care with live chat through our mobile app and portal. The never ending data, calls and sms clearly liberates the customer from worry of quota limits or exorbitant monthly bills. It is our mission to help connect communities and make it easy to enjoy a digital lifestyle in everything we do. This is our vision as the nation's convergence champion, making life and business easier for a better Malaysia.

To further expand our coverage and increase domestic and international capacity, we are investing RM2.3 billion to install another one million broadband ports on top of the existing 4 million ports across Malaysia over the next five years under two projects being undertaken with the Government, namely the High Speed Broadband (HSBB) 2.0 and Sub-Urban Broadband (SUBB).

At the same time, we are expanding our LTE coverage by adding more sites. Leveraging on TM's nationwide fibre network, as well as other network and IT infrastructure and operational synergies, we have more than 2,000 such sites covering 61% of the population at the end 2016.

Customer Value

Making our products and services affordable helps us meet regulatory expectations whilst boosting our leadership as a convergence champion. We are constantly looking at ways to give our customers real value for money. Following the Prime Minister's Budget 2017, we will be taking our affordability initiatives a notch higher as we embark on a year-long programme to provide bandwidth upgrades at no extra cost and other attractive offers to add value to our broadband customers.



MASS MARKET

Value Added Service

In the ICT and business solutions segment, we strengthen our partnership with providers for payment solutions and security with surveillance solutions for home and businesses.

We continue to strategically collaborate with other over-the-top (OTT) content partners to enrich our content offerings. These complement our HyppTV's line-up of top TV shows, movies, comedies, drama and cartoons, at no additional cost to our broadband customers. During the year, we collaborated with Viu to extend its offerings of TV shows, dramas and movies; introduced four (4) new FOX Sports channels; launched Hypp Play, a complimentary VOD channel, and HyppTV Playlist. We also made available more channels on the HyppTV Basic Pack, and strengthen HyppTV's Everywhere value proposition to cater to today's digital lifestyle. HyppTV was the official IPTV broadcaster for Rio 2016 Olympics Games, where we received tremendous response from our customers during our Free Viewing offering which was also available on HyppTV Everywhere.

Financial Performance

Higher demand for broadband and entertainment content contributed to a 3.5% revenue growth at over RM5.1 billion, which was commendable against the backdrop of intensifying competition and soft spending sentiment of households and SME customers.

Key Risks & How They Are Managed

Key Market Risks	Mitigation Measures
1. Intensifying competition in fixed, content and mobility space	Being Malaysia's Convergence Champion elevates us to a differentiated and leading position. • Deliver a fast and seamless internet experience everywhere and anytime, enabling services on all devices with unbeatable value, easy and worry-free experience. • Offer unmatched choice of value-added services from voice plan to entertainment content, business productivity solutions and mobility service. • Continuously improve HyppTV content offerings and deliver an enhanced integrated digital lifestyle to Malaysians.
2. Soft spending sentiment since 2014, expected to continue in 2017	• Greater emphasis on balancing customer value and the pricing of converged products.
3. webe is a new brand in a competitive landscape	• Continuous conversations with our community, customers, media and Malaysians in general to promote webe and generate brand equity.

Targets for 2017

1. Introduce convergence offerings with more value and choices of the all-new UniFi complemented by mobility that customers can add-on, in addition to content and business productivity solutions.
2. Greater focus on customer experience and care through conventional and digital touchpoints to provide seamless customer experience.
3. Enter into more strategic partnerships and collaborations in these areas: content, business apps and tools to deliver relevant value added services to customers.

Outlook

2017 will see the acceleration of our convergence proposition for home and SME customers with continuous improvements in customer experience and product portfolio, supported by investments in both fixed and mobility network and IT infrastructure. Customer experience will be improved with a more end-to-end digital experience in addition to our existing wide network of conventional touchpoints. Product offerings will be strengthened across both portfolios of the all-new UniFi and webe, complemented by new compelling entertainment solutions for home customers and business solutions for SME customers.

BOX ARTICLE 01

2016 – THE RISE OF WEBE

webe®

WHAT A YEAR 2016 WAS!

Traditional businesses in entertainment, television, public and commercial transport, hospitality and banking were upended by the likes of Netflix, Uber, Airbnb, FinTechs and Malaysia's very own The Lorry. Malaysian authors and filmmakers made their mark, with Jess Teong's *A Kid From the Big Apple* drawing critical acclaim at international film fests, and Zen Cho walking away with the title of Best Newcomer at the British Fantasy Awards for her book, *Sorcerer to the Crown*. In short, it was a year for change.



Official webe launch on 16 August 2016 was officiated by YB Senator Datuk Seri Dr. Salleh Said Keruak, Minister of Communications and Multimedia and Tan Sri Dato' Sri Zamzamzairani, Group Chief Executive Officer, TM, together with Azizi A Hadi, Chief Executive Officer, webe

It was also the year of the non-telco as Malaysian consumers saw the birth of webe, a telco that wasn't.

webe – a digital mobility services provider that constantly listens to its community, and puts user experience at the forefront of everything it does. It wasn't trying to be digital, it just was. It wasn't vying to beat the incumbents, as it wasn't interested in anything that didn't help consumers. It wasn't even trying to be the biggest telco around. webe began and remains all about 'community'; and ensuring that Malaysian consumers get what they need in a way that makes sense.

As part of the TM Group, webe represents the solution to every consumer's connectivity needs as it provides the answer to the perennial question – how can I stay connected wherever I go? In a world of instant messaging, on-demand services, applications for almost everything in our lives, and an increasingly mobile online community ... being connected isn't a luxury. It's a need.

Our goal was to bring together a strong and vibrant digital community, as well as facilitate the adoption of a fully connected digital lifestyle by providing uninterrupted connectivity. By supplementing the services and coverage offered by other members of the TM Group, webe aims to play an integral part in providing the digital infrastructure needed to achieve the five pillars of Smarter Living, Businesses, Cities, Communities and Nations.

efficiencies. In Malaysia, we are powering the digital revolution within the private and public sectors through Managed Accounts.

MASS MARKET

This is why, 2016 saw the introduction and debut of webe community first. A community-led crowdbacking platform and initiative, it set us on a path to identify, support and guide innovative project champions who are focused on improving the lives of Malaysians in exciting, new ways. Supported by members of the webe community, these leaders – we call them Project Champions – are enabled to bring their projects to life. Ideas by Malaysians, supported by Malaysians, to benefit Malaysians – all brought together on one platform, webe community.

To date, five projects have already begun to make their presence felt. These include the Dengue Prediction and Alert app which will help predict deadly outbreaks before they happen so we can protect the communities we live and work in; Virtual Field Trips that allow children in remote areas to experience the world beyond their front door through Virtual Reality (VR); and the Container Classroom which is transforming shipping containers into classrooms for special needs children. Cycle to China project helps rebuild homes for the poor and KL24: Zombies which is a full length Malaysian Indie film on zombie outbreaks available online for free. All these projects embody different parts of our community as well as webe's own genuine desire to give back to society, empowering Malaysians for the future.

The introduction of webe to existing TM customers marked the next phase of our emergence in 2016. This included our '850 by webe' campaign, which was a huge success from a presence, talkability and awareness point of view. webe's QR code scanning interaction mechanism gave consumers a taste of being able to engage with a digital brand, with 4.6 million QR codes being scanned by the end of the campaign.

We also began addressing the need of Malaysians for effective and fast digital connectivity with the availability of webe mobile services on 30 June 2016 offering a 'never-ending' proposition of data, calls and SMSes without a cap – again a first in our industry. We dubbed this thinking 'Data Liberation' as



To effectively leverage on TM's promise of Convergence, webe will continue to look for areas to support and improve digital connectivity and mobility in 2017.

it began to open minds to the possibilities of being free to express ourselves in a brave new digital world.

This approach has already shown our fast-growing community what freedom really is, even as we reinforced the core message behind TM Group's vision of 'Life & Business Made Easier For All Malaysians'.

While the initial launch of webe mobile targeted selected TM customers, it quickly generated significant interest among the general public, with many clamouring to find out how they could sign up for our service. Many others asked that we find a way to make even more available through our offerings.

Listening to voices from our community, we held true to our promise, as the webe mobile plan was simplified, standardised and then made available for any Malaysian who desired it! These enhancements are core to our commitment of being a community-led brand. Our message of simple, unencumbered mobility has struck a chord with modern consumers as they discover that signing up with webe mobile gives them access to never-ending data, phone and SMS services – and more – at only RM79 a month.

2016 closed on a high as we brought to life our latest offering, webe broadband, allowing consumers who were yet to be empowered by fixed broadband solutions to enjoy high speed LTE mobile broadband in their homes. It was a taste of what 2017 would offer as we discussed service enhancements that includes new product offerings and greater integration with TM Group's vast array of solutions that would in turn empower Malaysians in new ways.

Our current service offerings combined with the vibrancy of webe community, have laid the foundation for a truly connected lifestyle by our members. To effectively leverage on TM's promise of Convergence, webe will continue to look for areas to support and improve digital connectivity and mobility in 2017. Our dynamic community-led proposition will drive continuous evolution of webe as a platform, a service and a way of life for our communities and the members who allow webe to help them Start Here, Go Anywhere.

MANAGED ACCOUNTS

Managed Accounts delivers products and services designed specifically for our enterprise and public sector customers.



The business landscape is changing tremendously as new and more efficient digital technologies are being launched that help organisations connect better with their employees, business partners and customers, driving productivity and cost efficiencies. In Malaysia, we are powering the digital revolution within the private and public sectors through Managed Accounts.

Facts at a Glance:

Launch of
VADS
Cloud eXchange and Marketplace

16,044
medium and large enterprise customers
from the region

90%
market share
of public university connectivity business

Reduced traffic waiting time by
65%
in Cyberjaya

MANAGED ACCOUNTS

Through VADS, the 'intellectual hub' of Managed Accounts, we have been developing an increasingly more sophisticated suite of Information Communications Technology (ICT) services – including Cloud Computing, Internet of Things and Big Data – which are revolutionising the way businesses and government are able to communicate internally as well as with their customers and business partners.



In August 2016, we made significant headway by launching Malaysia's first Cloud digital marketplace catering to SMEs by providing more than 80 apps/packages for business productivity, collaboration, e-commerce, security and mobility together with server, storage and backup services. At the same time, we have invested in Twin Core Data Centres – in Iskandar Puteri and Klang Valley – to host our Cloud platform. The carrier neutral Data Centre in Iskandar Puteri will be operational in the first quarter of 2017, connecting to the internet via multiple diverse paths to cable landing stations in Malaysia and network nodes in Singapore. Development of the Klang Valley Data Centre will begin in 2017.

Further enhancing our product portfolio, we introduced VADS Unified Collaboration-as-a-Service (UCaaS) and VADS Contact Centre Technology-as-a-Service (CCaaS) to enable enterprise mobility and omni-channel customer engagement.

In 2015, VADS Lyfe Sdn Bhd, was established with the aim to improve Malaysian's quality of life through Smart Service solutions. VADS Lyfe aims to help organisations create safe and sustainable environments to improve service delivery to their end customers.

In Indonesia, our subsidiary PT VADS, was able to leverage on the Expansion Principle License received in end 2015 to secure multiple customers for the IT Service Desk. It also received a full-fledged Cloud services license to sell Managed ICT services.

Serving Our Enterprise Customers

To better serve our business customers, TM Enterprise offers integrated Connectivity, ICT, Business Process Outsourcing (BPO) and Smart Service solutions tailored to the needs of different industry verticals, which now include Banking, Financial, Security & Insurance Institutions (BFSI), Key Accounts, Commercial Business, Real Estate, Retail, Global Enterprise and Medium Enterprise. In 2016, it enhanced its portfolio of offerings with the inclusion of In-Building Solutions (IBS) including Extra Low Voltage (ELV) services such as data network, CCTV, fire alarm system, PA system, access control, smart parking, HVAC (Heat Ventilation and Air-Conditioning), lighting, elevator operations, WiFi coverage and complete telco solutions for new real estate developments.

As a result of more targeted and converged product offerings, we were able to sign on new contracts during the year, especially in the Retail and Real Estate verticals. New as well as existing services contributed to RM1.10 billion worth of new businesses.

Serving the Government

TM Government facilitates G2G, G2B and G2C communication, collaboration and transaction. In recent years, we have focused on developing two verticals – Education and Healthcare. In Education, with the acquisition of Connectivity contracts by two additional universities, we command 90% of the public university market share. Meanwhile, we are building our Healthcare platform to take advantage of the Public Healthcare Blueprint. Collaborating with internal and external partners, we are also securing more Big Data Analytics (BDA) opportunities, and in 2016 won the contract for a major government agency BDA project.

As part of Safe City Program for Public Security, TM Government also provides CCTV Solutions. In 2016, a total of 472 CCTVs for 24 local authorities nationwide were installed throughout our country under this initiative.

Intensified sales planning saw our government sales funnel grow by 200%, with more than half the interested parties making a purchase.

BOX ARTICLE 02

BUSINESS SOLUTIONS IN THE ERA OF CONVERGENCE

TM IS RESPONDING TO THE OPPORTUNITY OFFERED BY DIGITALISATION BY EMBRACING IT WHOLEHEARTEDLY IN OUR OWN SYSTEMS AND IN THE SOLUTIONS THAT WE OFFER TO OUR CUSTOMERS.

Digital solutions are changing the way all our customers live and work for the better. Businesses stand to benefit from operational and cost efficiencies, as well as enhanced customer experience. This is well recognised by our Managed Accounts, which is leading the charge in taking our digital offerings to our business customers.

Leveraging on digital technologies, Managed Accounts is enhancing its suite of converged solutions for enterprise and public sector customers. With high-grade Connectivity, Data Centres, Cloud services, Unified Collaboration-as-a-Service (UCaaS), and Contact Centre Technology-as-a-Service(CCaaS), it is enabling our business customers in their own digital journey, making it easier for them to serve their end customers in Malaysia and globally.

DATA CENTRE SERVICES

VADS is currently building two (2) data centres – its Twin Core Data Centres – to meet the most demanding business operations, offering unparalleled availability and redundancy at the highest level of security. Occupying more than 80,000 square feet in Nusajaya Tech Park, Johor, and Cyberjaya, the Twin Core Data Centres represent the nation's first and largest purpose-built data centres able to meet the most demanding business operations.

Designed with security measures to counter threats and malicious attacks, both Iskandar Puteri Core Data Centre (IPDC) and the Klang Valley Core Data Centre (KLDC) in Cyberjaya are certified with the ISO27001:2005 Information Security Management System (ISMS). They also meet Occupational Safety, Health & Environment (OSHE), Information Technology Infrastructure Library (ITIL), and TIA 942 Data Centre Infrastructure standards and the Uptime Institute Standard (Industry Standard Tier).

IPDC, nearing it's completion, is strategically located to support the economic region of Iskandar Malaysia, while also being geographically close to Singapore. Targeting both local and global businesses looking to set up their regional data and content hub in South East Asia, IPDC connects to the internet via multiple diverse paths to TM cable landing stations in Malaysia and network nodes in Singapore.

Meanwhile, KVDC, it's twin core data centre which also offers unparalleled availability and redundancy will begin construction in Q1 2017. KVDC is connected to the International Gateway for TM in Cyberjaya and it will provide high value Managed services, including Cloud Computing, virtualisation, workspace and collaboration services.

One of the objective of the Twin Core Data Centres is to position Malaysia as a leading Data Centre hub in the region, providing businesses with a more competitive global edge and offering the market unrivalled and superior hosting facilities.

CLOUD SERVICES

VADS offers a full suite of Public, Private and Hybrid Cloud services, as well as fully managed Cloud services including Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS) and



Iskandar Puteri Core Data Centre (IPDC) Scale Model


Klang Valley Core Data Centre (KVDC) Scale Model

Software-as-a-Service (SaaS), to cater for businesses of all sizes, and across all sectors including government. Our ISO27001 Certified Cloud and Data Centre Facilities leverages on the two (2) core DCs out of 11 own Data Centres for redundant performance.

Along with Cloud services we have launched the VADS Marketplace, an online one-stop centre offering Business-to-Business (B2B) applications and Cloud-hosted solutions. The Marketplace provides business owners digital solutions that enhance operations efficiency and simplify IT resource management, thus increasing profitability. It currently makes available more than 80 application packages for business productivity, collaboration, e-commerce, security & mobility and server, storage and backup – all supported by our personalised customer engagement service.

Outsourcing (BPO) RM437.7 million Managed GSP RM146.2 million and others RM4.6 million.

MANAGED ACCOUNTS

VADS Marketplace also caters for Business-To-Business-To-Consumer (B2B2C) and Business-To-Consumer (B2C) solutions.



Launch of VADS Cloud eXchange and VADS Marketplace

UNIFIED COLLABORATION-AS-A-SERVICE (UCaaS)

VADS UCaaS is a future-proof digitalised communication and collaboration solution bringing together telephone, mobile and conferencing services to deliver people-centric solutions via existing devices or through enterprise connectivity from a single provider. It forms an effective tool for customers to communicate within their own organisations, with business partners as well as customers.

With VADS UCaaS, businesses can improve their level of engagement with employees and also spur greater productivity, as employees will be able to work across multi-devices anywhere and anytime. Businesses will also be able to reduce their operational expenditure, as digitalised communication with single number reach maximises flexibility with price per user.

CONTACT CENTRE TECHNOLOGY-AS-A-SERVICE (CCaaS)

In a competitive market of agile start-ups and global enterprises, it is critical for businesses to equip their contact centres with the right tools to support an enhanced customer experience.

VADS CCaaS is a cloud-based offering of a full suite of contact centre functionalities to manage the Total Customer Experience (TCE), delivering an omni-channel experience across various contact channels. The solution enables businesses to exceed customer expectations in this digital era, driving sustained loyalty and business growth.

SMART SERVICES

Smart Services creates and delivers smart solutions for townships such as Smart Real Estate, Smart City and Smart Citizen. Leveraging on ICT, these solutions deliver safety and security, enhance energy and facility management, enable digital signage and provide 'citizen portals' for residents to access information and connect with each other.

CONVERGED CUSTOMER SOLUTIONS

Converged Customer Solutions group a number of solutions into a single, optimised and complex package, often carrying an attractive price tag. To date, we have developed a Converged Customer Solution for a real estate vertical project using a common platform to offer Cloud, Connectivity, Sensors and ICT services. We have since added new services to the platform including a community portal, car park system and connected shoppers. In this project, we enable the customers' infrastructure and provide managed services. The B2B2B model further enables our customer to empower its tenants and property owners to generate revenue. At the same time, the innovative services increase the value of the property.



GOING REGIONAL

Our 'Go Regional' strategy will primarily focus on Indonesia, where we already have a presence via PT VADS and other ASEAN countries. PT VADS is set to expand into the ICT business and we are looking to take the VADS Marketplace to Indonesia targeting SME businesses in the near future. In other ASEAN markets, we will work with Acasia, a communication company in ASEAN, to build a footprint in each country.

Better Service All Round

Managed Accounts continues to improve its service delivery, with VADS recording a 29% reduction in Mean Time To Restore (MTTR); 310% increase in proactive incident management; and 10% improvement in operations efficiency across its Contact Centres. Its Sarawak Contact Centre achieved the highest customer satisfaction rating through the Net Easy Score among all our customer touch points.

TM Enterprise had embarked on a comprehensive transformation programme in 2015, called Project Energized, to build a customer-centric work culture as well as creating greater operational efficiencies and employee competencies. The most significant outcomes of the project includes Medium Enterprise Business (MeB)'s ICT/ BPO revenue expansion by 134% and key lighthouse wins across the strategic verticals. Through this project, we also hope to unleash greater innovation among our employees to differentiate us in the marketplace.

Meanwhile, our government-facing divisions GITN Sdn Bhd (GSB), MERS999 and Special Network Service (SNS) collaborated in a pilot resource sharing initiative which led to reduced costs as well as improved response and resolution time. As a result, our customer satisfaction was enhanced.



Connecting With Our Customers

During the year, various initiatives were undertaken to increase awareness of our products and services. These included a Digital Experience Forum in November on our Hosted Collaboration Services Platform and efforts to promote the Data Centres currently under construction at local and regional conferences and exhibitions. We are also building a TM Experience Centre (TMEC) in TM @ Damansara to provide potential customers the opportunity to 'try out' our products and services. The cluster as a whole, meanwhile, is undertaking a brand repositioning programme to integrate TM Enterprise, TM Government, VADS and VADS Lyfe under TM Business Solution.

Financial Performance

During the year, Managed Accounts achieved 1.7% growth in revenue from RM4,825.3 million in 2015 to RM4,907.3 million in 2016 driven by the increase in revenue for internet and multimedia as well as other telecommunication services.

Of this, TM Enterprise contributed 34.3% of Managed Accounts revenue with 1.1% growth from RM1,667.3 million in 2015 to RM1,685.4 million in 2016 driven by increase in revenue for internet and multimedia and data services. Internet and multimedia services grew by 9.3% to RM308.2 million whilst data services increased by 7.6% to RM625.1 million.

Revenue at TM Government grew by 5.2% from RM2,139.4 million in 2015 to RM2,251.7 million in 2016, representing 45.9% of Managed Accounts revenue. The growth was driven by internet and multimedia and other telecommunication services which grew by 26.1% to RM161.6 million and 20.4% to RM888.6 million respectively.

VADS recorded revenue of RM1,403.1 million, contributing 21.3% of Managed Accounts revenue. The revenue is derived from Information and Communications Technology (ICT) RM454.5 million, Business Process Outsourcing (BPO) RM437.7 million Managed GSP RM146.2 million and others RM4.6 million.

MANAGED ACCOUNTS

Key Risks & How They Are Managed

Key Market Risks	Mitigation Measures
Enterprise:	
Fragmented and competitive market Market is receptive to global players such as Amazon Web Services, CSC, Dimension Data, Red Hat and Huawei, with customers looking for the most cost-effective communications solutions	• Solidify position through core strength as a base for vertical industries, e.g. banking, education & healthcare • Provide access agnostic solutions with value-add services • Provide cost-effective and agile alternatives to support customers' business growth • Enhance go-to-market strategy with key partners within ASEAN to support Malaysian MNCs abroad and regional customers
Pressure on price as connectivity is highly commoditised The number of data line services, after long period of high revenue growth, is slowing down	• Value creation through industry solutions • Consultative selling and continuous education • Enhance customer experience from pre- to post-sales • Collaborate with GLCs and Khazanah subsidiaries to position TM as platform of choice for data centre and cloud services
Declining voice revenue as internet, mobile and unified communications reduce usage and price of traditional voice	• Promote innovative packages for voice, VoIP and unified communications • Cross bundling
Disruptive technologies and business models such as IoT, digitalisation, Big Data, cloud and fintech are changing the market and customer behaviour	• Innovate offerings and business models in the shortest time possible through partnerships with principal, delivery partners and IT start-up companies • More emphasis on data, cyber security and business continuity solutions that are becoming critical to enterprises • Provide customers with quality information on customer digitalisation journey • Embrace disruptive technologies as part of integrated solutions
Government:	
Intensity of competition among telcos and ICT players as TM expands into ICT business space	• Differentiate by offering converged customer solutions with a focus on cloud services with 1Gov*Net as the key connectivity platform • Offer better cost structure via joint go-to-market and partnerships with technology principals and local system integrators • Provide professional engineering and business consulting • Converged industrial solutions (that go beyond technology), combined with industry programme management, will help customers sustain their service • Pricing based on value proposition rather than cost
The speed of technological change	• Invest in stable technology in connectivity and cloud platform • Partner with technology principals and system developers who are experts in their fields • Offer holistic solutions, from realisation stage to performance review
Global uncertainties affecting Malaysian economy	• Shift in business model to respond to the Government's new spending approach
VADS:	
Weaker ringgit is expected to lead to stringent operational spending by businesses	• Support customers' cost management via outsourcing, Cloud adoption and digitalisation
Demand for excellent customer service	• Customer service is enhanced by omni-channel capabilities and by Personalised Customer Engagement in VADS Marketplace
Rapid technology and business model evolution	• Anticipate market trends and set the pace on the frontiers of the latest technologies • Evolve from pure BPO and Contact Centre to Knowledge Process Outsourcing (KPO)

Targets for 2017

VADS

1. Offer more than 100 pre-packaged ICT services and the ability to on-board internal apps/services.
2. Introduce the Enterprise Marketplace (Private Cloud) and Industry store. The marketplace will treat IT as a commodity, providing enterprises with exact amount of IaaS, PaaS, SaaS, XaaS and support their need on monthly or pay-per-use basis.
3. PT VADS will be able to provide end-to-end IT solutions ranging from consultancy for computer facility management, Cloud technology, Data Centre and computer network hence creating additional opportunity to penetrate ICT market regionally.
4. Expand business to other industries such as FSI, manufacturing, telco and media.

TM GOVERNMENT

1. Collaborate with webe to complete its converged customer solutions.
2. 1Gov*Net new Managed internet Gateway will be the first Government service occupying the Iskandar Puteri Data Centre.
3. Further streamline operations integration between GSB, MERS999 and SNS; demarcate support areas between SNS and GSB teams; and train all field engineers so the initiative can be expanded nationwide.

TM ENTERPRISE

1. Offer smart solutions and services for Aspen Vision City in Batu Kawan, Penang; and explore more opportunities to work with real estate developers in smart city developments.
2. Leverage on webe to power M2M communication in smart services offerings eg. credit card point of sales, remote meter reading for utilities, wireless ATMs, supervisory and data acquisition for remote monitoring of machines eg. generators, engines and motors in manufacturing, wireless CCTV and fleet management.

Outlook

There is much scope to further grow our services to businesses and government, and we are ensuring the right investments now to tap into future opportunities especially in growth areas such as Cloud, Smart Solutions and Digital Services.

In the business segment, we intend to increase our presence in the SME, real estate, oil and gas and retail sectors where demand for speed, reliability and agility is expected to intensify. For government, we will identify opportunities created by the Public Sector ICT Plan (2016-2020) which focuses on Digitalisation, Shared Services, Big Data, Collaboration and Human Capital Development, ensuring we remain the trusted technology partner for the Government, both at the Federal and state levels.

We will also focus on driving business towards our new Enterprise Marketplace and our data centres. Once these are operational, it will create new opportunities to bring our product offerings further afield in ASEAN region.

Creating Smart Cities

VADS Lyfe, is the Smart Service solutions provider with focus on the real estate industry and township developments. We are changing the way Malaysians live by helping to create smarter cities where residents will enjoy a more convenient and peaceful living. Leveraging on our ICT capabilities, it has developed the country's first Integrated Operation Centre (IOC) and Smart Traffic Analytics and Recognition System (STARS).

Creating a holistic city dashboard

IOC comprises of a centralized 24/7 command centre for operations of all IoT enabled devices in the city. It provides a dashboard for cities to monitor and coordinate resources based on real-time data of devices, sensors, vehicles, buildings as well as security incidents & events.

Malaysia's first IOC for smart city operations is located in Iskandar Puteri, Johor. Currently, the IOC monitors various property development projects owned by UEM Sunrise Berhad and Iskandar Investment Berhad (IIB) such as Puteri Harbour, East Ledang, Ledang Heights, Gerbang Nusajaya, Southern Industrial and Logistics Clusters (SiLC).

Smarter Traffic Management

The Smart Traffic Analytics & Recognition System optimises traffic flow on roads while also serving as a traffic surveillance tool. Since being installed at eight interjunctions along Persiaran Multimedia in Cyberjaya in July, waiting time at the traffic lights has reduced by 65%.

In the pipeline is the Smart Home solutions that will be deployed on an integrated service platform to create an efficient and comfortable home environment. The solutions include home automation, safety and security and energy management.

GLOBAL WHOLESALE

Global Wholesale (GW) is a wholesale service provider aggregating domestic and international business requirements via comprehensive cutting-edge solutions in connectivity and beyond.



It fulfils customers' end-to-end network infrastructure and ICT requirements and minimise their operational costs and process complexities, with high quality service at competitive pricing. GW has established itself as a reliable partner to its customers, meeting not only their internal requirements but also those of third parties and local authorities.

Facts at a Glance:

Winner of Frost & Sullivan's
Best Wholesale Service Provider 2016

More than 2,800
new mobile backhaul infrastructure
provisioned in 2016

More than 1,100km
fibre infrastructure laid
for rural broadband penetration in 2016

GLOBAL WHOLESALE

GW serves connectivity globally via 24 international Points of Presence (PoPs) and a submarine cable network spanning more than 320,000 fibre-route kilometres worldwide. The business unit is continually expanding and upgrading its global infrastructure network to serve not only as a gateway for the world to Malaysia, but more broadly to the region. At the same time, it is entering into more partnerships with local service providers – and especially mobile telcos – for them to be able to ride on its network to better serve their customers.

The year saw much success in both infrastructure development as well as product innovation. Enhancing its global connectivity, GW completed the 20,000km South East Asia – Middle East – Western Europe 5 (SEA-ME-WE 5) and 8,000km Bay of Bengal (BBG) submarine cables, other than creating new PoPs in Laos, Thailand and Cambodia. The SEA-ME-WE 5, connecting three continents, enhances GW's international bandwidth, IP Transit, IPVPN, interconnection and backhaul service offerings. Meanwhile, BBG links Malaysia and Singapore to Oman and the UAE with branches to India and Sri Lanka and can be used to interconnect with existing land and undersea cables to Europe, the Middle East and Africa. Good progress is also being made on the Nusantara Gateway connecting Singapore to Jakarta; and the Malaysia-Cambodia-Thailand (MCT) submarine cable.





In addition to its existing data, backhaul, voice, access and infra customised solutions, GW has launched Beyond Connectivity (BeC) services providing Media Delivery Solution (MDS) to its vertical markets worldwide. In enabling high quality access, GW has entered into a strategic partnership with Hurricane Electric (HE), a California-based global ISP, allowing both companies to accelerate their delivery of high speed internet broadband services to Asia's emerging markets. HE's platform supports GW's BeC, HSBB, SUBB and webe broadband's service quality improvement. It also signed bi-lateral WiFi roaming agreements with British Telecoms (BT) and AT&T for shared access to each other's WiFi network.

Within the Malaysian market, GW is strengthening links between Peninsular Malaysia and East Malaysia via the Sistem Kabel Rakyat 1Malaysia (SKR1M). It is also expanding the infrastructure for HSBB by installing 80 new exchanges, bringing the total to 187 exchanges. In supporting rural broadband penetration, GW completed a Universal Service Provision (USP) fiberisation project connecting Jerantut to Kg. Mat Daling, both in Pahang. To better serve local mobile telcos – having signed 10-year backhaul contracts with five operators – it has fiberized more than 2,800 new EnodeBs/Cell Sites with TM's Next Generation Backhaul™ (NGBH) services to support of LTE network expansion.

These developments go a long way towards GW retaining its position as a preferred neutral services provider via Total Network Outsourcing Programme (TNOP) while building its capabilities for Beyond Connectivity (BeC) business.

GW's Assets

Over 3.2 million km
of domestic fibre
core trunk & junction

More than 28,000
WiFi sites nationwide

More than 1,700
buildings/exchanges

More than 1,800
telecom towers nationwide

Over 2.6 million km
of fibre access nationwide

Over 1.8 million
home passes nationwide

20
submarine cable systems

5
regional offices (TMRO)

GLOBAL WHOLESALE

Financial Performance

Global Wholesale registered a consolidated total revenue of RM2,330.1 million as of 31 December 2016, a 4.2% growth from RM2,236.5 million total revenue reported for the corresponding period last year. This is the result of higher revenue from Other Telecomunication Services coupled with higher Data revenue mainly from TM Next-Gen Backhaul™ (NGBH).

Correspondingly, the operating cost recorded higher at RM1,880.7 million as of 31 December, an increase of 5.3% as compared to the corresponding period last year of RM1,786.8 million. This is due to absence of similar forex impact.

As a result, EBIT performance decreased by 0.3% to RM452.2 million for the current year from RM453.6 million in the previous year due to relatively higher operating cost. This represents an EBIT margin of 19.4% compared to 20.3% recorded last year.

Key Risks & How They Are Managed

Key Market Risks	Mitigation Measures
Market competition due to price erosion and cost overruns, dynamic changes in customers' requirements.	Strengthen competitive edge towards becoming a total end-to-end solutions provider through collaborations with other established global players envisioning 'Business Made Easier'. Leverage on affiliate companies to capture regional opportunities with minimal investments.
Changes in other countries' political, legal and regulatory guidelines.	Keep abreast with the latest geopolitical changes in countries that GW has investments. Establish effective crisis management and resiliency planning to protect investments and improve business continuity planning.
Customer requirements for low operation costs and higher margins.	Provide competitive solutions by maximising capabilities of internal strengths and leveraging on TM Group and subsidiaries' resources. Leverage on affiliate and subsidiary companies to strengthen product offerings.
Weakening Ringgit against USD impacts operational costs despite forex gains from Global sales.	Tighten cost control measures and protect healthy margins for any buying and selling exercise. Establish strong rapport with international suppliers to reduce out-payment costs in line with market rate. Push global sales aggressively with prudent spending.
Pressure for innovative solutions increasing globally as operators and other service providers seek to strengthen their digital market position.	Keep abreast with the latest technologies and establish effective partnerships with value-add and technology partners to accelerate the establishment of new BeC solutions.

Targets for 2017:

1. Further maximise resource capabilities to provide enhanced TNOP offerings with the deployment of Smart Centralised Radio Access Network (Smart C-RAN) services to mitigate challenges faced by Mobile Operators in expanding LTE capacity/coverage in urban, dense, outdoor and in-building locations.
2. Continue to support rural broadband penetration via infrastructure deployment in local islands for USP project targeting to complete in 2019.
3. Completion of Sistem Kabel Rakyat 1Malaysia (SKR1M).
4. Venture into strategic collaborations to expand WiFi and LTE roaming arrangements.
5. Kick start its transformational race towards digitalization by enhancing submarine cable capabilities with network intelligence to optimise resources and cater to diversity needs utilizing Software Defined Networking (SDN) technology. The project is expected to be implemented in phases until 2019.
6. Pursue regional growth by offering innovative BeC solutions to foreign vertical market, opening possibility for collaboration with Value Added Partner Operating Regionally (VAPOR). Other than to maximize TM's expertise capabilities via Professional Services offering, GW plans to accelerate penetration of MDS for hospitality segment.
7. Boost presence in the Middle East through the establishment of TM Dubai (DMCC).

Outlook

GW will continue to support TM's convergence journey, creating new opportunities and providing the best customer experience in advocating Life and Business Made Easier via enhanced TNOP solutions. Growth in regional market will be addressed with niche foray into foreign vertical segments opening up possibilities for strategic collaborations to foster innovative BeC solutions.

True to its aspiration of Bridging the World Together, GW will further continue to expand its global reach through investments in new PoPs and submarine cable systems. GW, enabling the future via TM's world-class infrastructures upholds Government's aim to position Malaysia as the Regional Innovation Exchange Hub, accelerating business partners' growth globally.

BEYOND PRODUCTS & SERVICES

Intellectual capital

01

Innovation: changing our game



Facts at a Glance:

16
innovative projects
ongoing in IT&NT

384
research projects
being undertaken under R&D since 2001

More than 25
products/solutions
commercialised

Average of 100
start-up engagements
annually

36
smart living apps &
9 APIs created

We see the fourth industrial revolution as an exciting new paradigm in which we have a clear part to play. That of an innovation-driven converged solutions provider. As we launch into the digital era, our determination to remain at the innovative-edge will make us better at what we do. This ambition is supported by a strong research & development base within TM, our collaborations with creative content providers, and a pervasive culture of innovation within the organisation.



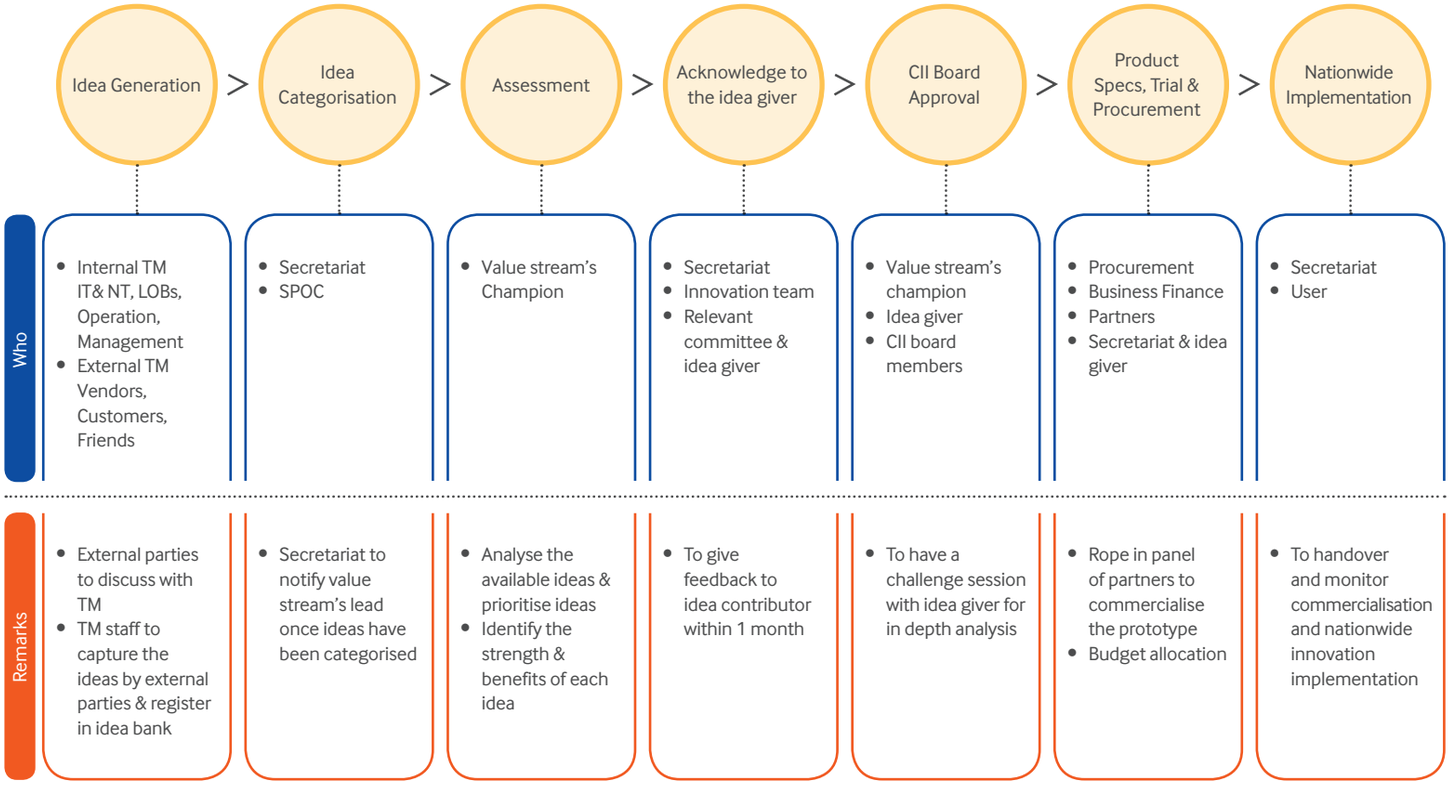
Creating an Innovation Culture

As one of our most technology-driven arms, IT&NT invests considerably in developing an innovative culture in TM. In 2016, as part of its Transformation 3.0, it launched the Distinctiveness Innovation Initiative (DII) to encourage employees across the Group to put forward ideas to enhance the way we manage our business – our supply chain, product development, operations as well as IT transformation.



BEYOND PRODUCTS & SERVICES

DII is supported by a structured framework, with a Board and Secretariat to sieve through, organise and approve ideas generated for action by the Group. The entire process of idea generation to nationwide implementation is depicted in the diagram below.



All ideas are submitted via a DII Portal where they will be categorised into five value streams - Process & Quality, Product, Technology, Business Model and R&D Innovation – each with a champion who will review, analyse and prioritise the ideas to ensure the most impactful are addressed first. Shortlisted ideas will be presented to DII Board Members for further deliberation. Once approved, ideas will be passed to the relevant team for implementation, monitored by the DII Secretariat. Finally, the innovative ideas will be channelled into production, and handed over to the relevant user for commercialisation.

Values Stream 1	Values Stream 2	Values Stream 3	Values Stream 4	Values Stream 5
Process & Quality	**Product**	**Technology**	**Tools & Devices**	**R&D Innovation**
Continuous innovation that focuses on boosting productivity, management & operational performance	Any idea/service that is inspired/motivated by customer input & market trends to satisfy the demand & needs	New service or enhancement that is implemented to solve/improve existing solution and to produce better service performance	Competitive advantages in creating innovation tools & devices that are used in particular fields or activities may have different or multiple designations	Innovation that leverages TM technology partners with R&D. R&D innovation takes form of basic research in developing algorithm to create an efficient systems

BOX ARTICLE 03

TEAM MALAYSIA – MALAYSIA'S DIGITAL PLATFORM FOR THE RIO 2016 OLYMPIC GAMES

Official IPTV Broadcaster Rio 2016

"AS THE NATION'S CONVERGENCE CHAMPION, WE WERE EXCITED TO BRING THE RIO 2016 OLYMPIC GAMES TO MALAYSIANS." - Izlyn Ramli

How does a brand overcome challenges and clutter to be top-of-mind at the biggest sporting event of the year? Through innovation, perseverance, hard work and the power of digital.

Leveraging on the clout of Team Malaysia – one of the most prominent and influential sporting communities in the country, powered by TM – to provide a unique perspective of the Rio 2016 Olympic Games. Representing the hopes of Malaysian fans, Team Malaysia captured the side of the Olympic Games not provided by any content provider in the country – the fans' perspective. The novel approach, generated over RM4.5 million worth of media value during the games, an impressive 400 times TM's investment for the project. The team's success points to the immense power of digital communication, when used with sheer determination and innovation.

In August 2016, while our athletes were giving their all in the biggest global arena against world-class athletes, TM made sure Malaysians back home got the best coverage of the grit and glory that captured the spirit of the Olympic Games. The movement aims to spread the love for sports and support for our Malaysian contingent; and further demonstrates TM's commitment to provide the best experience for all sports fans in Malaysia.



To supplement the on-ground content, TM's award-winning IPTV service, HyppTV, broadcasted the Rio 2016 Olympic Games via eight dedicated HyppSports HD channels (HyppTV Channels 720 - 726) - as the Official IPTV Broadcaster for the Rio 2016 Olympic Games in Malaysia. The broadcast of the Rio 2016 Olympic Games marks HyppTV's first ever offering of the global sporting event. This is to show support to our national athletes by providing viewers non-stop free "live" coverage and exclusive Rio 2016 content.

On top of that, sports fans were able to watch the live sporting action via the HyppTV Everywhere mobile application, anytime and anywhere during the Olympic Games. This is HyppTV's aspiration of being a true digital champion for TM's customers, offering the best content variety whether on demand or linear while having the best TV viewing experience.

Sharing the excitement, Izlyn Ramli, Vice President, Group Brand & Communication, TM, said "As the nation's Convergence Champion, we were excited to bring the Rio 2016 Olympic Games to Malaysians, not only through our services and digital platforms, but also through our unique TM Team Malaysia initiative that unites the sports fans and Malaysians across all walks of life to support our national athletes. While we may not be physically there in Rio to cheer for the athletes, we are always behind the athletes, to help ignite their spirit and give them that extra boost to perform their best when bearing our national flag at the Games."

"When it comes to the Olympic Games, no doubt sports content is key but digital and social media is increasingly becoming more important in engaging with fans. This is why we have created Malaysia's only Digital Platform for the Rio 2016 Olympic Games. As our audience shifts online for Olympics content, we were able to provide them with the most rewarding experience beyond sports. Through the platform, our audience were able to experience the culture around the Olympic Games, get live updates direct from Rio and see the games from our athletes' perspectives and so much more – together with Team Malaysia on social media," Izlyn continued.

Unlike established content players, Team Malaysia arrived in Rio, with a completely different approach in mind. The team set out to represent Malaysian fans and to capture pure moments during the Olympic Games that will galvanise our nation and report these moments back to Malaysia in real time via social media channels to more than a million Team Malaysia fans and beyond.

safety, security and enforcement as well as colour code for advertising and promotion. Moreover, it is developed not only for TM but also for partners or starts up who can leverage on this technology to expand their business.

BEYOND PRODUCTS & SERVICES

"Team Malaysia is synonymous with the sports movement in Malaysia. The platform unites the passions of Malaysians for sports. Given our position as the hub for sports in Malaysia on digital, we felt that this presented the perfect opportunity to win top-of-mind in an arena where it is very challenging for TM, where our competitors have very strong advantages during the Rio 2016 Olympic Games," says Amin Ashaari, Head of Digital Strategy & Marketing that led the mission to Rio.



"Team Malaysia fans look forward to updates on our social media platforms, primarily on Facebook but also on our website, Twitter and YouTube channels. We wanted to bring the real experience of Rio back to Malaysia so our fans get more than just updates but beyond that, they feel connected to every moment, every emotion every time our athletes competed at the Olympic level. The idea was to be as close to the action as possible, to be on the ground and provide update to our fans with pictures, videos, interviews, behind the scenes stuff that you can't get on TV. TV broadcast is polished; we know from digital behaviour that viewers engage with content that feels raw. It's more believable and more emotional."

Before Rio 2016, live reporting on social media has been small scale. The platform has never been used for the purposed that Team Malaysia had envisioned, and never on the Olympic level before. Everything Team Malaysia did was innovative and unprecedented.

Team Malaysia became a beacon for Malaysians who were at Rio – Malaysians who had bought their own tickets to watch the Olympics Games, families of the athletes, corporate leaders, representatives from the Ministry of Sports & Youth, staff from the Malaysian Embassy in the US who were there, Malaysians who had gone as volunteers for the Olympic Games. These group of amazing Malaysians are regular volunteers for the Olympic Games and to see them in Rio was truly amazing. There was even a Malaysian doctor from Cambridge, England, working as a volunteer first-responder at Rio.

They recognised the Jalur Gemilang and joined Team Malaysia. Quickly, the Team Malaysia group of seven grew to over 50 people comprising on Malaysians and people from other nationalities, they joined Team Malaysia because they connected with the energy and passion of the group, they connected with Team Malaysia's spirit.

"I THINK ONE OF THE KEY FACTORS OF THE VICTORY TONIGHT WAS OUR TEAM MALAYSIA. TEAM MALAYSIA SUPPORTERS SPONSORED BY TM." - Khairy Jamaluddin

Even Brazilians and other foreigners joined the Team Malaysia in Rio. Attracted by the group's enthusiasm and passion for our national contingent, these foreigners asked to join Team Malaysia so they can support the Malaysian contingent. The locals and sports fans from other countries were attracted to Team Malaysia because of the group's fighting spirit that cheered on the Malaysian contingent no matter what. They said 'you guys are so cool. We want to be part of your team'. They joined Team Malaysia and chanted Malaysia boleh!

Minister of Youth & Sports Khairy Jamaluddin said, after a key badminton match: "I think one of the key factors of the victory tonight was our Team Malaysia. Team Malaysia supporters sponsored by TM, our tiger guys, they were there and the stadium was erupting. In this corner of the world, Rio de Janeiro, thousands of miles away from Malaysia, it was a piece of Malaysia. Why? Because of TM and Team Malaysia."

Team Malaysia hashtags (#KamiTeamMalaysia and #TeamMsiaOlympics) went viral, even Prime Minister Dato' Sri Mohd Najib Bin Tun Haji Abdul Razak made the hashtag his own and used it in his tweets.



Team Malaysia in Rio was undoubtedly a phenomenal social media success, gaining more than one million engagements and more than 2.3 million video views, with a reach of almost 43 million. It also gained the platform more than 83,000 new fans. During the Olympic period, Team Malaysia earned an estimated RM4.5 million worth of social media value, excluding that gained from air time which was so extensive as to be beyond tabulation. HyppTV Everywhere users also grew from below 5,000 users to over 25,000 users during the period.

Declared as the 'Official Supporters of Malaysian Athletes' by the Minister of Youth and Sports, Team Malaysia has united our passion for sports and more importantly, our athletes, since 2011. In the Rio 2016 Olympic Games, Team Malaysia carried the hopes of Malaysians with our athletes. Beyond that, Team Malaysia conveyed to Malaysians at home the blood, sweat and tears, and the unwavering dedication of our athletes to their game, and to the country.

TEAM MALAYSIA™
UNITING OUR PASSION

Be a Team Malaysia fan today! Visit teammalaysia.my to sign up as a fan.

Ongoing & New Innovative Projects

Currently, a total of 16 innovative projects are ongoing in IT&NT involving 30 initiatives, of which at least 20 initiatives will be identified for commercialisation and standardisation. These projects have been spawned from ideas generated by employees in the different IT&NT divisions. Another 203 initiatives were presented by Network Management Operations (NMO) and Network Delivery (ND) at the CII-Convention 2016, which involved 12 Regional and two National Conventions. Of these, 107 initiatives were from NMO and 94 from ND.

2017 Activities

1 Innovation Day

The selective initiatives from the respective divisions from IT & NT to participate in the showcase during Innovation Day. Appreciation awards and certificates will be given to the participating teams

2 New Projects

At least 20 new initiatives to be indentified for the commercialisation and standardisation base from 2016 initiatives cultivates from different IT & NT divisions. This includes combined and stand alone initiatives

3 Ongoing Projects

There are 16 ongoing projects, which representing 30 initiatives in total, which includes 'combined initiatives' for commercialisation and standardisation

4 Continuos Improvement & Innovation Convention (CIIC)

NMO & ND will continue the tradition for 2017 CIIC

Network Operations Centre (NOC) & Network Architecture and Technology (NAT) will be the new teams to conduct 2017 CIIC

Research at TM

We have an established research hub at TM R&D, where our team of 200 researchers collaborate with leading global technology companies, research institutes, universities and cutting-edge start-up companies to constantly develop newer and better connectivity products and solutions. These serve to create efficiencies using digital technologies, E^3 infrastructure and various process tools.

Innovation at TM R&D helps us improve our own systems and processes while also enabling us to market industry-relevant solutions. Over the years, we have been able to commercialise more than 20 solutions via licensing agreements with technology companies and start-ups.

To support convergence, our team has been focusing on bandwidth enhancement and coverage for both fixed and wireless, covering next generation fibre, stretch copper capability, narrowband for Internet of Things (IoT), aggregation and bonding, WiFi efficiency, and long term evolution (LTE) spectrum optimisation.

At the same time, TM R&D is working on security, software-defined networks/network function virtualisation (SDN/NFV) and is developing more services and open integration with multiple systems/applications on platforms such as SWIFT (workforce and operation management), ISSEF (smart services platform) and BINA (analytics and predictions). These will be further enhanced for future scalability and modularisation.

In 2016, our research team was engaged in no less than 34 projects, targeted mainly at TM's business and operations, as compared to 27 projects in 2015. Despite the increase in number of projects, the team managed to cover its costs, earning revenue of RM69.80 million while incurring a total expenditure of RM65.90 million.

A highlight of the year was the launch of C-CUBE, a 3-D colour code designed to store a high capacity volume of digital data such as text, images, music and video in a pattern of tiny squared sized coloured cells. The stored information is accessible via most mobile devices such as smart phones and tablets. It can potentially provide highly secured code for industries like safety, security and enforcement as well as colour code for advertising and promotion. Moreover, it is developed not only for TM but also for partners or starts up who can leverage on this technology to expand their business.

Moving on, there are plans to provide testbeds to assist in the evaluation of technologies for both internal and external solutions. To support further growth in research volume, TM R&D is looking to enhance its own capacity by bringing on board more talent, especially in new growth areas such as Big Data, SDN/NFV and IoT. Meanwhile its own team members continue to further deepen their specialist knowledge via postgraduate programmes, with more than half of them now holding either Master's of PhD qualifications.

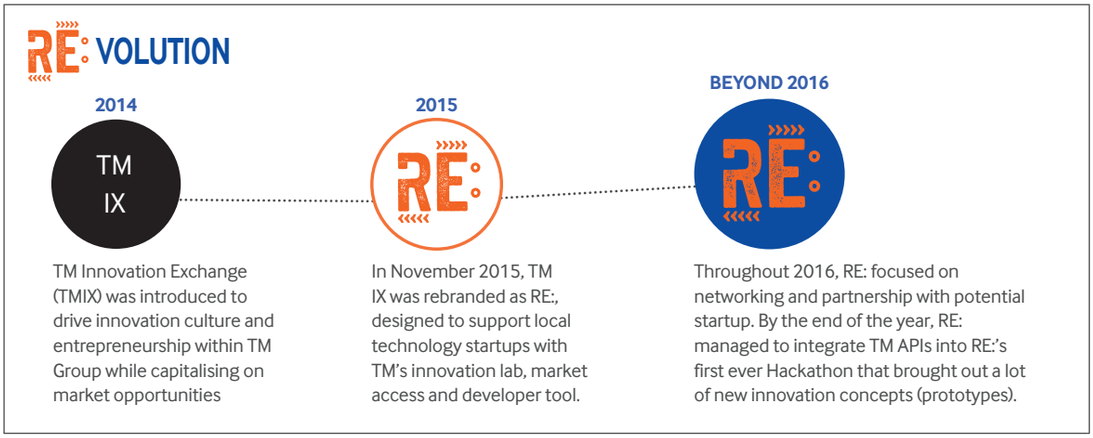
Strategy for 2017

1. Consolidate and 'harden' platforms to support multiple services and system integration
2. Develop research projects that are scalable, version control, built for cloud and containers, modularised, plug and play
3. Rejuvenate the brand and drive visibility to attract more talent and innovation
4. Participate in standardisation bodies at the international level such as Broadband Forum, the Alliance for Telecommunications Industry Solutions and Open Networking Foundation

BEYOND PRODUCTS & SERVICES

Supporting Innovative Start-Ups

To promote the creative multimedia industry in Malaysia, especially the content sector, we set up TM Innovation Exchange (TM IX) in 2014. Towards end 2015, it was rebranded as RE:, which focuses specifically on supporting technology start-ups and accelerating businesses in the areas of content, applications and devices leveraging on TM's application programme interface (API) and core competencies. Since its establishment three years ago, RE: has engaged with an average of 100 start-ups annually.



During the year, RE: continued to work closely with content providers, offering space at our premises for innovation labs where ideas are discussed and creative content developed. It also helped start-ups market their products using our customer database and infrastructure.

Innovation Lab

RE: provides collaboration space in Cyberjaya as the innovation hub to allow cross development of product and services between internal TM stakeholders and startups. The startups categorised as below:

Technology Enthusiast
- Software and hardware developer

Creative Content Creator
- Games, animation, music, photography, art & design, etc

Technopreneurs Community
- Entrepreneurs who are passionate about new technology and real industry problem solving

Students Collaboration
- MMU as an incubator for student entrepreneurship and research projects

Market Access

RE: creates new opportunity for startups to access TM's customer database and scale up their business with TM. The target market segments are:

Consumer
- Messaging
- Content
- Infotainment
- Social apps
- Devices
- OTT Solutions

SME
- ICT
- Value added service
- E-commerce
- Busines Tools

Enterprise & Government
- Education
- Oil & Gas
- Retail

Smart Cities
- Internet of Things

Developer Tool

RE: invents an open API (Application Programming Interface) management platform to allow startups connect with TM's infrastucture and industry players in the fastest and most cost effective way.

The API made available are:

- Call control
- Text to speech
- Video call SDK
- Multi party call
- Map
- SMS
- Multi factor authentication
- Digital signing
- Payment Gateway

In addition, RE: participated in a number of global workshops, competitions and programmes such as Lean Startup Machine (LSM), Imagine Cup, MaGIC, Project BrainChild and bina 2016 while organising our own hackathon, RE: Hack.

In 2017, RE: aims to start embedding innovative solutions created by start-ups into the Group. It will look specifically into integrating Artificial Intelligence (AI), Mixed Reality, Virtual & Augmented Reality (VR/AR) and Machine Learning projects into our business to create greater efficiencies internally and perhaps even catalyse their adoption more widely in the corporate space. RE: will also pave the way for greater integration of IoT into everyday devices, making life and business easier for everyone.

02

Education



Facts at a Glance:

MMU ranked
Top 3
Private University in Malaysia

Total of
48,661
graduates from MMU

97%
of graduates **employed within 6 months**

Total of
RM485 million
in **scholarships** and **financial aid disbursed**

Telecommunications is a niche industry requiring specialised skills and knowledge. To ensure we have sufficient people with the right training to carry out technical and engineering functions, our very own Multimedia University (MMU) offers industry-relevant programmes up to the postgraduate level. Together with our foundation, which supports the educational aspirations of deserving young Malaysians, we are nurturing a highly competent generation capable of supporting our digitalisation journey, and the nation's transition into high-income status.

Since it was set up in Melaka 20 years ago as Malaysia's first private university, Multimedia University (MMU) – now stands to be the Industrial Trendsetter with campuses in Cyberjaya and Iskandar Puteri, Johor as well – has been producing a steady stream of industry-ready and entrepreneurial-minded graduates skilled in digital technologies. Both qualities of the students, as well as the demand for them, is reflected in the fact that 97.14% of the graduates are employed within six months of completing their academic programmes.

MMU is also one of the top five universities preferred by ICT companies looking for quality human capital, according to the Malaysia Digital Economy Corporation (MDEC).

As a Top Malaysian Private University, one of the university's distinguishing features is the way in which it keeps relevant. It has undertaken a series of transformations over the years, the latest – its 3.0 Transformation Plan which is known as i-University initiative, which it has embarked on in 2015 – set to make it a truly innovative learning institution geared to support the needs of a digital world. Four intelligent labs were established to support the initiative such as the Innov8 Lab, SiRi Learning Lab, SMART Lab and e-Moot Court.

Meanwhile, the university has obtained initial stage approval from the Ministry of Higher Education to conduct four Open Distance Learning (ODL) courses. The content for these is currently being developed, with the aim of commencing the external programmes in 2018.

In line with i-University vision where Championing Entrepreneurship is one of the core thrusts, MMU established Entrepreneur Development Centre (EDC) which was fully operational from 1st March 2016. EDC is tasked to inculcate, nurture, and foster entrepreneurship culture among MMU students and staff. It focuses on creating awareness and education programmes to enhance appreciation of entrepreneurship within MMU, providing work space and support services for budding startups, offering early stage funding for startups and spin-offs, and cultivating of smart partnerships with players within the broader entrepreneurship ecosystem in Malaysia.

BEYOND PRODUCTS & SERVICES

Under the theme of Enabling MMU Entrepreneurs, EDC in 2016, had engaged the whole of the MMU constituents including its alumni and built a critical mass of MMU startup community via the provision of the early stage fund; MMU Startup Scheme. EDC has achieved in mentoring 29 teams, and out of these number, 11 teams have registered with Companies Commission of Malaysia (SSM).

The institutional influence on entrepreneurship practices of staff and students in the wider environment could be seen through the numbers and progressive approaches of smart partnership with relevant industry players demonstrated. In the year under review, EDC signed more than eight MoA and MoU to build a dynamic and supportive ecosystem for thriving entrepreneurs in MMU. Some of the key initiatives that took place this year were MMU Startup Scheme, Global Entrepreneurship Week, establishing the Founders Club among the alumni, students' Entrepreneurship Cells, Entrepreneur in Residence and Cyberjaya Entrepreneurship Summit. EDC's effort in 2016 was acknowledged by the Ministry of Higher Education (MOHE) when MMU was awarded as a finalist for the Most Entrepreneurial Private University in MOHE Entrepreneurial Awards (MEA) 2016.

The university plans to establish the Hub for Innovation Ventures (HiVE) in 2017 which will serve to promote research, innovation and entrepreneurship. This shall include the Siti Hasmah Digital Library (SHDL) 2.0 within HiVE to provide space for the free exchange of ideas among the students. MMU also aim to complete four more state-of-the-art intelligent labs in 2017, namely the Augmented Reality, Business Simulation, Visual FX and Robotic i-Learning Labs.

University and School Scholarships

Facts at a Glance:

In 2016, YTM awarded:

RM13 million
to 527 Malaysian students

1. **212** in **local universities** and **institutions**
2. **9** in **foreign universities**
3. **7** on **transfer programmes abroad**
4. **299** in **upper secondary schools**

RM1.09 million
to 179 TM employees





Engineering remains a core area of study at MMU, and to promote its graduates globally, MMU has gained accreditation by the Washington Accord. This means its Engineering graduates are recognised in over 20 countries including the United States, United Kingdom, Australia, Japan and Korea.

Communication studies, another key offering, was further enhanced in 2016 with the introduction of a Bachelor of Communication (Hons) in Strategic Communication, the first Bachelor's programme under the new Faculty of Applied Communication (formerly the Learning Institute for Empowerment), at the Cyberjaya campus.

Since it was established, MMU has successfully produced 48,661 graduates. The Johor Campus was opened on 25 January 2016, housing the Faculty of Cinematic Arts.

Academic Achievements of Faculty and Students

1. Professor from the Faculty of Engineering & Technology received two World Summit on the Information Society (WSIS) awards in Geneva Switzerland on 4th May 2016.
2. Senior lecturer of the Faculty of Engineering & Technology received a gold medal at the European Exhibition of Creativity and Innovation, held in Lasi, Romania on 22nd May 2017.
3. MMU bagged a total of 12 medals of 9 Golds and 3 Silvers in the 27th International Invention & Innovation Exhibition (ITEX) 2016 on 13 May 2016 in Kuala Lumpur.
4. Faculty of Management's student won the first place in the EY Young Tax Professional 2016 national competition on 29th July 2016.
5. Students from Faculty of Computing and Informatics won three awards in the Degree Category of the Institute of Higher Learning-Multimedia Super Corridor (IHL-MSC) Malaysia Start-up Challenge 2016 on 17 November 2016 in Kuala Lumpur.
6. Short film, Suraya, from the Faculty of Cinematic Arts (FCA) wins Best Film Award and Best Film Narrative at the 2016 Asian Youth Indie Film Festival on 8th October 2016.
7. Spotlight, directed by an FCA student, wins the Take21 2016 Best International Film Award in Toronto, Canada on 27th May 2016.



We offer scholarships to deserving Malaysians, to help them pursue their secondary and tertiary education, while also supporting the further professional development of our own employees. These are awarded by Yayasan TM (YTM), our foundation which was incorporated in January 2007.

In addition to providing scholarships, YTM runs a Scholars' Development Programme to enhance our scholars' academic performance, inspire them and equip them with relevant business and leadership skills, with the aim of nurturing future leaders for the Company, and nation. As part of their development programme, the scholars participate in various TM events and CSR initiatives to gain a better understanding of the Company's operations and our values. For broader industry exposure, they are enrolled in various programmes organised by other foundations. Key among these is the Yayasan Khazanah Leadership Conference.

The Scholars' Development Programme is continually enhanced to ensure we provide the best possible grounding and pre-employment grooming to our future leaders. In 2016, for example, we launched YTM Inspirasi, an intellectually challenging programme; and Program Nur YTM to instil fundamental values and principles, in line with TM's own Kristal Values. YTM also organised a 10-day attachment for our second-year engineering scholars, and an Up Close & Personal session with our MD/Group CEO, for better understanding of the Group's business aspirations and our management culture. To motivate our scholars to achieve their best academically, we held an Anugerah Kecermelangan YTM for the first time, an occasion at which those who attained First Class honours were recognised.

For our younger scholars preparing for the SPM 2016 examination, YTM organised examination seminars and coaching programmes. It also channelled funds towards meeting the education needs of the underprivileged.

In addition to providing scholarships, YTM invests in heritage programmes to preserve important aspects of the nation's history, especially those related to telecommunications.

03

Social



Facts at a Glance:

More than
3,000
food parcels
distributed to the needy
during Ramadhan

22
artificial coral reef frames
installed off Pulau Tinggi

Over
RM4.5 mil
of **social media value**
at the Rio Olympics

Team Malaysia
recognised as an
'Official Supporter of National Athletes'

More than
1 million
Team Malaysia followers

Our vision to make lives easier for a better Malaysia extends beyond providing products and services that connect people, bring them information at their fingertips and allow them to stay entertained wherever they are. It includes creating a more united Malaysia by connecting people through their hearts – appealing to common goals and common interests – getting Malaysians to rally together in support of different causes.

Doing Good to Do Better

Just as TM has always had a very strong sense of corporate citizenry, supporting the government in its national development agenda, and providing aid to help uplift the lives of the marginalised, our people are similarly driven to volunteer in any way they can to make lives better, for everyone. Recognising this strong spirit of volunteerism, TM Reaching Out Volunteers (TM ROVers) was established in 2013 as a platform for our employees to go out into the community and offer a lending hand to the needy.

How it Works: Whenever there is a need for volunteers, a message is sent via internal email blast and Yammer!, calling our TM ROVers to action. Generally, within hours, offers to help will come flooding in.

What We Get Involved In: Anything and everything that will make a meaningful change to lives. Our employees can suggest worthy causes. Our CSR Team calls for volunteers for programmes we run on an ongoing basis, such as BumiKu, TM Earth Camp and our school adoption programme. We also call for volunteers to help in initiatives undertaken by the GLC Disaster Response Network (GDRN), which TM currently leads.

This year, we organised a TM Reaching Out Day which we invited all our internal clubs and societies that carry our community programmes as well as some selected NGOs to take part in a 'bazaar' for them to showcase what their objectives were to our employees. Employees were also given the opportunity to sign up with any of them on that day.

GDRN

GDRN, comprising members from the GLC 20 in Malaysia, go out in force during national disasters such as the floods. To keep members prepared for crisis, programmes are organised on a regular basis. In 2015, we partnered with MERCY Malaysia and JPAM on two separate disaster preparedness programmes for GDRN members. In 2016, we collaborated with RedR to organise a three day-two night Humanitarian Logistics and Supply Chain Management Programme which dealt with issues such as managing teams during relief operations, personal health and safety, security risks, dealing with the media, professional and personal development planning for relief work.

TM ROVers:

Comprise members from these TM Clubs: Kelab Pencinta Alam TM, Rejimen Semboyan Diraja PAKAR Telekom (AW), TM Bikers, TM Radio Amateur Community (TM RAC), Kelab TM Ibu Pejabat, Badan Kebajikan Islam Telekom (BAKIT), Tiaranita and Persatuan Eksekutif Telekom (PET)

And NGOs invited to TM Reaching Out Day:

National Autism Society of Malaysia (NASOM), National Cancer Society Malaysia (NSCM), MERCY Malaysia, Islamic Relief Malaysia, Yayasan Salam Malaysia, Malaysian Nature Society, All Women's Action Society (AWAM) and Pertiwi Soup Kitchen

Focus on our Marine Environment

In 2016, both our flagship environmental programmes – BumiKu, which is organised for employees, and TM Earth Camp, targeting school children – focused on the marine environment. Collaborating with Malaysia Nature Society (MNS), we chose Pulau Tinggi, off Johor, for a three-year project with TM Earth Camp participants to create awareness among school children of the importance of marine environment and to enable them to play a part in marine environmental conservation through activities such as: creating a mangrove nursery, coral replanting, delineating safe swimming zones, helping to develop the Marine Information Centre, and contributing towards turtle conservation/hatching.

Taking the programme further, we also ran our BumiKu Camp at Pulau Tinggi to enable our TM ROVers to contribute further to our environmental efforts here. About 100 TM staff – a number of them are certified divers – descended on the island on 14-16 October where they planted 22 units of artificial coral reef frames on the sea bed and set up a 400 gallon water tank to help secure better water supply for the local community.

Feeding the Needy

TM ROVers also carried out a special Tiffin Malaysia programme during the month of Ramadhan, during which more than 3,000 packed food were prepared and distributed to the needy in three separate sessions.

Uniting Malaysians Through Sports

TM's Team Malaysia acts as a movement uniting Malaysians from all walks of life in support of national athletes competing at local and international games. The platform was established in 2011 in collaboration with the National Sports Council of Malaysia and Olympic Council of Malaysia. In addition to organising events on the ground, Team Malaysia also leverages on our infrastructure to offer Malaysians access to content they would otherwise not get to enjoy on social media platforms such as Facebook, YouTube, Instagram and Twitter.



An excellent example was the raw coverage provided by Team Malaysia at the Rio Olympics. A team of seven who went to the Brazilian capital achieved more than one million engagements, more than 2.3 million video views, and reach of almost 43 million users, earned an estimated RM4.5 million worth of social media value and recognition as the No.1 provider of digital updates on the Olympics. One of its hashtags, #KamiTeamMalaysia went so viral that even our Prime Minister tweeted on it from his account.

Team Malaysia is the Official Chanters of Malaysian Athlete at the Rio 2016 Olympic Games, read more about it on **Box Article 3: Team Malaysia – Malaysia's Digital Platform for the Rio 2016 Olympic Games**.

But their efforts to rally Malaysians in support of our heroes did not just begin in Rio. Prior to the Olympics, Team Malaysia organised its fifth Fan Run which attracted 10,000 participants who not only demonstrated their support through running in the 21km, 10km and 5km races, but also got to express their hopes and admiration of our athletes in person. To spread the spirit of sporting patriotism even further, a Team Malaysia Campus Tour (TMCT) was organised, which visited 20 locations around the country, mainly universities.

As with everything we do at TM, Team Malaysia continues to evolve in ways that are meaningful. During the year, it spawned its own corporate social responsibility (CSR) arm, Sports We Care, creating opportunities for underprivileged children to take part more actively in sports. So far, it has channelled children into various sports carnivals and clinics, and even got a group to take part in the Heartathon Run held on 13 November at Universiti Pertanian Malaysia (UPM) grounds.

Every year, as Team Malaysia gets bigger, so does its sphere of social influence. Together with TM ROVers, it is ensuring TM lives the Gandhian philosophy of 'being the change we want to see'. Not only are we empowering Malaysians to connect for social good, we are bringing Malaysians together in very real and meaningful ways to bring hope, joy and light to those who need or deserve. In this manner, we are genuinely changing lives for the better... for a better Malaysia.

CUSTOMER EXPERIENCE

In an industry as competitive as telecommunications, it is not enough to just have good products. Customer Service is a key differentiator. While customers expect uninterrupted connectivity when they use our services, they also expect excellent experience whenever interacting with us.



We acknowledge these expectations and continuously invest into better infrastructure for better service quality – marked by fewer service disruptions, clear voice and data quality, etc – and an enhanced experience when customers interact with us. In terms of the latter, we have embarked on a comprehensive transformation programme to digitalise all our customer interfaces making it easier, faster and more convenient for customers to communicate with us and achieve what they had set out to do.

Our digital transformation journey got off to a start in November 2015, with online registration for UniFi. This was followed by the award of a contract for the first phase of our Digital Customer Experience (DiCE) project to a partner organisation on 28 October 2016. The new web responsive portal and mobile app encompassing the six steps of a customer journey with TM – from I-Join, I-Use, I-Pay and I-Engage to I-Renew and I-Stay – is expected to be completed by the third quarter of 2017.

Digital Customer Journey

1	2	3	4	5	6
I-Join	**I-Use**	**I-Pay**	**I-Engage**	**I-Renew**	**I-Stay**
- The process of discovery and decision making when deciding to subscribe to the service - Overall joining experience (first 45 days)	- Usage of mobile and fixed - Excludes all enquiries and complaints	- Receiving bills, understanding bills, and making payment - Process of pre-paid charges and top-ups	- Process of enquiring or finding out more information (e.g. contact center, webpage) - Process of making a transaction involving an application, cancellation of service or change personal particulars - Process of making a complaint until point of resolution - Includes billing and network complaints	- Process of renewing or changing contract - Process of changing phone, SIM card or equipment as a result of contract change	- Process of win back effort

In the meantime, we are enabling a number of online channels for better service delivery, which will eventually be integrated onto a single, integrated digital customer platform. In 2016, we launched two alternative channels for customers to communicate with us: Facebook and Live Chat. We also introduced four new features in our Self Help Troubleshooting function.

Collectively, these new online services serve to divert call traffic to our contact centres, enabling faster resolution of issues and reducing the wait time of callers. With our new digital channels we have managed to achieve a 85:15 ratio in the traditional to digital channel mix. Our target is to reduce this ratio to 75:25 in 2017 and eventually achieve a 40:60 mix by 2019.

Facebook

In addition to our Twitter channel @TMConnects established in 2015, we expanded our social media reach by establishing the Everyone Connects Facebook page in January 2016. Customers can now make product enquiries, put up service requests and even lodge complaints through our official social media channels.

Live Chat

Live Chat was soft-launched in January 2016 with only five customer service professionals (CSPs). To create awareness of the service, in April we installed an IVR announcement to advise customers in the northern region queuing to speak to one of our call centre agents to get real-time support from our Live Chat agents. To meet the expected increase in chat traffic, we increased the number of CSPs to 15. In August 2016, we launched the IVR announcement for all TM100 calls nationwide, and brought on board an additional crew of 21 CSPs.

In December, we extended their operating hours from 9am to 10pm Mondays to Fridays, to 9am to midnight every day. Our efforts contributed to a 364% increase in volume of Live Chat from the first quarter to the last quarter of 2016 by which time we were averaging 12,958 chats per month. To better manage the volume of chats, we sent our CSPs for training.

Self-Help Portal

TM Self Help was made available on our corporate website in 2015, enabling customers to resolve basic technical issues faced with their UniFi or Streamyx broadband. With Phase 2 of TM Self Help, launched in October 2016, they are able to troubleshoot 106 different scenarios, and can even access the platform via their mobile phone (connected to their data plan). This means they can troubleshoot even when their connection is down. In addition, the tool allows them to create their own trouble ticket should they be unsuccessful in resolving their problem after going through the recommended steps.

TM Self Help is able to support 500 concurrent users and received a total of 73,000 hits in 2016.

Moving Forward

To further promote our alternative channels, we sent an electronic direct mailers (EDM) to all customers in December reminding them of these services.

For Live Chat, we will continue to send more EDM while leveraging on TM collaterals, social media paid ads and news releases to heighten our customers' awareness. We will also expand our Live Chat team to ensure sufficient resources to meet the expected increase in traffic.

For the TM Self Help portal, we plan to introduce a Wireless Analyzer function to enable customers to scan and check the WiFi signal strength in their premises and configure the WiFi channel automatically. TM Self Help will also be made available in soon-to-be-launched mobile apps.

Increased Customer Satisfaction

We are confident that our investments in alternative digital channels are effective, not only by the increasing number of customers engaged but also from their positive feedback. Our customers' level of satisfaction is measured via three main surveys – Net Easy Score (NES), which measures how easy customers interact with us; Net Promoter Score (NPS), which measures how likely they are to promote TM to others; and the TRI*M index, which measures the overall desirability of the customer experience.

NES is measured by sending an SMS to customers after every interaction they have with us over our portal, phone conversations, as well as face-to-face interactions at TMpoint outlets, with our resellers, and during service installation or restoration. The NPS on the other hand is measured amongst customers who have been with us more than three months. They would received SMS every two years to gauge feedback on how likely they are to promote us. As for TRI*M, it is measured by survey calls made to the customers done by an appointed consultant.

Our NPS improved from -7 in 2015 to -1 in 2016, while in our NES matrix, our scores in each of seven different parameters improved over the year with the greatest improvement seen in 2016. Meanwhile, our TRI*M index increased from 75 in the last three consecutive years to 77 in 2016.

Creating Internal Digital Culture

Becoming a fully digital company necessitates having a digital savvy workforce. Recognising this, our Digital Customer Experience (DCX) team is playing its part to inculcate digital culture amongst employees.

Throughout the year, a number of programmes were implemented, such as:

- The Re: Hack Smart Living Hackathon, on 10-11 December, which attracted the participation of 27 employees out of a total of 108 external computer programmers
- A two-week Stay Fit Go Digital: The 10,000 Steps Challenge, from 21 November to 4 December, which saw 124 employees participate in healthy activities which were tracked using fitness tracker apps and wearables
- Customer Experience Summit - the event was held in Johor, Penang and Kuala Lumpur to engage our personnel in our Digital and Service Culture initiatives.

IT & NT - SMARTER NETWORKS

IT&NT is one of the technology entity that supports TM's entire business by keeping everyone connected, allowing us to experience changes of technologies mainly in Cloud and Virtual Innovations. It provides infrastructure and networks that enable our Mass Market and Managed Accounts clusters as well as Global Wholesale to offer data, broadband, digital and mobile services, and empowers us to bring everything together in simple and smart way towards convergence.

In recent years, the division has focused intently on transforming our legacy of Public Switch Telephone Network (PSTN) into an IPv6 compliant all-IP Next Generation Network (NGN): this will provide a future-proof platform that enables TM to deliver more integrated services proposition and expand our international links and new Operational Support System (OSS)/Business Support System (BSS). A major milestone was achieved in 2016 when this transition was completed. Adding to our own sense of accomplishment, in December 2016, we were awarded the Jim Bound IPv6 Worldwide Deployment Award by Global IPv6 Forum in recognition of our exemplary IPv6 deployment.

Today, with a 100% NGN as our foundation, we can forge ahead to offer even more cutting-edge digital solutions such as cloud and virtual technologies to our customers while transforming our own internal systems to be able to deliver greater customer service and efficiency.

In addition to enhancing our customer journey, IT&NT is redesigning our front-end and back-end functions to simplify our systems and processes, helping us reduce our cost to serve, hence contributing to our bottom line.



Facts at a Glance:

Phase-out from PSTN network with **3.9 mil** **ports deployed**

1st virtual function **- vCPE -** launched

0.5% **in Opex savings**

How NGN is Transforming Our Products

IPv6 provides a highly scalable address scheme that is able to meet the requirements of present and future communicating devices, and will launch us into the era of interconnected smart devices through Internet of Things (IoT).

We first launched commercial services with IPv6 assignment in 2011, over Global IPv6 Transit and Direct services. In 2013, we introduced dual-stack IP assignment for UniFi and Streamyx broadband services followed by IPVPN services. At the end 2016, webe and TM WiFi joined the IPv6 bandwagon.

Moving forward, IT&NT will further embrace virtualisation of network by using Software Defined Network (SDN) and Network Function Virtualisation (NFV) technologies through CPE to reduce deployment cost and time.

Most recently, on 23 December 2016, we launched the Virtual Customer Premise Equipment (vCPE) service, the first product to be offered under our new Network Function Virtualisation (NFV) architecture. vCPE transfers the functions and features that are normally provided at customer premises (via CPE) onto the cloud, thus simplifying the equipment and service delivery and opening up possibilities for value-add services on demand.



How NGN is Transforming TM

Upon completion of the network conversion, IT&NT has embarked on a new three-year plan to further streamline TM's operations, bringing the benefits of digital and converged processes to the organisation. The idea is to take the process of simplifying our operations to the extreme, while maintaining a keen eye on enhancing our service.



The converged approach adopted for webe has become a benchmark for us at TM as it demonstrated the way in which synergies can be derived from shared design and IT development to common operations and maintenance.

While the process of transformation is ongoing, we are already seeing the fruit of productivity improvements and cost discipline, with both Network Management Operations (NMO) and Network Delivery (ND) units achieving significant savings. These have contributed to a reduction in the Group's operational expenditure (Opex) by 0.5% from year 2015.

Prospects

Various initiatives are being undertaken to create a more cost effective and efficient organisation, revolving around three principal focus areas of technology, digital and innovation.

I

Under technology, IT&NT aims to manage:

- Bandwidth challenges of doubling our access speed. This can be achieved by:
  1) shortening the copper loops in SUBB and using webe;
  2) fiberising high-rise buildings; and
  3) accessing aggregation
- Simplicity challenges of standardising and simplifying our network architecture
- Virtualisation challenges – the aim is to set up an SDN/NFV team
- Security challenges – it will establish a dedicated security team

II

Under digital, the IT team is supporting:

- The implementation of a new two-speed IT architecture comprising:
  1) Digital Customer Experience (DiCE) as the front end; and
  2) Interstellar as the back end, which will take slightly longer to deploy
- Internal process redesign of SWIFT, SRR, Inventory enabling the digitalisation of thousands of documents on approvals, implementation and maintenance; as well as re-design of service-centred operations

III

Under innovation:

- IT&NT will continue to improve the network for a better customer experience; to support start-ups; and through the adoption of new technologies to enhance our analytics, trouble-shooting and restoration capabilities. For more information on IT&NT's Distinctiveness Innovation Initiative, please refer to the Beyond Products & Services on pages 71 to 74.

SUPPORT BUSINESS - SMARTER WORKPLACE

Facts at a Glance:

Total
15.6 million
visitors
to Menara KL

Fleet of
5,094
vehicles

696
network & non-network
buildings

2,159
security personnel

472-acre
land bank

To ensure the smooth running of our core business – namely connecting millions of Malaysians throughout the country to family and friends, information and entertainment – we have a group of operations that provide essential support. These companies house our telecommunications and broadcasting equipment, manage our property and fleet, and ensure the security of all our assets. Some of them also derive income from adjacent businesses.



Sky Box at Menara Kuala Lumpur

Our Support Business comprises Menara Kuala Lumpur Sdn Bhd, Property Operations, Property Management, TMF Autolease Sdn Bhd and Security Management & Occupational Safety Health Environment. Each arm has continuously sought to attain international standards in its operating systems and, for the first, in 2016 all achieved ISO 9001:2008 certification.

Menara Kuala Lumpur Sdn Bhd (MKLSB)

MKLSB manages Menara Kuala Lumpur, or widely known as KL Tower. As the seventh tallest telecommunications tower in the world and the tallest in Southeast Asia, it serves as a telecommunications and broadcasting tower, as well as a key tourist attractions. MKLSB also manages Muzium Telekom in Kuala Lumpur and Menara Alor Setar in Kedah. Attractions in KL Tower include the Observation Deck, Sky Deck, Atmosphere 360 (revolving restaurants) and many more. The tower has become well-known among extreme sports enthusiast for it signature KL Tower International Jump Malaysia. The management recently introduced new attractions, such as the Sky Box at Sky Deck, which at 300 meters, offers visitors a unique and thrilling experience to enjoy the panoramic view of Kuala Lumpur. All these activities and events are aligned with KL Tower's tagline to be the centre for Culture, Adventure and Nature. In addition, for both Muzium Telekom and Menara Alor Setar, transformation efforts are also undertaken to enhance the artefacts and attractions at Muzium Telekom and creating more attractions to Menara Alor Setar, such as new facade lighting.



TMFASB maintains our vehicles in the best condition.

TMF Autolease Sdn Bhd (TMFASB)

TMFASB manages our fleet of 5,094 vehicles through seven regional offices. Its primary function is to maintain the right number of vehicles, in good condition, to suit our needs. In 2016, it arranged for the country's leading vehicle inspection company, Puspakom, to carry out inspections of our fleet at TMFASB premises. Safety also featured strongly on TMFASB's calendar during the year, with numerous road safety campaigns and vehicle handling sessions. It also introduced a new, ergonomic ladder rack that provides additional protection to workers' spines while loading and unloading vans.

Property Operations (PO)

PO provides total facilities management solutions for our 696 buildings. A key focus is to enhance our energy consumption, and in 2016 it saved 27.7 million kWh of energy through a facilities improvement programme, energy awareness campaigns, energy performance contract, and monitoring efficiencies using Power Usage Effectiveness (PUE) and Building Energy Index (BEI). Power enhancement and upgrade projects were carried out at nine critical buildings – in Putrajaya, Taman Tun Dr Ismail, Batu, Klang Selatan, Jalan Raja Chulan, Brickfields, Menara TM, Kelana Jaya and Cyberjaya. To facilitate the work of its employees, PO introduced a digital tablet for use in fault management and asset inventory. It also supported major TM projects such as Digital Terrestrial Television Broadcasting (DTBB) for MyTV, Data Centres and TMpoint Transformation. To ensure compliance with regulatory requirements, it engaged with the relevant government agencies such as the Ministry of Domestic Trade, Co-operatives and Consumerism, Fire and Rescue Department, Department of Civil Aviation and Energy Commission.



KL Tower International Jump Malaysia

Property Management (PM)

PM oversees our land bank and provides property management services for our properties. During the year it secured a Joint Land Development Agreement (JLDA) with UEM Sunrise Berhad for a site at Bukit Mahkamah located in Central Business District of Kuala Lumpur at a guaranteed land cost of RM150 million. It also project managed the renovation and relocation of TM @ Damansara building for Managed Accounts. For continuous improvement, PM enhanced security access by installation of turnstile and visitor management system at Menara TM.

Security Management & Occupational Safety Health Environment (SM&OSHE)

SM&OSHE serves to protect our employees and assets, and represents the Group in the National Crisis Management Committee. In 2016, it collaborated with the police and other stakeholders in 157 programmes nationwide to prevent cable theft, a major risk that we face. As a result of their efforts, we saw a 15.7% reduction in cable theft cases compared to 2015. Significantly, there was zero occupational fatality.

Financial Performance

Although Support Business is not a major revenue generator, it has been making concerted efforts to increase its contributions to the Group. In 2016, it grew its earnings before interest and tax (EBIT) by 3.5% to RM38.4 million, based on revenue of RM185.7 million. At the same time, the Group achieved 27.7 million kWh in energy savings, exceeding our target of 25 million kWh, as a result of Support Business' initiatives.

HUMAN CAPITAL DEVELOPMENT - SMARTER WORKFORCE

Human capital

As we are stepping up our game in convergence and digitalisation, human capital is the core enabler for TM to stay competitive in the market. Our priority is to grow to our valuable asset – our employees along with our businesses. We invest in strengthening critical and new digital competencies to ensure our workforce is ready to drive this transformation journey, whilst assuring sustainable capabilities of the core existing competencies. This is what we called "two speed transformation" which guarantees availability of the right talents and capabilities in the organisation.

Facts at a Glance:

Total No. of TM Group Employees
28,045

Employee Engagement Index
92%

Talent Retention Rate
98.1%



In striving to make life easier, we embrace the changes and disruption that Industrial Revolution 4.0 brings and to gear up the workforce to embrace the Go Digital culture. This means having a heightened digital awareness synchronously across the organisation and building a smarter workforce that acts as a catalyst to the digital transformation. Our digital savvy workforce would be able to complement technology advancement in the workplace to drive innovation and productivity. The workforce will thrive in an agile organisation that is cross-functioning, flat and fluid. This allows for greater empowerment which translates into speedier decision-making and simpler work processes whilst putting the customer at the heart of it. Information will be a commodity and analytics forms the basis of all decision-making within the organisation. Cross-collaboration between teams will happen more naturally across the board in bringing innovative ideas to life.

In ensuring that the strategy is robust and supports the dynamic capabilities requirements, business will co-lead and co-deliver programmes to upskill the workforce. This enhanced workforce will be both stable at the core and agile to drive the transformation. Whilst enhancing tools and processes, ensuring sustainability of the transformation is even more critical. To move towards this, there is a need to create an ecosystem that supports the mind-set shift towards an agile culture driven by digitalisation.

In the long run, the sustainability of our transformation correlates with the latitude of the digital mind-set within our organisation. The Digital era is an exciting one indeed and we are committed to power through this journey in realising our vision to Make Life and Business Easier for a Better Malaysia powered by Digital.

BUILDING A LEADERSHIP BENCH

At TM, we believe in growing our own timber as part of our key effort to develop a sustainable leadership pipeline. By strongly holding on to the concept of identifying, building and sustaining leaders at all levels, our journey begins from our very own TM scholars up to the leadership bench at TM. In supporting our aim to cultivate a smarter and capable workforce, we are always committed in providing our employees with the best development opportunities such as building digital related skill & capabilities.

Through the rapid growth of digitalisation and converged services, wherever possible we take pride in empowering employees to act on groundbreaking ideas regardless of their position and function at TM in living up to the status of a true TM brand ambassador.

Building Better Leaders

In 2016, our senior management underwent two key programmes to elevate their leadership effectiveness:

- **Fundamentals Made Easy** - It imparts basic understanding of a broad range of critical functions such as Finance, HR and Procurement to enhance our leaders' ability to appreciate the cross functional relations of different operations within the organisation and develop more effective forward-looking strategies.
- **Performance Management Bootcamp** - It provides our senior management the tools to inspire a high-performance culture within TM leveraging on our leadership competencies of S.U.C.C.E.S.S *(Service excellence, Unity & Teamwork, Cultivate Stakeholder Collaboration, Catalyse Change, Embrace & nurture talent mindset, Strive for results, Strategic & Entrepreneurial mindset).* Among the key learnings is the ability to set goals that motivate employees to perform at their best.

Bringing Out the Leadership in Talent

Development programmes and engagement activities for our talents focused on building their leadership capabilities. This led to a 3 percent point year-on-year increase in the Talent Management Index to 80%. Emphasis was placed on three key areas to nurture a smarter workforce of digital talent.



Development Programmes

1

Digital Talent Programme by MMU

Digital Talent Program designed by MMU's School of Management is aimed to equip talents with knowledge and competencies required to adapt and contribute effectively in a converged and digitalized economy & industry especially in the areas of marketing, business, design thinking, economy and strategy. A total of 350 talents attended the programme on Digital Economy & Business Skills, while another 87 completed Big Data as Data Analysts training.

2

Lead, Excel and Deliver (L.E.A.D) Programme

L.E.A.D, facilitated by the Cranfield School of Management, bridges the transition of high potential middle management to senior management. Selected participants were given the opportunity to take part in cross-functional programmes and drive strategic projects for TM. This year, 20 future leaders and newly appointed general managers were selected for the fourth series of the programme.

4

Talent Engagement Session

In 2016, our talents were given the opportunity to engage in creative and innovative courses on design thinking and brain colour profiling. Organised on a regional basis, including Sabah and Sarawak, these sessions aimed to enhance adaptability and create a mindset aligned to a smarter, digital workforce.

3

Talent Convergence Congress (TCC 2016)

TM Convergence Congress was organised with the objective of boosting and sustaining talents' energy for them to play part in TM's journey as the nation's Convergence Champion. This Congress shows a shift in terms of approach towards building talent capabilities whereby it empowers the talent themselves to obtain new knowledge and skills by enrolling themselves in projects pitched by TM leaders during the program. Throughout the event, 26 projects have been showcased with active participation and enrolment by the talent group.

INCLUSIVITY & DIVERSITY IN BUILDING A SMARTER WORKFORCE

We believe in nurturing a diverse workforce rich in varied perspectives as this strengthens the basis of our business strategies and decisions, hence enhancing the effectiveness of our operations. To attract and retain a good mix of gender, race, religion and age, we recognised the importance in providing equal opportunities to all employees in every aspects of their career with us, from remuneration to training and job advancement.

Reflecting the multi-cultural composition of our workforce, we celebrate all major festivities, reinforcing our 1TM culture and promoting a harmonious work environment. As part of our philosophy of inclusivity, we also provide employment to persons with disabilities (PWD). As of end 2016, we had 73 PWD in our call centres, with a 70:30 male to female ratio.



Women representation in decision-making positions

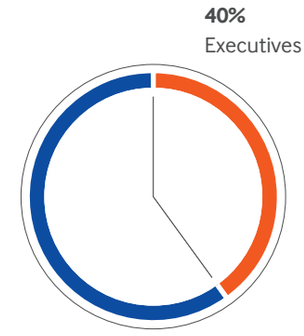
We champion the cause of providing women with equal platform as their male counterparts thereby allowing them to grow and cultivate leadership skills. Gender diversity in leadership enables us to leverage on their full potential to elevate organisation sustainability. Diversity of thought would bring different thinking perspectives and results in better decision making. It is also to support agility and flexibility of the business and technology change.

In supporting of the Corporate Governance Blueprint which targets 30% women participation on Board by year 2016, TM periodically selects qualified women from Senior Management to undergo training to equip them with relevant knowledge to serve as Directors on the Boards of TM Subsidiaries and associated companies. For example Women in Leadership, McKinsey Rising Star and Professional Executive Coaching. We encourage leaders to leverage on diversity of functional capabilities of the people through job rotation and cross assignments to sustain mobility ecosystem across TM and our regional offices.

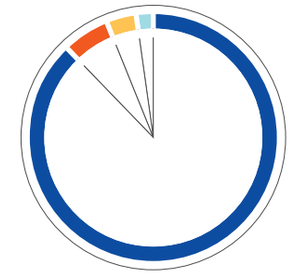
ENGAGING OUR WORKFORCE

To support our ongoing transformation, we are creating a flatter organisational structure to encourage greater communication and collaboration between our people. In addition, we are promoting cross-functional interaction and providing more opportunities for employees to gain broader exposure of the business via job rotation and cross assignments. Much emphasis is being placed on empowering our people, especially in terms of generating new ideas that will help to simplify our work processes, putting the customer at the heart of all that we do.

WORKFORCE

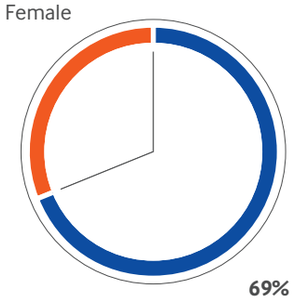


RACIAL COMPOSITION



- Bumiputera 88%
- Chinese 6%
- Indians 4%
- Other races 2%

TM SENIOR MANAGEMENT GENDER COMPOSITION



In order to increase the level of our employees' satisfaction and to engender a feeling of belonging to TM, we actively engage with our employees from different levels and locations via platforms such as Jom Bersama GCEO, Turun Padang, Teh Tarik sessions with senior management, Business Roadshows and Lines of Business (LOB) Conventions. At each of these events, our management actively seek to create free and honest dialogue with our employees to hear their views, listen to their suggestions and find ways of creating a more innovative and dynamic culture. In 2016, in line with our digital journey, we brought our employees together with management at events such as the Hackaton, Gamification, Community Forum, Design Thinking and Playroom apps.

We encourage the spirit of 1TM via the I Love TM and ZBC Amazing Race campaigns. We also recognise individual contributions through TM Group Awards Night, KRISTAL Awards and Warisan Kasih. As a result of these initiatives, we scored 92% in the most recent My 1TM Survey, denoting a high level of employee engagement.

AWARDS & RECOGNITION

Our high-impact human capital initiatives and innovation in leadership development, talent management, performance management, operational excellence and engagement were recognised by the following awards during the year:

- Malaysia Best Employer Brand, by World HRD Congress
- Asia Best Employer Brand, by World HRD Congress
- Grand Award for Employer of Choice (GLC category), by the Malaysian Institute of Human Resource Management (MIHRM)
- The Best Initiative at the LIFE@WORK Awards 2016, for VADS' Strategic Transformation & Enablement Programme to Up Skill Professionals by Talent Corp.

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)

The safety of our workers, and those of our employees, remains paramount to TM. We have in place a strong culture of safety that is supported by continuous training, supervision and monitoring to ensure everyone conducting work for TM has the required skills and knowledge to carry out his or her job function safely. We also recognise that safety is a continuous journey, and with each year we strengthen our systems and processes to safeguard our people.

Achievements:

1. Zero fatal accidents among employees and contractors' workers
2. Completed Non-Ionizing Radiation (NIR) Research
3. Launched new programme on protecting employees' hearing
4. Launched new OSHE Complaints Centre (OCC)
5. 1st Collaboration between SOCSO and TM for the National Launching of Safe Commuting To Work Campaign 2016



Site Inspection by OSHE Team

About 5,000 TM employees and 20,000 contractors' workers are involved in high-risk activity, including working at height, in confined spaces, near high voltage and on/by the roads. To ensure their safety, our OSHE team and the relevant divisional management conduct regular inspections to ensure all workers follow safe work instructions and comply with OSHE requirements.

All contractor workers must attend NIOSH TM Safety Passport (NTMSP) training and pass the examination before being approved to enter work sites. Our employees are required to familiarise themselves with safe work instructions and OSHE requirements, while our supervisors use their log books and Permit-To-Work to ensure all OSHE requirements for the related works are adhered to.

SAFETY PERFORMANCE

At TM, we have set ourselves as one of our top Key Performance Indicators (KPIs) zero fatalities among our employees as well as those of contractors, which we achieved in 2016. We have had zero fatalities among our employees since 2010, and among our contractors' workers since 2015.

We are therefore proud of our enhanced performance, yet acknowledge that there are still areas in which we can improve. For example, there was no improvement in the number of accidents recorded – 49 – which was the same as in 2015, representing an accident rate of 1.03 per 1,000 employees (including contractors). And our Lost Time Injury (LTI) increased from 593 days to 544 days.

ACTIVITIES AND PROGRAMMES

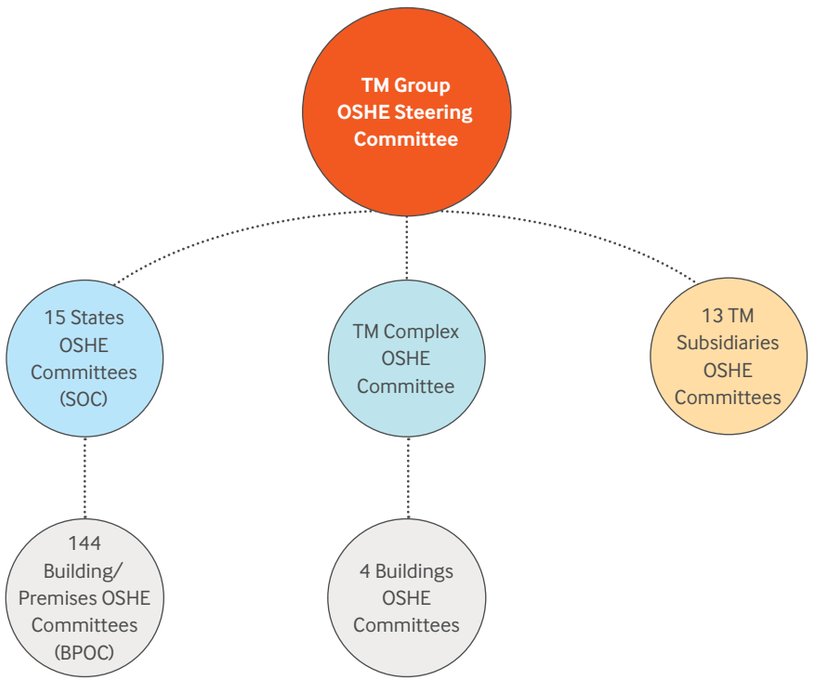
Compliance

TM complies with the Occupational Safety and Health Act (OSHA) 1994 and its regulations in order to promote a safe and healthy work culture.

Steering and State OSHE Committees

We have a total of 2,209 persons directly involved in our Steering and State Safety & Health committees, representing about 8.2% of our total workforce.

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)



Safety and Health Committee Structure Arrangement in TM

The general roles and responsibilities of the safety and health committees are:

1. To assist in the development of safety and health methods, and safe work systems
2. To analyse the effectiveness of our safety and health programmes
3. To analyse incidents, near misses, dangerous occurrences, occupational poisoning and occupational disease that have occurred at our workplace
4. To notify the management of any unsafe or unhealthy conditions or behaviours in the workplace, and make recommendations for improvement
5. To review our OSHE Policy
6. To hold meetings and inspections at least once a quarter

During the year, the Steering Committee visited the following work sites: TM Kepayan, TM IPK Sabah, TM Penampang, TM Tanjung Aru, TMTC Jalan Semarak, TM Hiliran Kuala Terengganu, TM Gong Badak and TM Tawau.

OSHE Management System (OSHE MS) Implementation

To ensure the implementation of OSHE MS in TM, internal audit was conducted at 12 out of 16 states. Based on the Internal Audit findings and result, weaknesses have been identified and improvements are being made to meet the standard requirements.

OSHE PROMOTION AT THE WORKPLACE

Continuous efforts are made to promote a safe and healthy work culture. These include OSHE inspections, workplace inspections, OSHE Week, Wellness and Health Day, Seminars, 5S Activities, Fire Drills and Emergency Response Exercises.

National Launching of Safe Commuting to Work Campaign 2016

On 12 April 2016, SOCSO and TM collaborated to launch the National Safe Commuting to Work Campaign 2016. The event was officiated by the Human Resource Deputy Minister. During the launching ceremony, there was a live telecast between TMCC, TM Shah Alam, TM Kuantan, TM Johor Bharu and TM Kuching, with a Safe driving demonstration from TM Shah Alam. Apart from that, SOCSO gave a talk on safe commuting at Mini-Auditorium, TMCC on April 2016. Several government agencies participated in exhibition booths at Menara TM Lobby from 11 to 12 April 2016.

Contractor Management

Various programmes were held to improve our contractors' safety awareness. Our contractors were also invited to participate in our OSH seminars, training, briefings, exercise and competitions. Such programmes are conducted regularly to ensure our contractors' management and workers understand their responsibilities to fulfil our requirements. All new and existing contracts include the provision of OSH requirements and OSH plan guidelines. A Contractor's Management Audit was conducted on all regional Network Maintenance Operations (NMOs) and Network Development (ND) offices. Weaknesses identified have been highlighted to the management for immediate rectification.

NIOSH-TM Safety Passport (NTMSP)

Approximately 50,000 contractor workers have been trained under the joint programme between the National Institute of Occupational Safety and Health (NIOSH) and TM since it was launched. NTMSP is compulsory for any work related to our business.

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)



Safe to Work Campaign

OSH Plan

All contractors and suppliers are trained and guided to provide an OSH Plan to ensure they comply with OSH requirements and to prevent any injury work or during the delivery of services or goods. Their OSH Plans are approved prior to the implementation of work.

OSHE Training

OSHE training is conducted either by external or in-house resources. These include Safe Work Instruction Training Programme (PLAKS), Effective Supervision (With Supervisor Log Book), Authorised Entrant and Stand-By Person (AESP-TM), Basic Occupational First-Aid (BOFA) and OSH Awareness.

WORKPLACE SAFETY

We take reasonable and practical steps to identify hazards and minimise work-related risks.

Hazard Identification Risk Assessment & Risk Control (HIRARC) Programme

The HIRARC programme has been extended to TM work teams, TM Safety & Health Committees and contractors to identify possible hazards, assess risks and control these as far as possible.

TM Wellness Challenge

In 2015, we launched a programme designed to encourage employees to adopt a healthier lifestyle. The 37-session programme has been adopted in eight states, each with about 40 participants. Various activities have been planned such as weekly fitness activities at recreational parks and gyms, health & fitness and stress information sharing and talks. We expect the other states to embark on the programme too.

Safe Driving & Riding Programme

Prompted by the increasing number of road accidents, TM took the initiative to help our employees protect themselves while commuting. We launched a programme involving theoretical and practical demonstrations on how to ride and drive smart and safe. The programme was conducted in Selangor, Negeri Sembilan, Pahang, Johor, Kuala Lumpur, Kedah, Sabah and Sarawak.

Ergonomics

We continue to run an Ergonomics Awareness programme to help employees minimise physical injury or stress in the workplace. This is supported by an Ergonomics Risk Assessment which identifies the root causes of musculoskeletal ailments in order to prevent them.

Non-Ionizing Radiation (NIR) Research

In June 2015 we embarked on an 18-month research project revolving around Non-Ionizing Radiation (NIR) covering two topics:

1. Medical Surveillance of TM employees who are potentially exposed to NIR
2. Knowledge, Attitude and Practice (KAP) on Occupational Safety & Health among TM employees who are potentially exposed to NIR.

The study was completed in November 2016 covering all 20 TM Hill Stations and Earth Satellite Stations nationwide involving around 200 employees. Final report has yet to be completed. The report is expected to be completed by NIOSH by Mid 2017. The purpose of this research is to evaluate the effect of Non-ionizing radition to humans

Hearing Conservation Programme

In November 2016, we launched on a programme to protect the hearing of employees who are exposed to noise exceeding 90 dB(DiciBels)(A) for eight hours or more a day. This involves: 1) identifying equipment that produces noise louder than 85 dB(A); 2) measuring employees' exposure to such noise; 3) evaluating their hearing; and 4) providing basic safety training about hearing conservation.

OSHE Complaints Centre (OCC)

Starting from December 2016, our employees can report any unsafe conditions or unsafe acts in the workplace using the 1SB_Helpdesk (1800-88-7557).

Subsidiaries' Safety Performance

All our subsidiaries continue to comply with the requirement of OSHA 1994, with some conducting their own OSH programmes, legal registers and HIRARC, as well as establishing their own safe work instructions and OSH Management Systems. In 2016, a total of nine accidents were reported, a minor decrease from 11 in 2015. There was a significant reduction in Lost Time Injury, from 266 days in 2015 to 28 days.

LIFE
360°



Smarter Nation

We strive continuously to leverage on our technologies to improve lives; of individuals, families, neighbourhoods, communities, villages, institutions and the nation at large.


“Where young minds are inspired to find new solutions to old challenges.”
TM AURA

WHO GOVERNS US
- PROFILE OF DIRECTORS

TAN SRI DATO' SERI DR SULAIMAN MAHBOB

Position
1 Chairman
2 Non-Independent Non-Executive Director

Age
68

Gender
Male

Nationality
Malaysian

Date of Appointment
12 January 2015

Date of Last Re-Election
30 April 2015

QUALIFICATIONS

- Degree in Economics (Hons), University of Malaya (UM).
- Master of Science, University of London, United Kingdom (UK).
- PhD, Maxwell School of Citizenship and Public Affairs, Syracuse University, New York, United States of America (USA).
- Attended the World Currency Reform, Harvard University, USA.
- Honorary Doctorate in Economic Management, Universiti Kebangsaan Malaysia (UKM).

WORKING EXPERIENCE

Tan Sri Dr Sulaiman served the Government sector for over 38 years in various capacities including holding the position of the Director-General of the Economic Planning Unit, Prime Minister's Department, Secretary-General of the then Ministry of Domestic Trade and Consumer Affairs, and Under Secretary (Economics) of the Ministry of Finance.

He served as Head of the Secretariat of the National Economic Action Council (NEAC) during the financial crisis in 1997/1998, when Malaysia implemented the capital control policy. He was then seconded to the Malaysian Institute of Economic Research (MIER) from 1995-1997 as its Executive Director. He also served at the Institute of Integrity Malaysia (IIM) as its first founding President from 2004 until 2005, where he established several work programmes to promote a culture of ethics and integrity within the public sector and also in the private sector in line with the Government's National Integrity Plan.

Tan Sri Dr Sulaiman was previously Chairman of the Malaysian Investment Development Authority (MIDA) and the Companies Commission of Malaysia. He was also a Board member of Petroliam Nasional Berhad (Petronas), Federal Land Development Authority (FELDA), Malaysia Insurance Deposit Corporation (PIDM) and the then Multimedia and Communications Commission.

He is currently the Chairman of Universiti Telekom Sdn Bhd (UTSB), a company that operates and manages Multimedia University (MMU) and GITN Sdn Bhd (GITN), wholly-owned subsidiaries of TM, as well as Chairman of MIER and Minority Shareholder Watchdog Group (MSWG). He is also the Deputy Chairman of the Malaysian Economic Association (MEA) and a Board member of Bank Negara Malaysia, the Institute of Strategic and International Studies (ISIS) and Felda Global Ventures Holdings Berhad.

He is an Adjunct Professor (Economics) at the UM, Universiti Utara Malaysia and Universiti Tun Abdul Razak.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad
- Felda Global Ventures Holdings Berhad

Public Companies:

- Minority Shareholder Watchdog Group (MSWG)

BOARD COMMITTEE

None

ATTENDANCE AT BOARD MEETING IN 2016

Attended all 9 meetings

OTHER INFORMATION

Non-Executive Director nominated by Special Shareholder of TM, the Minister of Finance (MOF), a body corporate established under the Ministry of Finance (Incorporation) Act 1957.

WHO GOVERNS US
- PROFILE OF DIRECTORS

Scan to view the full profiles of the Directors.



Tan Sri Dr Sulaiman's insurmountable knowledge in economic and finance together with his background as a former policy maker, past presidency and current chairmanship in governance bodies lend credence to his position as Chairman of TM.

ee (BTC)

ETING IN 2016

OF

WHO GOVERNS US
- PROFILE OF DIRECTORS

TAN SRI DATO' S

Position
1. Chairman
2. Non-Independent Non-Executive Director

Age
68

Gender
Male

Nationality
Malaysian

Date of Appointment
12 January 2015

Date of Last Re-Election
30 April 2015



Tan Sri Zamzamzairani, MD/Group CEO, highly regarded by both management and Board, has successfully steered TM to its current position as a leading converged communications services provider. His vast experience of more than 30 years in the telco industry, helming key leadership positions in local and international companies has enhanced the value creation for TM's stakeholders.

Scan to view the full profiles of the Directors.

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA

Position
1. Managing Director/ Group Chief Executive Officer
2. Non-Independent Executive Director

Age
56

Gender
Male

Nationality
Malaysian

Date of Appointment
25 April 2008

Date of Last Re-Election
8 May 2014

QUALIFICATIONS

- Bachelor of Science in Communications Engineering, UK.
- Completed the Corporate Finance, Strategies for Creating Shareholder Value Programme, Kellog School of Management, Northwestern University, USA.
- Attended the Strategic Leadership Programme, University of Oxford's Saïd Business School.
- Attended the IMD CEO Roundtable Session, Lausanne, Switzerland.

WORKING EXPERIENCE

Tan Sri Zamzamzairani's vast experience in the telecommunications industry spans more than 30 years, beginning in TM where he served for 13 years before assuming key positions in several multinationals such as Global One Communications and Lucent Technologies (Malaysia) Sdn Bhd, where he was CEO. In 2005, he returned to TM as Senior Vice President, Group Strategy and Technology and was promoted to CEO, Malaysia Business, before being appointed to his current office.

Tan Sri Zamzamzairani also sits on the Board of a number of TM subsidiaries including as Chairman of VADS Berhad, Webe Digital Sdn Bhd (formerly known as Packet One Networks (Malaysia) Sdn Bhd) (Webe) and TM Net Sdn Bhd, Deputy Chairman of GITN and a Director of UTSB.

Under his leadership, TM launched and successfully rolled out the high speed broadband service in 2010, in a historic collaboration with the Government of Malaysia. He was awarded the Business Person of the Year 2015 at the Asian Academy of Management International Conference, organised by Universiti Sains Malaysia in October 2015. He was also named CEO of the Year 2015 at the MSWG's Annual Corporate Governance Awards ceremony held in December 2015.

He is also an Adjunct Professor at MMU.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad

Public Companies:

- VADS Berhad

BOARD COMMITTEE

Member of Board Tender Committee (BTC)

ATTENDANCE AT BOARD MEETING IN 2016

Attended all 9 meetings

OTHER INFORMATION

Executive Director nominated by MOF

WHO GOVERNS US
- PROFILE OF DIRECTORS

DATUK BAZLAN OSMAN

Position
1. Executive Director/ Group Chief Financial Officer
2. Non-Independent Executive Director

Age
53

Gender
Male

Nationality
Malaysian

Date of Appointment
25 April 2008

Date of Last Re-Election
28 April 2016

QUALIFICATIONS
- Fellow of the Association of Chartered Certified Accountants (ACCA), UK.
- Chartered Accountant of the Malaysian Institute of Accountants.
- Member of Issues Committee, Malaysian Accounting Standards Board from 2006 until 2010.
- Attended the IMD Programme for Senior Executives in 2008.
- Attended the Strategic Leadership Programme, University of Oxford's Saïd Business School in 2013.

WORKING EXPERIENCE
Datuk Bazlan began his career as an auditor with a public accounting firm in 1986. He served the Sime Darby Group, holding various finance positions in its corporate offices in Kuala Lumpur, Singapore and Melaka from 1989 to 1993. He then had a stint with American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed Senior Vice President (SVP), Finance/ Company Secretary. He joined Celcom Axiata Berhad in 2001 as the SVP, Corporate Finance and Treasury and was appointed the CFO in 2002 prior to his appointment as TM Group CFO in 2005. He also oversees the operations of Global Wholesale, Support Business and UTSB. He is the Chairman of Fiberail Sdn Bhd and sits on the board of several subsidiaries of TM Group including VADS Berhad, UTSB and Webe.

In 2015, he was named in the Global Telecomms Business 50 CFOs To Watch and was named "Best CFO in Malaysia" at the Southeast Asia's Institutional Investor-Corporate Award 2016.

DIRECTORSHIP
Listed Issuers:
- Telekom Malaysia Berhad

Public Companies:
- VADS Berhad
- Tulip Maple Berhad
- Hijrah Pertama Berhad

BOARD COMMITTEE
- Member of BTC
- Member of Board Risk Committee (BRC)
- Member of Board Investment Committee (BIC)

ATTENDANCE AT BOARD MEETING IN 2016
Attended all 9 meetings

OTHER INFORMATION
Executive Director nominated by MOF

DATO' SRI DR MOHMAD ISA HUSSAIN

Position
Non-Independent Non-Executive Director

Age
59

Gender
Male

Nationality
Malaysian

Date of Appointment
30 October 2015

Date of Last Re-Election
28 April 2016

QUALIFICATIONS
- PhD in Finance, University Putra Malaysia
- Master of Business Administration (Finance), UKM.
- Bachelor of Economics (Hons) (Applied Statistics), UM.
- Post-graduate Diploma in Public Management, the National Institute of Public Administration (INTAN).

WORKING EXPERIENCE
Dato' Sri Dr Mohmad Isa began his career in 1983 as an Assistant Director in the Prime Minister's Department following which he was appointed as an Assistant Director at the Pahang State Economic Planning Unit in 1985. He then joined the Ministry of Finance, holding various positions, including Assistant Secretary in the Government Procurement Division from 1990 to 1995 and Senior Assistant Director of the Budget Management Division until 2000.

In 2004, Dato' Sri Dr Mohmad Isa assumed the position of Deputy Under-Secretary of Investment, MoF (Inc.) and Privatisation Division. He later moved to the Ministry of Transport Malaysia in 2008 as Deputy Secretary General (Operation) and was subsequently appointed as Interim Head of the Public Land Transportation Commission (SPAD) from 2009 to 2010. He returned to Ministry of Finance to serve as its Deputy Under-Secretary, Government Investment Companies (GIC) Division from 2010 to January 2015 and thereafter as Under-Secretary of the GIC Division. He is currently the Deputy Secretary General, Treasury (Investment).

Dato' Sri Dr Mohmad Isa also sits on the Board of several government-linked companies and agencies including Permodalan Felcra Sdn Bhd, Danaharta Nasional Sdn Bhd, Penang Port Holdings Berhad, Lembaga Pembangunan Langkawi (LADA) and Port Kelang Authority.

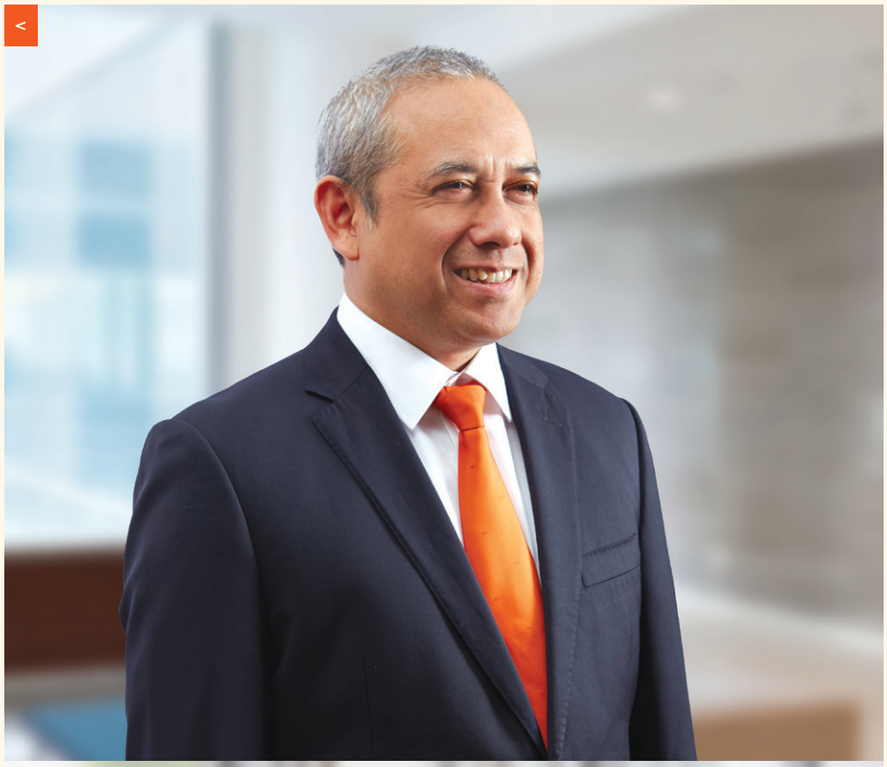
DIRECTORSHIP
Listed Issuers:
- Telekom Malaysia Berhad
- Malaysia Airports Holdings Berhad
- Pos Malaysia Berhad
- Destini Berhad

Public Companies:
- Felcra Berhad
- Export-Import Bank of Malaysia Berhad
- Penang Port Holdings Berhad
- Syarikat Jaminan Kredit Perniagaan Berhad
- Syarikat Jaminan Pinjaman Perumahan Berhad
- DanaInfra Nasional Berhad
- K.L International Airport Berhad
- 1Malaysia Sukuk Global Berhad
- Wakala Global Sukuk Berhad
- Aset Tanah Nasional Berhad
- Pelaburan Hartanah Berhad

BOARD COMMITTEE
- A member of BTC
- A member of BIC

ATTENDANCE AT BOARD MEETING IN 2016
Attended 8 of 9 meetings

OTHER INFORMATION
Non-Executive Director nominated by MOF



As the ED/Group CFO, **Datuk Bazlan** is responsible for the financial management of the Group. He not only provides sound advice and valuable input in supporting the Group CEO's initiatives but also instigates various enhancement to the Group's financial performance.

MMITTEE

ive Chairman of Board
and Remuneration
(NRC)
Board Audit Committee (BAC)
BIC
the Long Term Incentive Plan
nittee, a sub-Committee of

CE AT
ETING IN 2016

meetings

ORMATION

Director nominated by the
ajor shareholder, Khazanah
ad.



Dato' Sri Dr Mohmad Isa's experience in Government sectors provide guidance and support to TM on matters relating to Government policy. This eases the Group's direction with Government's aspiration for the nation.

MMITTEE

ive Chairman of BTC
NRC
BAC

CE AT
ETING IN 2016

meetings

DATUK BAZLAN

Position
1. Executive Director/ Group Chief Financial Officer
2. Non-Independent Executive Director

Age
53

Gender
Male

Nationality
Malaysian

Date of Appointment
25 April 2008

Date of Last Re-Election
28 April 2016

Tunku Mahmood enriches the Board with a wealth of governance, management and cross-border experience in telecommunications, investment management and private equity activity, oil and gas, marine and aviation logistics, corporate advisory, banking and financial services.



DATO' SRI DR M

Position
Non-Independent Non-Executive Director

Age
59

Gender
Male

Nationality
Malaysian

Date of Appointment
30 October 2015

Date of Last Re-Election
28 April 2016



Datuk Zalekha brings to the Board extensive experience in management and procurement matters garnered throughout her career as a civil servant.

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN

Position
Non-Independent
Non-Executive Director

Age
58

Gender
Male

Nationality
Malaysian

Date of Appointment
28 April 2008

Date of Last Re-Election
28 April 2016

QUALIFICATIONS

- BA (Hons) Business Studies, Polytechnic of Central London, UK.
- Masters in Business Administration, University of Warwick, UK.
- Diploma in Marketing, Chartered Institute of Marketing.
- Member of the Malaysian Institute of Management.
- Member of the Malaysian Institute of Corporate Governance.

WORKING EXPERIENCE

Tunku Mahmood is a professional company director and is currently Chairman of Deutsche Bank (Malaysia) Berhad and Hong Leong MSIG Takaful Berhad.

He was previously a board member of Hong Leong Islamic Bank Berhad, Pos Malaysia Berhad, SapuraKencana Petroleum Berhad/ Kencana Petroleum Berhad, and Ethos Capital One Sdn Berhad, Federation of Investment Managers Malaysia, Energy Africa Limited, and Engen Limited in South Africa.

Tunku Mahmood draws on a wealth of governance, management, and cross border experience in telecommunications, investment management and private equity activity, oil and gas, marine and aviation logistics, corporate advisory, banking and financial services, across several international locations including the United Kingdom, New Zealand, South Africa and Malaysia.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad
- Malaysia Airports Holdings Berhad

Public Companies:

- Deutsche Bank (Malaysia) Berhad
- Hong Leong Assurance Berhad
- Hong Leong Asset Management Berhad
- Hong Leong MSIG Takaful Berhad

BOARD COMMITTEE

- Non-Executive Chairman of Board Nomination and Remuneration Committee (NRC)
- Member of Board Audit Committee (BAC)
- Member of BIC
- Member of the Long Term Incentive Plan (LTIP) Committee, a sub-Committee of the NRC

ATTENDANCE AT BOARD MEETING IN 2016

Attended all 9 meetings

OTHER INFORMATION

Non-Executive Director nominated by the Company's major shareholder, Khazanah Nasional Berhad.

DATUK ZALEKHA HASSAN

Position
Independent
Non-Executive Director

Age
63

Gender
Female

Nationality
Malaysian

Date of Appointment
9 January 2008

Date of Last Re-Election
30 April 2015

QUALIFICATIONS

- Bachelor of Arts (Hons), UM.
- Attended the Advanced Management Program, Harvard Business School, Harvard University, USA.

WORKING EXPERIENCE

Datuk Zalekha began her career in the civil service in 1977 as an Assistant Director in the Training and Career Development Division of the Public Service Department. She continued to serve the Government in numerous ministries including the Ministry of Health, Ministry of Social Welfare and Ministry of National Unity and Social Development.

She later joined the Ministry of Finance in 1997 as Senior Assistant Director of the Budget Division and continued to serve in various capacities including with the Government Procurement Division. She was the Ministry of Finance's Deputy Secretary-General (Management) until her retirement in May 2011. She was then appointed as MOF's Procurement Advisor from June 2011 until June 2013.

Datuk Zalekha also sits on the Board of Menara Kuala Lumpur Sdn Bhd (MKL), a wholly-owned subsidiary of TM.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad
- Malaysia Airports Holdings Berhad

Public Companies:

None

BOARD COMMITTEE

- Non-Executive Chairman of BTC
- Member of NRC
- Member of BAC

ATTENDANCE AT BOARD MEETING IN 2016

Attended all 9 meetings

WHO GOVERNS US
- PROFILE OF DIRECTORS

DATO' IBRAHIM MARSIDI

Position
Senior Independent Non-Executive Director

Age
64

Gender
Male

Nationality
Malaysian

Date of Appointment
25 April 2008

Date of Last Re-Election
30 April 2015

QUALIFICATIONS

- Bachelor of Economics (Analytical) (Hons), UM.

WORKING EXPERIENCE

Dato' Ibrahim was previously the Managing Director and CEO of Petronas Dagangan Berhad (PDB) until his retirement on 31 December 2007. During his tenure, he spearheaded the transformation of PDB, which included the development of its brand and business strategy, as well as the development of its administrative and electronic payment systems. Upon joining Petronas in 1979, he held a number of senior menagerial positions from being Senior Manager of the Eastern and Northern Region to becoming General Manager of Liquefied Petroleum Gas (LPG) and Retail Business in PDB and General Manager of the Crude Oil Group.

Dato' Ibrahim also sits on the Board of MKL.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad
- UMW Oil & Gas Corporation Berhad

Public Companies:

None

BOARD COMMITTEE

- Non-Executive Chairman of BRC
- Member of NRC
- Member of BTC

ATTENDANCE AT BOARD MEETING IN 2016

Attended 8 of 9 meetings

DAVIDE GIACOMO FEDERICO BENELLO @ DAVID BENELLO

Position
Independent Non-Executive Director

Age
63

Gender
Male

Nationality
Italian

Date of Appointment
21 November 2011

Date of Last Re-Election
28 April 2016

QUALIFICATIONS

- Bachelor in Mathematics, University of Oxford, UK
- Masters in Mathematics, University of Oxford, UK
- Masters in Business Administration, Harvard University, USA

WORKING EXPERIENCE

David was previously a Director and Leader of UK Telecom, Media and Technology Practice at McKinsey & Company, a firm he joined in August 1982. He retired in June 2011 and is currently a Director Emeritus at the firm. He has extensive consulting experience in telco engagements, mainly in Europe (in addition to the US and Asia) on corporate strategy, ICT strategy and business turnarounds as well as operations/customer service.

In the early years of his career, he served as a Senior at Arthur Andersen and a Second Lieutenant at Scuola Militare Alpina, Aosta, Italy. David is an Independent Director of Telecom Italia SpA and of Tungsten Corporation plc, a company listed on the Alternative Investment Market (AIM) Exchange in London. He is also the Chairman of V-Nova Ltd., a leading provider of video compression technology.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad

Public Companies:

None

BOARD COMMITTEE

- Member of the LTIP Committee, a sub-Committee of the NRC

ATTENDANCE AT BOARD MEETING IN 2016

Attended all 9 meetings

WHO GOVERNS US
- PROFILE OF DIRECTORS



Dato' Ibrahim has vast management experience having previously helmed a prominent local oil and gas company. He continuously imparts his knowledge and provides invaluable insight on sales, marketing and customer service management.

he Year by The Leaders
rganisation. In October 2016,
d the World Leader Business
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federation of Businesses (The

the Independent Non-Executive
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MITTEE
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BRC

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9 meetings



With his extensive global consulting experience, **David** supports the Board via his dynamic views on telco business.

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MITTEE
ive Chairman of BAC
BRC
BIC

E AT
TING IN 2016
meetings

WHO GOVERNS US
- PROFILE OF DIRECTORS

DATO' IBRAHIM

Position
Senior Independent Non-Executive Director

Age
64

Gender
Male

Nationality
Malaysian

Date of Appointment
25 April 2008

Date of Last Re-Election
30 April 2015

As Group MD/CEO and Chairman of other listed issuers, **Datuk Seri Fateh Iskandar** brings with him business acumen, astuteness and extensive management experience. Coming from a different business discipline and with his legal background, he is able to provide different views and fresh business perspective to the Board.



DAVIDE GIACOM

Position
Independent Non-Executive Director

Age
63

Gender
Male

Nationality
Italian

Date of Appointment
21 November 2011

Date of Last Re-Election
28 April 2016

Gee, a certified public accountant, has accumulated vast experience in management and financial matters including corporate reorganisation and the successful turnaround of companies in financial crisis.



DATUK SERI FATEH ISKANDAR TAN SRI DATO' MOHAMED MANSOR

Position
Independent
Non-Executive Director

Age
49

Gender
Male

Nationality
Malaysian

Date of Appointment
7 October 2013

Date of Last Re-Election
8 May 2014

QUALIFICATIONS

- Bachelor of Commerce/Laws (Hons), University of Queensland, Australia.
- Master of Business Administration, University of Queensland, Australia.

WORKING EXPERIENCE

Datuk Seri Fateh Iskandar is currently the Group Managing Director and CEO of Glomac Berhad (Glomac). He first joined Glomac Group of Companies in 1992 and was appointed its Group Executive Director in 1997. In 2004, he was promoted to Group Managing Director and, on 24 March 2009, was given the additional role of CEO. Prior to joining Glomac, he practised law in Australia before returning to Malaysia to serve Kumpulan Perangsang Selangor Berhad.

Datuk Seri Fateh Iskandar is the President of the Real Estate & Housing Developers' Association (REHDA) Malaysia and Immediate Past Chairman of REHDA Selangor Branch. He is a former Deputy Chairman of the Malaysian Australian Business Council (MABC) and Chairman of Gagasan Badan Ekonomi Melayu (GABEM), Selangor Branch, a body that promotes entrepreneurship among Malays in the country. He is the Co-Chair of the Special Taskforce to Facilitate Business (PEMUDAH) - Legal & Services and was also a member of PEMUDAH Selangor Group. Currently, he also sits as an Advisory Board member of the Kuala Lumpur City Hall appointed by his Majesty the King since 2014. He was one of the founding Directors of Malaysia Property Incorporated, a partnership between the Government and the private sector to promote investments in Malaysian property by foreigners.

Datuk Seri Fateh Iskandar was awarded the 2012 Malaysian Business Award in Property by the Malay Chamber of Commerce, and the Outstanding Entrepreneurship Award at the 2013 Asia Pacific Entrepreneurship Awards. In 2014, he was awarded the Global Leadership Award 2014 Commercial Property Development and the Brand Laureatte Corporate Leader Brand Icon Award by The Leaders International and the Asia Pacific Brands Foundation, respectively. In 2015, he was awarded the Global Leadership Award 2015 - Masterclass Developer of The Year by The Leaders International Organisation. In October 2016, he was awarded the World Leader Business Person and the World Business Leader by The World Confederation of Businesses (The Bizz 2016).

He is currently the Independent Non-Executive Chairman of Media Prima Berhad.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad
- Glomac Berhad
- Media Prima Berhad
- Axis Reit Managers Berhad

Public Companies:

- VADS Berhad

BOARD COMMITTEE

- Non-Executive Chairman of BIC
- Member of BRC

ATTENDANCE AT BOARD MEETING IN 2016

Attended 8 of 9 meetings

GEE SIEW YOONG

Position
Independent
Non-Executive Director

Age
67

Gender
Female

Nationality
Malaysian

Date of Appointment
13 March 2014

Date of Last Re-Election
8 May 2014

QUALIFICATIONS

- Member of the Malaysian Institute of Certified Public Accountants
- Member of the Malaysian Institute of Accountant
- Attended the International Banking Summer School (IBSS) Cambridge, Massachusetts, USA

WORKING EXPERIENCE

Gee began her career in 1969 with PriceWaterhouse, leaving in 1981 as Senior Audit Manager and Continuing Education Manager. She then joined the Selangor Pewter Group as Group Financial Controller and was seconded to the USA from 1983 to 1984 as CEO of Senaca Crystal Inc., a company in the group, which was undergoing reorganisation under Chapter XI of the US Bankruptcy Code. She later became the Personal Assistant to the Executive Chairman of Lipkland Group from 1985 until 1987.

Gee was then appointed by Bank Negara Malaysia (BNM) as the ED and Chief Executive of Supreme Finance (M) Berhad, a financial institution undergoing rescue and reorganisation under the supervision of BNM until the successful completion of the reorganisation in 1991. She later joined Land & General Berhad as its Group Divisional Chief, Management Development Services in 1993 before joining Multi-Purpose Capital Holdings Berhad as Executive Assistant to the Chief Executive in 1997 until 1999. During this period, she also served as a Director of Multi-Purpose Bank Berhad, Multi-Purpose Insurans Berhad and ED of Multi-Purpose Trustee Berhad.

Gee has been appointed as an Independent Non-Executive Director to several public listed companies since 2001.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad
- SapuraKencana Petroleum Berhad
- Tenaga Nasional Berhad

Public Companies:

None

BOARD COMMITTEE

- Non-Executive Chairman of BAC
- Member of BRC
- Member of BIC

ATTENDANCE AT BOARD MEETING IN 2016

Attended all 9 meetings

WHO GOVERNS US
- PROFILE OF DIRECTORS

TUNKU AFWIDA TUNKU DATO' A.MALEK

Position
Independent Non-Executive Director

Age
51

Gender
Female

Nationality
Malaysian

Date of Appointment
28 April 2016

Date of Last Re-Election
-

QUALIFICATIONS

- Bachelor of Science (Hons) in Economics and Accountancy, City University, UK.
- Chartered Accountant of the Institute of Chartered Accountants in England and Wales (ICAEW).
- Member of Malaysian Institute of Accountants.

WORKING EXPERIENCE

Tunku Afwida commenced her career in UK as a Chartered Accountant in Touche Ross & Co. in 1988, and in 1992 joined Henderson Administration, as Unit Trust Fund Accountant. She returned to Malaysia in 1993 and joined Rashid Hussain Asset Management, Malaysia as Fund Manager and Analyst, and a year later served as Manager and Equities Analyst at UOB Asset Management Ltd., Singapore. In 1995, she joined Commerce Asset Fund Managers Sdn Bhd, Malaysia as Executive Director and Chief Investment Officer.

She further advanced her career as Executive Director (ED) and Chief Executive Officer (CEO) of MIMB Investment Bank Berhad in 2003 and subsequently in 2006, joined Kenanga Investment Bank as its ED and CEO.

Tunku Afwida is currently involved in corporate finance and funding advisory, as a director and co-owner of a consulting firm, Asia Equity Research Sdn Bhd.

She is also an independent director of i-VCAP Management Sdn Bhd and a member of the Board of Governors of Convent School, Bukit Nanas.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad
- Gamuda Berhad
- Lafarge Malaysia Berhad
- i-VCAP Management Sdn Bhd (Management company of a listed exchange-traded funds. Listed as an issuer of listed securities)

Public Companies:

- Export-Import Bank of Malaysia Berhad

BOARD COMMITTEE

- Member of BAC
- Member of NRC
- Member of BIC
- Member of the LTIP Committee, a sub-Committee of the NRC

ATTENDANCE AT BOARD MEETING IN 2016

Attended all 5 meetings since her appointment as TM Director

BALASINGHAM A. NAMASIWAYAM

Position
Independent Non-Executive Director

Age
65

Gender
Male

Nationality
Malaysian

Date of Appointment
28 April 2016

Date of Last Re-Election
-

QUALIFICATIONS

- Bachelor of Science (Hons) in Electrical Engineering, Portsmouth Polytechnic, UK.
- Diploma in Electrical Engineering, Technical College, Kuala Lumpur.
- Fellow of the Institution of Engineers, Malaysia.
- Member of the Institution of Engineering and Technology, UK.
- Professional Engineer of the Board of Engineers, Malaysia.

WORKING EXPERIENCE

Balasingham has been involved in the telecommunications industry for more than 30 years. He began his career with the then Jabatan Telekom Malaysia in 1972 as Technical Assistant, and thereafter served in various capacities, covering planning, implementation, maintenance and control of key technical projects and operational aspects within TM Group. His last position in TM was General Manager of Specialised Network Services, responsible for the marketing, implementation, operation and maintenance of networks for various customers.

In 2003, he was appointed CEO of Fiberail Sdn Bhd (Fiberail), TM's joint venture company, which involved in the deployment of fibre cable and sale of fibre products. In 2008, he was appointed Business Advisor of Fiberail, assisting the Board and Management in all aspects of the company, until the expiry of his contract in June 2009. He was previously a director of TIME dotCom Berhad from July 2009 until mid April 2016.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad

Public Companies:

None

BOARD COMMITTEE

- Member of NRC
- Member of BAC
- Member of BRC
- Member of the LTIP Committee, a sub-Committee of the NRC

ATTENDANCE AT BOARD MEETING IN 2016

Attended all 5 meetings since his appointment as TM Director



Tunku Afwida is a chartered accountant with a strong background in corporate finance and funding advisory. Her fund management and analyst experience further enhance the Board diversity.

MMITTEE

ember of BTC
ember of BIC

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tor to Dato' Sri Dr Mohmad



Balasingham has more than 30 years' experience in the telecommunications industry. His keen understanding of technical telecommunications updates and issues is indispensable.

HIP

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MMITTEE

BTC
ember of BIC
the LTIP Committee,
nittee of NRC

CE AT
TING IN 2016

9 meetings

ORMATION

tor to Tunku Dato' Mahmood
Muhiyiddin

nded 31 December 2016.

TUNKU AFWIDA

Position
Independent Non-Executive Director

Age
51

Gender
Female

Nationality
Malaysian

Date of Appointment
28 April 2016

Date of Last Re-Election
-

Asri brings to the Board a strong foundation in economics and finance, honed during his time at the Economic Planning Unit of the PM's Department and, later, the Ministry of Finance. His civil service background at the Anti-Corruption Agency, enables him to contribute towards TM's integrity development.



BALASINGHAM

Position
Independent Non-Executive Director

Age
65

Gender
Male

Nationality
Malaysian

Date of Appointment
28 April 2016

Date of Last Re-Election
-

Nik Rizal has a rich background in audit, merchant banking and business advisory. As Director of Investments of Khazanah, he provides intricate connection between TM and its stakeholders.



ASRI HAMIDIN @ HAMIDON

Position
Non-Independent
Non-Executive
Alternate Director

Age
51

Gender
Male

Nationality
Malaysian

Date of Appointment
6 November 2015

QUALIFICATIONS

- Masters in Economy, Hiroshima University, Japan
- Diploma in Public Administration, INTAN
- Bachelor in Economics (Hons), UM
- Completed Harvard Premier Business Management Program

WORKING EXPERIENCE

Asri began his career as an Assistant Director in the EPU of the Prime Minister's Department in 1994 before pursuing a Diploma in Public Administration at INTAN in 1996. He re-joined EPU in March 1996 and thereafter moved to the then Anti-Corruption Agency of Malaysia in April 1998, staying until March 2003. Later, while serving as an Administrator and Diplomatic Officer in the Public Service Department, Asri pursued his studies in Japan from December 2003 until April 2006. Upon his return in May 2006, he was appointed Principal Assistant Secretary in the Ministry of Finance and has held several other positions since, including Deputy Under-Secretary, Investment, MoF (Inc.) and Privatisation Division in the Social and Commercial sectors respectively. He was appointed the Under-Secretary, Government Investment Companies Division, Ministry of Finance in July 2015.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad
- Bina Darulaman Berhad

Public Companies:

- Syarikat Perumahan Negara Berhad
- SME Bank Berhad
- DanaInfra Nasional Berhad

BOARD COMMITTEE

- Alternate member of BTC
- Alternate member of BIC

ATTENDANCE AT BOARD MEETING IN 2016

None

OTHER INFORMATION

Alternate Director to Dato' Sri Dr Mohmad Isa Hussain.

NIK RIZAL KAMIL TAN SRI NIK IBRAHIM KAMIL

Position
Non-Independent
Non-Executive
Alternate Director

Age
44

Gender
Male

Nationality
Malaysian

Date of Appointment
29 November 2012

QUALIFICATIONS

- Master of Science (Finance), London Business School
- Bachelor of Science (Hons) Economics & Accounting, University of Bristol, UK
- Fellow Accountant with the Institute of Chartered Accountants in England and Wales (ICAEW)

WORKING EXPERIENCE

Nik Rizal started his professional career in 1995 as an accountant/auditor with Coopers & Lybrand, UK for two years. He then returned to Kuala Lumpur in 1997 and joined Arthur Anderson & Co as an Assistant Manager in Audit and Business Advisory. After five years in audit, he joined RHB Sakura Merchant Bankers Bhd in 2000 as an Assistant Manager in its corporate finance department. Subsequently, he joined Sarawak Shell Berhad as its Principal Sector Planner of Business Planning in Miri, Sarawak for two years before being posted to Shell Regional Exploration & Production, Singapore as a Senior Business Analyst. During this period, Nik Rizal also assumed the role of Head of Planning and Economics for Shell Deepwater Borneo Ltd, Brunei. In early 2007, he was posted to Shell Corporate Global HQ in London as a Senior Downstream Financial Analyst for Shell's Global Lubricants and B2B businesses. He was with Shell Malaysia Limited as Finance Manager in Special Projects before joining Khazanah in April 2011, and is currently its Director of Investments. Nik Rizal is also a director of Silterra Malaysia Sdn Bhd and Xerayu Capital Sdn Bhd wholly-owned subsidiaries of Khazanah.

DIRECTORSHIP

Listed Issuers:

- Telekom Malaysia Berhad

Public Companies:

None

BOARD COMMITTEE

- Member of BTC
- Alternate member of BIC
- Member of the LTIP Committee, a sub-Committee of NRC

ATTENDANCE AT BOARD MEETING IN 2016

Attended 6 of 9 meetings

OTHER INFORMATION

Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Additional Information of the Board of Directors

Family Relationship : Save as disclosed, none of the Directors has any family relationship with any Director and/or major shareholder of TM.
Conflict of Interests : Save as disclosed, none of the Directors has any conflict of interests with TM.
Conviction for Offences : None of the Directors has any conviction for offences, other than traffic offences, for the past 5 years.
Public Sanction or Penalty : None of the Directors has any sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2016.

PROFILE OF COMPANY SECRETARIES

HAMIZAH ABIDIN



Position
Group Company Secretary

Nationality
Malaysian

Gender/Age
Female/46

Qualifications
- Bachelor of Law (Hons) from the International Islamic University of Malaysia.
- A qualified advocate and solicitor of the High Court of Malaya.
- Licenced Company Secretary since December 1998.

Working Experience
Hamizah started her career in private legal practice. She subsequently joined TM as an Assistant Company Secretary in 1996 and promoted to Assistant General Manager in 2007. She was appointed as Joint Secretary on 15 July 2011 and thereafter promoted as General Manager of Company Secretarial Unit, Group Legal, Compliance and Company Secretarial Division in 2012. She was made the Group Company Secretary of TM effective 1 January 2017, heading the Group Company Secretarial Division of TM. Hamizah has more than 20 years corporate experience attending to company secretarial and compliance matters, due diligence exercises and special projects.

ZAITON AHMAD



Position
Joint Secretary

Nationality
Malaysian

Gender/Age
Female/56

Qualifications
- Chartered Secretary of The Institute of Chartered Secretaries and Administrators (ICSA), UK.
- Associate member of the Malaysian Institute of Chartered Secretaries & Administrators (MAICSA) since 1993.

Working Experience
Zaiton started her career in a public listed company in 1984 and has over 30 years' experience in corporate secretarial matters. She joined TM in 1991 as an Assistant Company Secretary and was named as one of the Joint Secretaries of TM in 1996. She was promoted to Assistant General Manager in 2006 and remains as a Joint Secretary of TM and its Group of Companies.

WHO LEADS US
- PROFILE OF KEY SENIOR MANAGEMENT

Scan to view the full profiles of the Key Senior Management.

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA



Position
Managing Director (MD)/Group Chief Executive Officer (GCEO)

Nationality
Malaysian

Gender/Age
Male/56

Date of Appointment
25 April 2008

Qualifications
- Bachelor of Science in Communications Engineering from the UK.
- Completed the Corporate Finance, Strategies for Creating Shareholder Value Programme at Kellog School of Management, Northwestern University, USA.
- Attended a Strategic Leadership Programme at the University of Oxford's Saïd Business School and the IMD CEO Roundtable Session at Lausanne, Switzerland in 2013.

Working Experience
Tan Sri Zamzamzairani's vast experience in the telecommunications industry spans more than 30 years, beginning in TM where he served for 13 years before assuming key positions in several multinationals such as Global One Communications and Lucent Technologies (Malaysia) Sdn Bhd, where he was CEO. In 2005, he returned to TM as Senior Vice President, Group Strategy and Technology and was promoted to CEO, Malaysia Business, before being appointed to his current office.

Tan Sri Zamzamzairani also sits on the Board of a number of TM subsidiaries including as Chairman of VADS Berhad, Webe Digital Sdn Bhd (formerly known as Packet One Networks (Malaysia) Sdn Bhd) and TM Net Sdn Bhd, Deputy Chairman of GITN Sdn Bhd and a Director of Universiti Telekom Sdn Bhd. He is also an Adjunct Professor at Multimedia University (MMU).

Award/Recognition
- Under his stewardship, TM has launched and successfully rolled out the high speed broadband service in 2010 in a historic collaboration with the Government of Malaysia.
- Business Person of the Year 2015 at the Asian Academy of Management International Conference, organised by Universiti Sains Malaysia (USM) in October 2015.
- CEO of the Year 2015 at the MSWG Annual Corporate Governance Awards Ceremony held in December 2015.

Read more about this in Profile of Directors on page 95.

DATUK BAZLAN OSMAN



Position
Executive Director (ED)/Group Chief Financial Officer (GCFO)

Nationality
Malaysian

Gender/Age
Male/53

Date of Appointment
25 April 2008

Qualifications
- Fellow of the Association of Chartered Certified Accountants (ACCA), UK.
- Chartered Accountant of the Malaysian Institute of Accountants (MIA).
- Member of the Issues Committee of the Malaysian Accounting Standards Board from 2006 until 2010.
- Attended the IMD Programme for Senior Executives.
- Attended Strategic Leadership Programme at the University of Oxford's Saïd Business School.

Working Experience
Datuk Bazlan began his career as an auditor with a public accounting firm in 1986. He served the Sime Darby Group, holding various finance positions in its corporate offices in Kuala Lumpur, Singapore and Melaka from 1989 to 1993. He then had a stint with American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed Senior Vice President (SVP), Finance/Company Secretary.

He joined Celcom Axiata Berhad in 2001 as the SVP, Corporate Finance and Treasury and was appointed the CFO in 2002 prior to his appointment as TM Group CFO in 2005. He also oversees the operations of Global Wholesale, Support Business and MMU. He is the Chairman of Fiberail Sdn Bhd and sits on the board of several subsidiaries of TM Group including VADS Berhad, Universiti Telekom Sdn Bhd and Webe Digital Sdn Bhd.

Award/Recognition
- Named in the Global Telecomms Business 50 CFOs To Watch in 2015.
- Named "Best CFO in Malaysia" at the Southeast Asia's Institutional Investor-Corporate Award 2016.

Read more about this in Profile of Directors on page 96.

WHO LEADS US
- PROFILE OF KEY SENIOR MANAGEMENT

DR FARID MOHAMED SANI



Position
Chief Strategy Officer

Nationality
Malaysian

Gender/Age
Male/41

Date of Appointment
1 January 2012

Qualifications
- PhD in Chemical Engineering from the University of Cambridge, UK.
- Masters in Engineering from the University of Cambridge, UK.
- Bachelor of Arts with First Class Honours specialising in Chemical Engineering from the University of Cambridge, UK.

Directorship in public companies and listed issuers:
None

Working Experience
Prior to joining TM in 2012, Dr Farid was with Khazanah Nasional Berhad (Khazanah) holding the position of Director, Investments, specialising in the telecommunications sector. He has served in Khazanah's Transformation Management Office and as SVP, Managing Director's Office. He was a consultant at McKinsey & Company for two years before joining Khazanah in 2004.

DATO' RAFA'AI SAMSI



Position
Chief Technology and Innovation Officer (CTIO)/ Chief Customer Experience (CCX)

Nationality
Malaysian

Gender/Age
Male/59

Date of Appointment
21 February 2008

Qualifications
- Bachelor of Science (Hons.) in Electronic Engineering from Brighton University, UK.
- Masters in Communications Management from the University of Strathclyde, UK.

Directorship in public companies and listed issuers:
Public Companies:
- Malaysian Access Forum Berhad

Working Experience
Dato' Rafa'ai started his career in telecommunications with the then Jabatan Telekom Malaysia in 1978. He was later appointed CEO of TM - NTT Communications Corporation's joint venture (JV) company in July 1997 before returning to TM in July 2001, where he was assigned as General Manager of a number of divisions including State Business Operations, Market Development and Domestic Carrier Business Division. He was then appointed Vice President, Marketing and Sales for the Wholesale segment in October 2006 and subsequently promoted to Executive Vice President to lead the Wholesale Line of Business on 1 July 2008. Dato' Rafa'ai was assigned as Deputy CTIO to run the day-to-day operations and turnaround initiatives of the IT and Network Technology Division since January 2013. He was appointed as Head of Customer Experience Management and Transformation reporting directly to Group CEO on 1 July 2014 and remained as the Deputy CTIO. He is also the Chairman of Service Management Council (SMC) responsible for TM's overall customer service management.

In addition to his current role as the CCX, Dato' Rafa'ai was appointed as CTIO effective 18 February 2017.

WHO LEADS US

- PROFILE OF KEY SENIOR MANAGEMENT

DATO' MOHD KHALIS ABDUL RAHIM



Position
Chief Human Capital Officer

Nationality
Malaysian

Gender/Age
Male/53

Date of Appointment
17 August 2009

Qualifications

- Masters in Human Resource Management from the University of Canberra, Australia.
- Bachelor of Science with Honours in Applied Psychology from Coventry University, UK.
- Certified Advanced Human Resource Professional (CAHRP) from the Malaysian Institute of Human Resource Management.
- Certified Business and Executive Coach from the University of Malaya Centre for Continuing Education (UMCCeD).

Directorship in public companies and listed issuers:
None

Working Experience
Dato' Mohd Khalis has extensive exposure in human capital management, having served in several multinational companies over 20 years in the field of human resource (HR) management across different industries. Dato' Khalis has been involved in various disciplines of the profession from organisational development and change management to performance management, industrial relations, HR reengineering as well as talent development. He was the HR Director of Colgate Palmolive Malaysia from June 2000 until October 2006 before moving to Freescale Semiconductor as HR Director responsible for Malaysia, Singapore and Asia Supply Chain. He joined TM as Chief Human Capital Officer on 17 August 2009.

Award/Recognition

- Chief Human Resource Officer of the Year and HR Leadership Award at the 21st Global HR Excellence Awards in 2013.
- Given the recognition as amongst the 100 most Influential Global HR Professionals at the World HRD Congress in February 2017.

MOHAMAD MOHAMAD ZAIN



Position
Chief Procurement Officer

Nationality
Malaysian

Gender/Age
Male/53

Date of Appointment
1 September 2014

Qualifications

- Chartered Insurance Practitioner.
- Associate Member of the Chartered Insurance Institute, UK.
- Member of the Society of Fellow Chartered Insurance Institute, UK.
- Diploma in General Insurance from the Australian Insurance Institute.
- Master of Communications Management from the University of Strathclyde Glasgow.

Directorship in public companies and listed issuers:
None

Working Experience
Mohamad gained vast experience in insurance services while serving a UK-based insurance company for six years, including as Officer in charge for agency and direct client underwriting, claim management and re-insurance, designing insurance for credit card company and bank assurance, serving both domestic and MNC clients.

Mohamad joined TM in 1993 as Assistant Manager and has been tasked with managing the corporate insurance programme and implementing the Enterprise Risk Management (ERM) programme for TM in 2001. In 2007, he was appointed General Manager entrusted with an expanded portfolio of Group Business Assurance covering ERM, Revenue Assurance, Fraud Management, Insurance Management, Credit Management Policy & Monitoring, Corporate Compliance, Business Continuity Management and Enterprise Business Management. He was promoted to Vice President, Group Business Assurance, a position he held from 2011 until his appointment as Chief Procurement Officer on 1 September 2014.

WHO LEADS US
- PROFILE OF KEY SENIOR MANAGEMENT

IDRUS ISMAIL



Position
Chief Legal and Integrity Officer

Nationality
Malaysian

Gender/Age
Male/63

Date of Appointment
1 December 2009

Qualifications
- Bachelor in Economics from UM.
- Bachelor of Law from the National University of Singapore.
- Certificate in Translation from the National Translation Institute of Malaysia.
- Executive Masters in Islamic Banking and Finance from Asia e University.
- Called to the Malaysian Bar in 1988.
- Certified Integrity Officer (CeIO) jointly certified by the Malaysian Anti-Corruption Commission and the Malaysian Institute of Integrity.

Directorship in public companies and listed issuers:
None

Working Experience
Idrus started his career as a management trainee with Petronas and brings with him over 30 years of experience mostly in conventional and Islamic financial institutions, where he served as company secretary as well as in-house counsel. Before joining TM, he was Company Secretary of the CIMB Group, served the PROKHAS secretarial department (providing secretarial services to MoF Inc. companies) and was Senior Counsel of Islamic Banking and Finance in a major corporate law practice. He joined TM as Chief Legal and Compliance on 1 December 2009 and assumed the position of Company Secretary on 18 January 2010. He is also responsible for implementing programmes to inculcate overall ethics and integrity practices in TM as contained in TM's Code of Business Ethics. Idrus relinquished his position as the Company Secretary of TM effective 1 January 2017 following the decoupling of Group Legal, Compliance and Company Secretarial Division. He now heads the new Group Legal, Ethics and Integrity Division as Chief Legal and Integrity Officer effective from the same date.

AHMAD AZHAR YAHYA



Position
Chief Digital Officer/Chief Customer Advocate

Nationality
Malaysian

Gender/Age
Male/52

Date of Appointment
2 August 2004

Qualifications
- Bachelor of Science in Electrical Engineering from Oklahoma State University, USA.

Directorship in public companies and listed issuers:
Public Companies:
- VADS Berhad

Working Experience
Ahmad Azhar began his career in 1987 as an engineer in Agilent Technologies (formerly known as Hewlett Packard). He then joined management consulting firm, Accenture in 1990 servicing a portfolio of clients in Malaysia, Asia and the Middle East in various industries from communications to high technology, oil and gas and the public sector. His experience includes strategic planning and change management, business and operations support systems, enterprise resource management, revenue and customer relationship management. He became a Partner at Accenture in 2000 before joining TM as Group Chief Information Officer on 2 August 2004. He was later appointed TM's Programme Director of the High Speed Broadband (HSBB) Programme in 2008, and contributed to the successful launch of UniFi in March 2010. He assumed various positions in TM Group; Chief Strategy Officer of TM from 15 July 2010 until December 2011, CEO of VADS Berhad from 1 January 2012 until 31 January 2015 and TM's Chief Customer Advocate on 1 February 2015. Ahmad was appointed as Chief Digital Officer on 4 October 2016 to head TM Digital Transformation initiatives throughout the Group and continues to serve as Chief Customer Advocate.

WHO LEADS US

- PROFILE OF KEY SENIOR MANAGEMENT

HAZIMI KASSIM



Position
Chief Internal Auditor

Nationality
Malaysian

Gender/Age
Male/52

Date of Appointment
1 November 2011

Qualifications

- Bachelor of Arts in Accounting from the University of Canberra, Australia.
- Attended the Wharton Advanced Management Programme at the University of Pennsylvania, USA in 2006.
- A Certified Practicing Accountant (CPA) of the Australian Society of Certified Practicing Accountants (ASCPA).
- A Chartered Member of the MIA.
- A Chartered Member of the Institute of Internal Auditors Malaysia (IIAM).

Directorship in public companies and listed issuers:
None

Working Experience
Hazimi has vast experience in external and internal audit, financial and management accounting, corporate finance as well as strategic planning, business development and investor relations. His wide-ranging career to date has spanned across audit and consulting services to securities, insurance, banking and telecommunications companies. He was the Chief Audit Executive in the Internal Audit Division of Malayan Banking Berhad and later Head of Corporate and Strategic Planning prior to joining TM as the Chief Internal Auditor on 1 November 2011.

AHMAD ISMAIL



Position
Chief Corporate and Regulatory Officer

Nationality
Malaysian

Gender/Age
Male/56

Date of Appointment
20 May 2008

Qualifications

- Bachelor of Science (Hons) in Electrical & Electronic Engineering from the University of Aston in Birmingham, UK.
- MBA from the MMU, Cyberjaya.

Directorship in public companies and listed issuers:
None

Working Experience
Ahmad joined TM in 1983 as an Assistant Controller of Telecom and held various engineering positions before engaging in more managerial responsibilities. During his more than 30 years with the Group, he has been Managing Director of TM International Bangladesh Limited (now known as Robi Axiata Limited), GM Business Strategy, TM Retail and CSO of Telco Strategy Division, the CEO of Telekom Sales and Services Sdn Bhd as well as State GM for Penang and Melaka. He then assumed the position of VP, Customer Service Management in 2008 and was later appointed VP, Programme and Performance Management Office in July 2010. Ahmad was appointed the Chief Corporate and Regulatory Officer on 1 October 2010.

WHO LEADS US
- PROFILE OF KEY SENIOR MANAGEMENT

DATO' GHAZALI OMAR



Position
Group Special Advisor, Transformation Programme

Nationality
Malaysian

Gender/Age
Male/59

Date of Appointment
15 April 2008

Qualifications
- Bachelor (Hons) in Electrical and Electronic Engineering from the University of Leeds, UK.
- MBA from the MMU, Cyberjaya.

Directorship in public companies and listed issuers:
None

Working Experience
Dato' Ghazali has more than 35 years of experience in the telecommunications industry, beginning his career with the then Jabatan Telekom Malaysia in 1980 as Planning and Development Engineer specialising in Data Communications. He was later appointed GM, Marketing and Sales, TM Net Sdn Bhd, in 2002 before being promoted to VP of Enterprise and Government Sales, TM Retail in 2007. Dato' Ghazali was appointed as TM's EVP, Enterprise in February 2009 before assuming his current position as Group Special Advisor, Transformation Programme. He was also the CEO/Executive Director of VADS Berhad from March 2009 until January 2012.

DATO' KAIRUL ANNUAR MOHAMED ZAMZAM



POSITION
Executive Vice President (EVP), Government/ Chairman, Managed Account Council (MAC)

Nationality
Malaysian

Gender/Age
Male/53

Date of Appointment
15 April 2008

Qualifications
- Bachelor in Engineering Science from the University of Western Ontario, Canada.
- MBA from the MMU, Cyberjaya.
- Attended the Advanced Management Training programme at INSEAD in 2003.

Directorship in public companies and listed issuers:
Public Companies:
- VADS Berhad

Working Experience
Dato' Kairul has over 20 years of experience in the telecommunications industry, beginning with the then Jabatan Telekom Malaysia in 1985 as a Human Resource Planning Executive. He has since held various positions in local access, switching and transmission networks. He was appointed GM of the Terengganu Operations Area in 1998 and then the Personal Assistant to the Group Chief Executive in 2002. He was appointed GM of Corporate Affairs and later VP, Consumer & Business Sales Division in TM Retail in 2004. Prior to assuming his current position as EVP, Government, he was the CEO of Telekom Sales & Services Sdn Bhd. Dato' Kairul was appointed MAC Chairman on 7 September 2016, where under his stewardship, Managed Accounts cluster is embarking on a transformation towards becoming a single entity that focuses on delivering integrated business solutions and capturing new business opportunities.

WHO LEADS US

- PROFILE OF KEY SENIOR MANAGEMENT

IMRI MOKHTAR



Position
EVP, Consumer and SME

Nationality
Malaysian

Gender/Age
Male/43

Date of Appointment
15 April 2008

Qualifications

- Bachelor of Engineering (BEng) in Electronics Engineering and Management Studies with First Class Honours from University College London, UK.
- Attended leadership programmes at Cambridge Judge Business School and Harvard Business School.

Directorship in public companies and listed issuers:
None

Working Experience
Imri started his career with TM in 1996 before joining McKinsey & Company as a management consultant in 1999, followed by a stint in a Malaysian pay-TV company. In 2005, he returned to TM as GM of Strategy Development. He was made GM, Programme Management Office in 2006 and later VP, Programme and Performance Management Office in 2008.

He was promoted to EVP, Consumer in 2010 and also served as CEO, Telekom Sales & Services Sdn Bhd in 2012 until early 2014. Imri was appointed as EVP, Consumer and SME in October 2014, responsible for the overall business operations of TM's Consumer and SME customer segments, plus product development and management. Additionally, he is entrusted to oversee the Mass Market cluster in TM.

WAN AHMAD KAMAL WAN HALIM



Position
EVP, Enterprise

Nationality
Malaysian

Gender/Age
Male/53

Date of Appointment
1 June 2014

Qualifications

- Bachelor of Science in Computer Science & Statistics from Monash University, Melbourne, Australia.

Directorship in public companies and listed issuers:
Public Companies:
VADS Berhad

Working Experience
Wan Ahmad Kamal has over 25 years of professional experience specialising in the Senior and Regional Sales Management, Product Management, Channel Management and Marketing roles across the Service Provider and Enterprise sectors in Malaysia and South East Asia. His career began in 1986 as an Assistant Director of Planning and Research Division with the Ministry of Education Malaysia until 1990 and later moved to Kumpulan Guthrie Berhad (now known as the Sime Darby Group) in a Sales Management role. In 1994, he joined Sapura Systems Malaysia, a JV company between Sapura Telecommunications Berhad and Hewlett Packard Malaysia, where he served in Sales, Channel, Marketing and Product Management.

In 2000, he joined Juniper Networks as the Country Manager, Malaysia and was made the Sales Director for Malaysia, Indonesia and Vietnam in 2002. He was later appointed as Managing Director Malaysia in 2007 and promoted as Managing Director ASEAN in 2012. He joined TM on 1 June 2014 as EVP, Enterprise.

He is a member of the Industry Advisory Panel of University Teknologi Petronas (UTP) since February 2016.

WHO LEADS US
- PROFILE OF KEY SENIOR MANAGEMENT

MOHAMAD ROZAIMY ABD RAHMAN



Position
EVP, Global Wholesale

Nationality
Malaysian

Gender/Age
Male/45

Date of Appointment
15 April 2008

Qualifications
- Bachelor in Distributed Computing from the University of East London, UK.
- Masters of Science in Technology Management from Staffordshire University, UK.
- Attended technical and telecommunications training programmes at the AT&T School of Business and Technology and AT&T Bell Labs in New Jersey, USA.
- Attended the Advanced Leadership Management Programme at the Madinah Institute of Leadership and Entrepreneurship, Saudi Arabia.

Directorship in public companies and listed issuers:
None

Working Experience
Rozaimy has more than 18 years' experience in the telecommunications industry. He served AT&T as its Sales Director before joining TM in 2006 as the GM of Product Marketing. He was then appointed VP of TM Global before being appointed as Chief Operating Officer of Global Line of Business on 1 July 2008. He was redesignated as EVP Global on 1 February 2009 responsible for TM regional offices in the UK, USA, Hong Kong, Singapore and Australia. Following the re-alignment of the Company's market segments in January 2013, Rozaimy has been spearheading the TM Global Wholesale cluster, overseeing the global and wholesale business operations.

JEREMY KUNG ENG CHUANG



Position
EVP, New Media/CEO, TM Net Sdn Bhd

Nationality
Malaysian

Gender/Age
Male/53

Date of Appointment
24 July 2008

Qualifications
- Honours Degree in Computer Science from the University of Ottawa, Canada.

Directorship in public companies and listed issuers:
None

Working Experience
Jeremy joined TM Group on 20 May 2008 as the CEO of TM Net Sdn Bhd and assumed his current position as EVP, New Media effective 15 July 2010 whilst remaining as CEO of TM Net Sdn Bhd. He has extensive experience in both technical and management role when he was in IT-related business, media, telecommunication and B2C businesses. Prior to joining TM Group, he was with PCCW Limited, Hong Kong and its related group of companies as SVP of Customer Advocacy and CIO of PCCW Global, a business unit within PCCW that provides global telecom services. His media experience was garnered during the seven years that he was with satellite television broadcaster and content provider Star TV. Prior to that, he was with J. Walter Thompson for three years. His wide experience has helped him in ensuring the successful launch of TM's IPTV service in 2010 to what it is today. Within TM Group, he has also managed TM Consumer Group in the early days of high speed broadband while continuing to expand and improve TM video service, HyppTV.

WHO LEADS US

- PROFILE OF KEY SENIOR MANAGEMENT

BADRUL HISHAM AHMAD



Position
VP, Support Business

Nationality
Malaysian

Gender/Age
Male/55

Date of Appointment
1 March 2017

Qualifications

- Bachelor of Science in Electrical and Electronic Engineering from Purdue University, USA
- Master of Science in Information and Process Engineering from George Washington University, USA.

Directorship in public companies and listed issuers:
None

Working Experience
Badrul has more than 30 years of experience in the telecommunications industry and has served TM in various positions since 1984 including as GM, Internet Service Operations, and IP Network Operation Centre (NOC). He was promoted to VP, NOC in 2010 and later reassigned as VP National Network Operation in 2013 before assuming the position as VP, Network Management and Operations in 2014. He assumed his current position as VP, Support Business on 1 March 2017.

IZLYN RAMLI



Position
VP, Group Brand & Communication

Nationality
Malaysian

Gender/Age
Female/46

Date of Appointment
1 October 2010

Qualifications

- Masters in Business Administration (Distinction) from City University (Cass) Business School, London, specialising in Strategic Management of Technology and E-Business.
- Bachelor of Science (Hons) in Economics from University College London.
- Attended the Leadership for Organisational Impact Programme at the Center for Creative Leadership, San Diego, USA.

Directorship in public companies and listed issuers:
None

Working Experience
Izlyn started her career in 1992 at PricewaterhouseCoopers before moving to BzW Capital as an investment analyst. Izlyn joined TM in 1998 and served 10 years in Group Strategy and Planning. From 2006 until 2008, she was also appointed Special Assistant to the TM Group Chairman, as key policy liaison officer for national and international fora and organisations, including APEC, APEC Business Advisory Council and United Nations Global Alliance, focused on ICT Development and ICT for Development. Following the TM demerger in 2008, Izlyn moved to Axiata Group Berhad and was promoted to head the Corporate Communication Division. She was a key member of the Axiata rebranding team, and was also key in crafting Axiata's Corporate Responsibility Strategy. Izlyn returned to TM as VP, Group Corporate Communication on 1 October 2010 and was reassigned with an expanded role as VP, Group Brand & Communication effective 1 June 2014. Under her current tenure, she drove, developed and instilled TM Group's new brand strategy and architecture.

WHO LEADS US
- PROFILE OF KEY SENIOR MANAGEMENT

MASSIMO MIGLIUOLO



Position
CEO, VADS Berhad

Nationality
Italian

Gender/Age
Male/54

Date of Appointment
1 February 2015

Qualifications
- Baccalaureate from Lycee Chautebriand, France and Bachelor of Science.
- Master of Science in Business Management from University Luigi Bocconi, Italy.

Directorship in public companies and listed issuers:
Public Companies:
VADS Berhad

Working Experience
Massimo brings more than 20 years of experience in strategic business development, architecture sales and go-to-market strategy, especially in the mobile and cloud industry. He is an experienced global business leader with a proven track record in building double digit growth businesses in innovative markets.

He began his career in 1989 as Contract Manager with Montedison Group (Italy) and later moved to AT&T Network System, Italy in 1991 as Director, Business Development Mobile. In 1996, Massimo joined Lucent Technologies as Managing Director, Europe, Middle East and Africa (EMEA) Mobile Sales. He then spent 11 years at Cisco from 1999 where his last position there was VP of Emerging Markets, responsible for the Service Provider, Enterprise, Public Sector and Small and Medium Lines of Business in the Theatre as well as Marketing and Technology Architecture functions. Massimo joined TM in 2014 as VP, Real Estate, Managed Account and later appointed as CEO of Intelsec Sdn Bhd (Intelsec), a subsidiary of TM on 1 November 2014. He was also the CEO of VADS Lyfe Sdn Bhd (VADS Lyfe), a wholly-owned subsidiary of TM which drives the Group's smart services business. He was appointed CEO, VADS Berhad on 1 February 2015 and remains as CEO of VADS Lyfe following the integration of Intelsec and VADS Lyfe.

AZIZI A HADI



Position
CEO, Webe Digital Sdn Bhd

Nationality
Malaysian

Gender/Age
Male/52

Date of Appointment
21 January 2009

Qualifications
- Bachelor of Science in Electrical Engineering from Wichita State University, USA.
- MBA from Universiti Putra Malaysia.

Directorship in public companies and listed issuers:
None

Working Experience
Azizi has more than 20 years of experience in the telecommunications industry, which includes engineering, operations, sales, product development and management. He started his career with the Royal Malaysian Army as an Engineering Officer in the Royal Signals Regiment from 1987 to 1996, where his main responsibilities were in planning tactical radio networks, evaluating new equipment and training.

Azizi was also the Country Business Development Manager of Global One Communications, an international telecommunications service provider where he was entrusted with the country's MNC sales in 1999. Prior to joining TM in 2006, he was with Maxis Communications Berhad as the Head of Broadband Business Unit and in Network Engineering and Operations. Azizi's career in TM started as the General Manager, Technology & Innovation, TM Retail. He was then promoted to VP of Retail Product in February 2009 where he was responsible for the development and commercialisation of TM's products and services. He then became the EVP, SME in 2011 before assuming his role as Chief Operating Officer of Webe in 2014. Azizi was appointed CEO, Webe on 1 August 2016.

Additional Information of the Key Senior Management (KSM)

Family Relationship	:	*Save as disclosed, none of the KSM has any family relationship with any Director and/or major shareholder of TM.*
Conflict of Interests	:	*Save as disclosed, none of the KSM has any conflict of interests with TM.*
Conviction for Offences	:	*None of the KSM has any conviction for offences, other than traffic offences, for the past 5 years.*
Public Sanction or Penalty	:	*None of the KSM has any sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2016.*

STATEMENT ON CORPORATE GOVERNANCE

A solid foundation on the principles of corporate governance, a strong hold to the code that honours integrity, transparency, accountability and responsible business conduct would create resilience in both the people and organisation which could weather any economic turbulence.

In our journey towards becoming the Convergence Champion, we have strategised, embraced new challenges and earmarked the coveted milestones in our pursuit to realise our vision in making Life and Business Easier for the Nation.

This is a journey that can neither be taken in isolation nor can it be accomplished in a short duration. It will not even be our flight alone but a concerted efforts of all of our stakeholders. We believe that every Malaysian has a stake in materialising this vision.

The key to fulfilling this vision are sustainability of the business and virtues that stem from good corporate governance and ethical practices that will create what we envision for the nation.

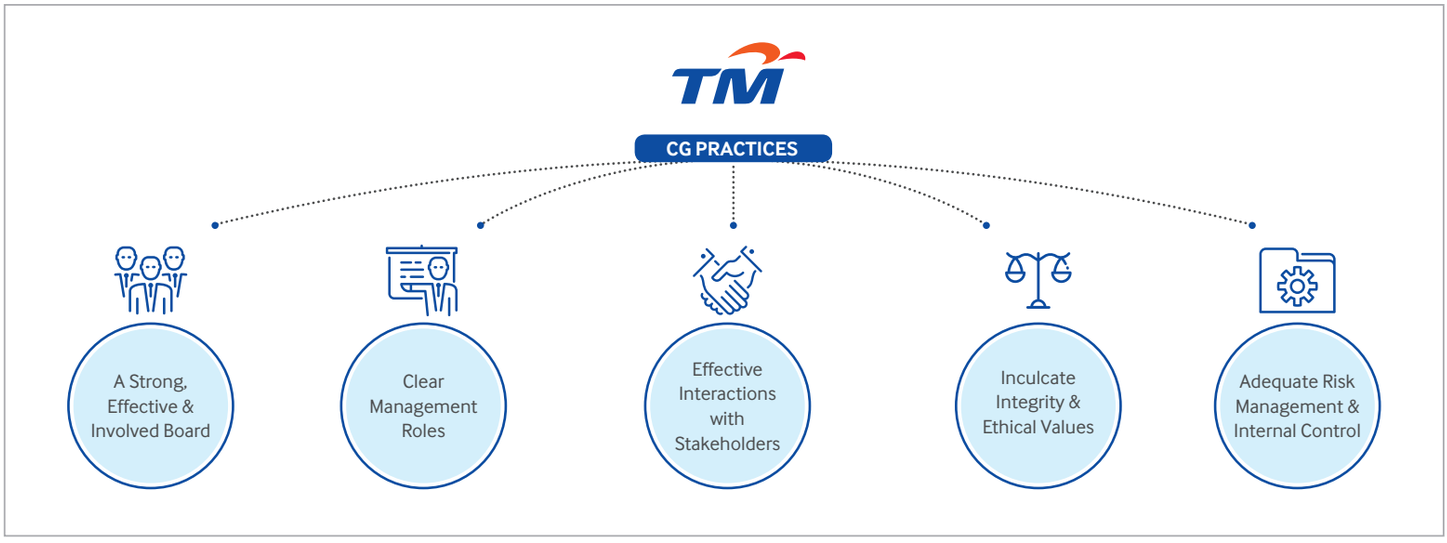
Our governance framework plays an integral role in supporting our business and helping us deliver our strategy. It provides the structure through which our strategy and business objectives are set, our performance is monitored, and the risks we face are adequately managed. It includes a clear framework for decision making and accountability across our business and provides guidance on the standards of behaviour we expect of each other. We are committed to excellence in corporate governance, transparency and accountability.

This is essential for the long-term performance and sustainability of our Company, and to protect and enhance the interests of our shareholders and other stakeholders. We regularly review our governance arrangements, to reflect developments in market practice, expectations and regulation as appropriate. Our Corporate Governance (CG) Model has been based on the relevant requirements, guidelines and practices, in addition to being benchmarked against the ASEAN Corporate Governance Scorecard (ASEAN CG).



STATEMENT ON CORPORATE GOVERNANCE

TM's CG Practices is best illustrated as follows:



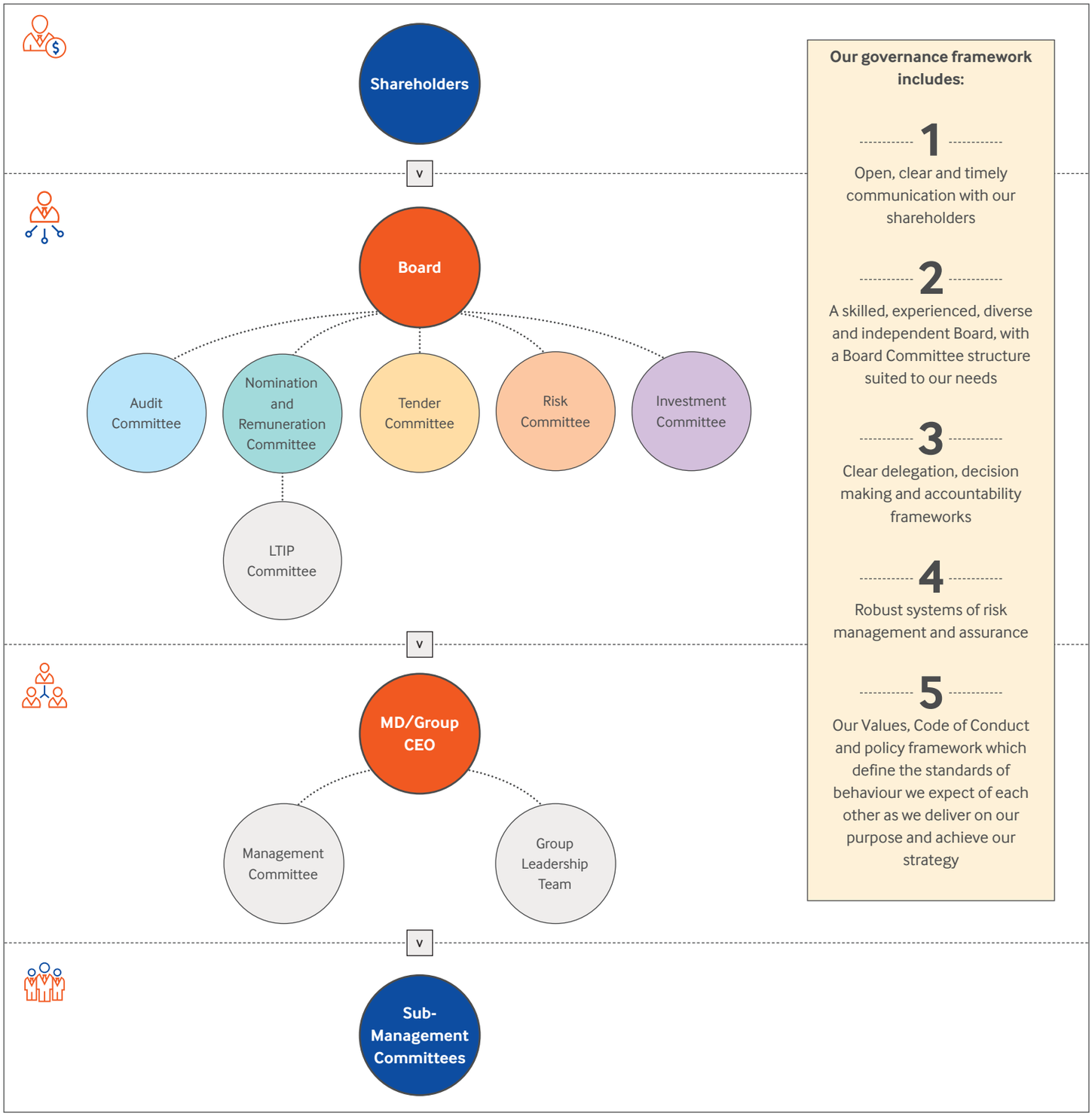
Testimony to our commitment in ensuring transparency, accountability and equality, we were recognised with the following awards for governance, for the year under review.

Date	Event	Award
1 December	2016 National Annual Corporate Report Awards (NACRA)	• Gold Award for Most Outstanding Annual Report of the Year
		• Industry Excellence Award for Companies listed on Main Board for Trading and Services category for the 20th consecutive year
		• Platinum for Best Designed Annual Report
		• Silver for Best Corporate Social Responsibility Reporting
15 December	Minority Shareholder Watchdog Group (MWSG) – Malaysia-ASEAN Corporate Governance 2016 Awards	• Top 5 Excellence Award for Top CG and Performance (Overall Category)
		• Top 3 Excellence Award for Long-Term Value Creation
		• Merit Award for CG Disclosures
		• Industry Excellence for Telecommunications & Media
		• Merit Award for Board Diversity
		• Top 3 Merit Award for Best AGM (Overall Category)

STATEMENT ON CORPORATE GOVERNANCE

We are pleased to present our application of the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (MCCG 2012), and to an extent our proactive approach to the consultative proposal for the new Malaysian Code on Corporate Governance 2016 (MCCG 2016), throughout this statement.

OUR GOVERNANCE FRAMEWORK



STATEMENT ON CORPORATE GOVERNANCE

BOARD OF DIRECTORS

TM continues to be led and controlled by an active, engaged and experienced Board. Your Board actively seeks to ensure it has an appropriate mix of diversity, skills, experience and expertise to enable it to discharge its responsibilities effectively and to be well equipped to help our Company navigate the range of opportunities and challenges we face.

As at the date of this statement, we have 12 Directors and two Alternate Directors on the Board. The Board comprises one Non-Independent Non-Executive (NINE) Chairman, seven Independent Non-Executive Directors (INEDs), two Non-Independent Non-Executive Directors (NINED), two Non-Independent Executive Directors (NIED), the Managing Director/Group Chief Executive Officer (MD/Group CEO) and Executive Director/Group Chief Financial Officer (ED/Group CFO) and two Non-Independent Non-Executive Alternate Directors. Details of the Directors, including their qualifications and experience, together with details of their length of service, can be found in the Board of Directors section of our 2016 Annual Integrated Report.

BOARD CHARTER

Our Board Charter has been serving as a guide for excellence in corporate governance since its adoption in January 2013. It embodies our governance practices, Board policies and guidelines and derives its practices from the principles and recommendations of MCCG 2012 and its predecessors as well as international standards on CG. The Board Charter provides reference for the Directors on the Board's role, powers, duties and functions. It outlines processes and procedures for the Board and its committees in discharging their stewardship effectively and efficiently.

The Board Charter also acts as a primary source of reference for the Board as it compiles all of the Board Committees' term of reference (ToR) into a one complete document.

Our Board Charter is reviewed annually and updated from time-to-time to maintain its relevance and accuracy to current rules and regulations. This review forms part of the annual exercise under the Board Performance Improvement Programme (BPIP), which includes an assessment of the Board's objectives, roles and responsibilities to ensure consistency of governance practices and adherence to the relevant rules and regulations.

Several reviews to the Board Charter were made in 2016. In February, revisions were made to the Board Investment Committee's (BIC) ToR and the Remuneration and Benefits Policy. Following the establishment of the Long Term Incentive Plan (LTIP) Committee, its ToR was reflected in the Board Charter.In August, further reviews were made to the Remuneration and Benefits Policy in line with our Convergence journey to confine the claim on telecommunication benefit to the services provided by TM Group only.

The Board Charter is accessible on our official website at www.tm.com.my.

ROLES AND RESPONSIBILITIES OF THE BOARD

The roles and responsibilities of the Board and Management are clearly demarcated in the Board Charter. The respective principles, roles and responsibilities of the Chairman, Executive Directors (EDs) and Non-Executive Directors (NEDs) are segregated. Nevertheless, their respective functions remain mutually co-dependent enabling efficient and effective execution of their respective duties and responsibilities.

Our Board is responsible for managing the Group's business and is accountable to shareholders in performing that role. Aside from the six core responsibilities listed herein, our Board also takes independent and collective responsibility and accountability for the smooth functioning of core processes involving Board governance, business value and ethical oversight. The four principles of the consultative proposal of MCCG 2016, their Corresponding Practices and Intended Outcomes are duly noted.

In discharging its roles and responsibilities, our Board is mindful of the need to safeguard the interests of all stakeholders. Dedicated Board Committees have been established with clear ToR, comprising Directors who have committed their time and effort as members to facilitate the effective discharge of these responsibilities. Board activities are structured to assist the Board in achieving its goal on management oversight, to support and advise the EDs and Management Team on the delivery of the Group's strategy within a transparent governance framework.

Responsibility	Work done during 2016
Review and Approve Strategic and Annual Operating Plan (AOP) for the Group	Two separate sessions were held to review and deliberate the Group's strategic direction and AOP in the third and fourth quarters. Management highlights its thought process and reasoning behind formulating the strategies while the Board offers its guidance, views and input to ensure the strategies are well thought out, and provide the required support for the Group's business direction. The Board and Management strongly support innovation, which has long existed in TM, and have been tracking its development throughout the years. Through RE: Accelerator Programme and the innovation ecosystem within the Group, the Board hope to continue inculcate innovation as a culture in TM and to realise the benefits of innovation for the Group's long-term value creation. In 2016, Management had undergone gruelling sessions with the Board on the plans that it has made to realise TM's goals to become Malaysia's Convergence Champion. Each aspect of the strategies and its implementation as well as financial targets is assessed to ensure the plans are executed and any adjustments or recourse made would still lead toward the desired targets. The strategic plan, its execution and challenges are reported to the Board throughout the year, and a half-year review is conducted to monitor the implementation of the approved strategic plan and AOP by the Management. The Company's strategic direction and achievements are periodically communicated to the staff through engagements held locally or nationwide, directly or via online conferences, ensuring that everyone in the Group understands his or her role in supporting TM Group to achieve its goals and at the same time aware of the milestones accomplished. Based on the 2016 Board Effectiveness Evaluation (BEE), the Board agreed that it has reviewed and approved the strategic plan and AOP for the Group, including the setting of appropriate Key Performance Indicators (KPIs) in a timely manner. The Board supported the strategies and aspirations of the Company. During these sessions, the Board has been engaging and challenging in providing guidance to ensure that performance is on the upward trend.
Oversee and Evaluate the Conduct of the Company's business	The Board oversee the performance of Management in ensuring that the business is being properly managed. The Board has empowered the Board Nomination and Remuneration Committee (NRC) to deliberate on the TM Group Scorecard and Headline KPIs before these are tabled for its approval. The approved Headline KPI targets for the year and mid term and previous year results were announced together with the fourth quarter audited consolidated financial results of the Group in February. Upon approval by the Board, the Group's performance report and balanced scorecards (BSC) were monitored on a monthly basis by the EDs at the Group Leadership Team meetings together with Heads of TM's Lines of Business (LOBs) and divisions. The Business Performance Report is mandatory to be presented at every Board meeting. Performance is measured and tracked against the approved KPIs and BSC. Based on the 2016 BEE, the Board agreed that the process of overseeing the management of the Company's business, including measuring Management's performance in achieving the Company's objectives, was good. There was adequate focus on monitoring Management's execution capabilities. The achievements and challenges were thoroughly discussed at Board Committee meetings and Board meetings in ensuring that all targets are achievable by year end.
Identify and Manage Principal Risks	The Board Risk Committee (BRC) is updated on any risk issue by the Group Business Assurance (GBA) division of Group Finance, that could jeopardise the business by identifying the principal risks and monitor corporate compliance matters through risk dashboard at quarterly intervals. The Board, through the BRC, ensures appropriate risk management framework and constantly monitors the review and management of principal risks by evaluating TM's corporate risk appetite and tolerance level for the Company's business sustainability. Various issues including potential impact of Trans-Pacific Partnership Agreement and occupational safety matters were deliberated by BRC in 2016. BRC has also engaged Multimedia University (MMU) to conduct a risk maturity survey during the year. It was noted that TM's Risk Maturity level for 2016 has significantly improved, reflecting favourable Enterprise Risk Management (ERM) practices.

Responsibility	Work done during 2016
Identify and Manage Principal Risks (continued)	Employees were educated on the Company's risk management in ensuring thorough awareness on the risks, to ensure every individual is attentive and responsive to the issues involving risks at every level. Based on the 2016 BEE, the Board is of the opinion that it has undertaken its responsibility in identifying principal risks and ensuring the implementation of appropriate systems to manage these. The Board agreed for further improvement to be made to identify significant risks. BRC has advised that the risk management framework and methodologies implemented to increase the possibility of anticipating unpredictable risks to be enhanced. The Board further agreed that BRC has given adequate support to the Board in performing this responsibility.
Monitor Succession Planning	The NRC has been tasked to ensure effective succession planning for both the Directors and Key Management of TM Group (Pivotal Positions) and to report on progress thereof to the Board on a periodic basis. NRC also monitors the performance of the Board and the Pivotal Positions, and reviews and evaluates the suitability of potential candidates and their experience, to fill any gaps therein. In 2016, NRC reviewed among others the appointment of two INEDs to fulfil the vacancies by the directors who retired at the 31st Annual General Meeting (AGM). The replacement candidates were derived from Company's Directors' Pool. Their attributes such as qualification and experience were analysed based on the skill sets identified. NRC also considered the position of the Senior Independent Director (SID), the recommendation on the appointment of EDs to the Special Shareholder, the contract of service of the Pivotal Positions and Company Secretary as well as appointment of Directors to the Group's major operating companies. During the year, the NRC evaluated and recommended the appointment of the new CEO of a subsidiary categorised as major operating company. Based on the 2016 BEE, the Board concurred that succession planning of the Board and Pivotal Positions is critical and a more robust and diligent assessment of succession planning is required. It is imperative for the Company to recruit required skillsets for Directors, right talent for Management whilst developing internal talent.
Develop and Implement Shareholder Communication Policy	The Board recognises that an effective communication policy is vital in managing the shareholders' interest and other stakeholders' perception of the Company. The Board Charter outlines the Company's policy on communication with stakeholders with strong reference to Internal Communication Policy guidelines. The Group Brand & Communication under the purview of MD/Group CEO and the Investor Relations Unit under the purview of the ED/Group CFO have been tasked to undertake this responsibility. Based on the 2016 BEE, the Board finds that overall, there is healthy dynamics in respect of the relationship between the Board, Management and stakeholders. The Board and EDs have been actively engaging the market and could proficiently adapt to meet the target audience's needs.
Review the Adequacy and Integrity of the Company's Information and Internal Control Systems	Internal control systems throughout the Company are managed and monitored by the Group Internal Audit (GIA) division. GIA has authority to audit any division or subsidiary of TM Group and to review projects and systems at any time and report its findings directly to members of the Board Audit Committee (BAC). Significant findings from the audit reports were highlighted and deliberated on at the BAC meeting. BAC reviews the adequacy, effectiveness and integrity of the internal control systems to ensure the implementation of appropriate internal control systems, supported by reports from GIA and the annual review by the external auditor. Based on the 2016 BEE, the Board agreed that a thorough review has been conducted by BAC. Systems and processes are being continuously reviewed and weaknesses identified have been dealt with as reflected in TM's financial performance.

SEPARATION OF POWERS BETWEEN THE BOARD AND MANAGEMENT

The Board Charter clearly delineated the roles and responsibilities of the Board and Management. Although the respective principles, roles and responsibilities of the Chairman, EDs and NEDs are segregated, their functions are mutually co-dependent, thus ensuring efficient and effective execution of their duties and responsibilities.

Delineating these functions ensures the smooth running of the Company's business and operations. The separation of power further ensures that no one individual or group can dominate the decision-making process, thus safeguarding the equilibrium of power in the Company. The separation of power accords a balance and authority in the Board and is adhered to, in line with best governance practice. Appropriate supervision and increased accountability of the Company's Management are the result of the adoption of this framework.

The Role of the Chairman

The Chairman's overarching responsibilities are to provide appropriate leadership to the Board and the Group and to ensure the Board fulfils its obligations under its Charter. He also leads the Board in the oversight of Management. The Chairman's responsibilities are set out in more detail in the Board Charter.

Review:
Tan Sri Dato' Seri Dr Sulaiman Mahbob, TM's Chairman, is not an executive member of the Board and has never held the position of the CEO of the Company. He has never been a part of TM Management, thus undue influence from past association is not an issue.

In the 2016 BEE, the Chairman was rated to be excellent in leading the Boardroom discussions, effective in providing a consultative and open environment and ensuring inclusion of all Board members in the decision making process.

In 2016, the Board recommended the extension of tenure of the Chairman and the proposal was duly endorsed by the Special Shareholder.

The Role of Executive Directors (EDs)

As EDs, the MD/Group CEO and ED/Group CFO are in command of their own respective functions. Their primary function is to ensure the smooth running of the Company's day-to-day operations, while their primary areas of responsibilities are captured in their respective KPIs which are evaluated annually, reviewed and approved by the Board.

The EDs are supported by several management committees for their operational and management duties. These forums provide the Senior Management team, including the heads of various divisions and departments, the platform to interact directly with each other, discuss, provide their views and review the objectives, strategies and operations of the Company on a regular basis.

The Role of the MD/Group CEO

The MD/Group CEO is responsible for the implementation of broad policies approved by the Board and is required to report and discuss at Board meetings all material issues currently or potentially affecting the Group and its performance, including strategic directions, projects and regulatory developments.

Review:
In the 2016 BEE, the MD/Group CEO was rated as outstanding. He ensures Board decisions are implemented and keeps the Board fully informed of all important aspects of the Group and the Company's operations.

The Role of the ED/Group CFO

The ED/Group CFO is responsible for the financial management of the Group, developing initiatives and strategies to improve the Group's overall performance, implementing business and economic strategies, monitoring treasury aspects, and forecasting and analysing the long-term financial situation of the Group. He is also the Group's spokesperson in interactions with the market. In addition, he oversees the operations of Global Wholesale, Support Business and MMU.

Review:
In the 2016 BEE, the ED/Group CFO has been assessed by his directors' peers to exhibit the required qualities. His performance has also exceeded expectations.

The Senior Independent Non-Executive Director (SID)

The criteria and roles of the SID are detailed in the Board Charter. During the year, Dato' Ibrahim Marsidi was appointed as our new SID in place of Dato' Danapalan T.P Vinggrasalam upon his retirement as TM Director on 28 April 2016. Dato' Ibrahim's appointment was approved by the Board on 25 May 2016 based on his experience with the Board and seniority amongst the INEDs. Dato' Ibrahim, who satisfies the prescribed criteria, was the most appropriate candidate for the post among the INEDs, due to his familiarity on the workings of the Board and its individual members. His involvement with various Board committees, past and present such as NRC, BRC, Board Tender Committee (BTC) and BAC has also provided him with the in-depth experience on the respective member's individual niches.

Dato' Ibrahim continues to provide an alternative communication avenue for shareholders and stakeholders to convey their concerns and raise issues so that these can be channelled to the relevant parties. Being familiar with the Management operations throughout the years, Dato' Ibrahim is also in a unique position to have a pulse on the Management's workings and concerns.

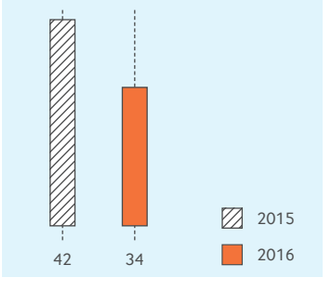
As the SID, Dato' Ibrahim is responsible in leading confidential discussions with other NEDs who may have concerns which they believe have not been properly considered by the Board as a whole. These discussions are held as and when required or deemed necessary by the SID. As such, the Board is able to pursue a greater degree of independence, and NEDs can meet and actively exchange views in the absence of Management. During the year, the Board agreed that issues were discussed and resolved to the INEDs' satisfaction during Board meetings and retreat sessions. As such, no NEDs meeting was required.

Dato' Ibrahim is dedicated in executing his role as an alternative communication channel for shareholders by relaying relevant issues to the appropriate parties in the Company. While discharging his function, he also maintains independence from Management throughout the year.

All queries relating to the Group can also be channelled to the SID at sid@tm.com.my.

During the year, the SID received numerous reports and enquiries from various stakeholders via the designated channels, primarily in regard to customer experience shortfalls. These issues were then channelled to the respective divisions for prompt and immediate resolution as well as improvement plans.

In 2016, overall the complaints from the SID channel shows a reduction of 19%, as depicted below.



Further source of documents that delineates the Board and Management's separation of powers is the Limits of Authority (LoA) Matrix. TM Group crafted the LoA Matrix to assist in establishing a clear governance throughout the Group. It specifically defines and standardises the Group daily operational matters and provides a wide range of matters that is to be used as guidelines by TM and its subsidiaries. The LoA encompass a 2 tiered guidance for TM and all subsidiaries (Tier 1) as well as for TM Procurement (Tier 2). Tier 1 LoA refers to the empowerment of the Board, BTC, EDs and Top Management while Tier 2 LoA provides the delegation of authority to Senior Management. On the subsidiary level, the LoA is either adopted as the company's own operational policy or incorporated into its business guidelines and be a part of a wide range of governance aspect of the company.

Throughout the years, the Matrix has evolved, grown and undergone revisions to adapt to the complexity of the businesses, respective company's principles while maintaining if not enhancing further the governance aspect of the Matrix's purpose. During the year in review, no such revision was made to the LoAs.

Aside from LoA, TM has also established a Business Policy and Governance (BPG) which complements the LoA. It is a live document with an objective to outline TM's key business policies and governance across key function areas throughout the organisation. Thus providing a general and broad range of processes and procedures for the functions and well as guidance for TM's subsidiaries. Subsidiaries across TM are encouraged to adopt the relevant function into its own organisation depending on the suitability of the policy, either in totality or with variation to suit the respective company's organisation structure and functions. The latter may be implemented only with concurrence of the respective process owners of the BPG chapter. This provides a form of control on the subsidiaries' deviation from the Group's policies and governance, with the objective to streamline common governance and practices throughout the Group.

BOARD COMPOSITION

Our Article 96 of the Company's Articles of Association (AA) limits the number of our Board members to not more than 12. The two NINED representing the interest of the Special and Major Shareholders have also appointed their respective alternate Directors on the Board.

The composition of the Board for the year under review is as follows:

Representing the interest of TM's Special and Major Shareholders



MOF Representative

Tan Sri Dato' Seri
Dr Sulaiman Mahbob



MOF Representative

Dato' Sri Dr
Mohmad Isa Hussain



Khazanah Representative

Tunku Dato'
Mahmood Fawzy Tunku Muhiyiddin



Alternate

Asri Hamidin
@ Hamidon



Alternate

Nik Rizal Kamil Tan Sri Dato'
Nik Ibrahim Kamil

Participation on behalf of Management and Representative of Special Shareholder



MD/Group CEO

Tan Sri Dato' Sri
Zamzamzairani Mohd Isa



ED/Group CFO

Datuk
Bazlan Osman

Representing Minority Shareholders and the Public



Dato'
Ibrahim Marsidi



Datuk
Zalekha Hassan



Davide Giacomo Federico
Benello @ David Benello



Datuk Seri Fateh Iskandar
Tan Sri Dato' Mohamed Mansor



Gee Siew Yoong



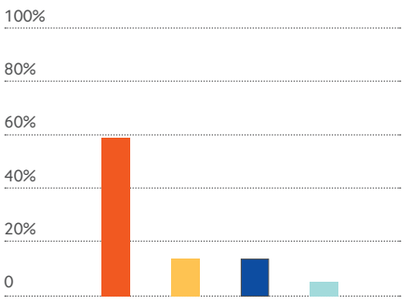
Balasingham
A. Namasiwayam



Tunku Afwida
Tunku Dato' A.Malek

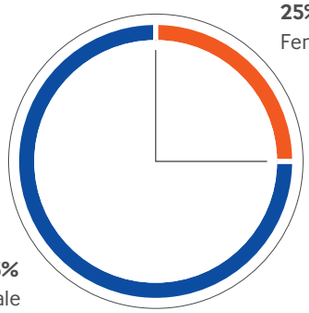
STATEMENT ON CORPORATE GOVERNANCE

BOARD COMPOSITION

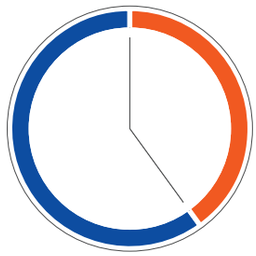


INED	58%
ED	17%
NINED	17%
NINE Chairman	8%

GENDER OF BOARD



BOARD TENURE



Non-Independent Directors

0 - 3 years	40%
4 - 6 years	0%
7 - 8 years	60%
9+ years	0%



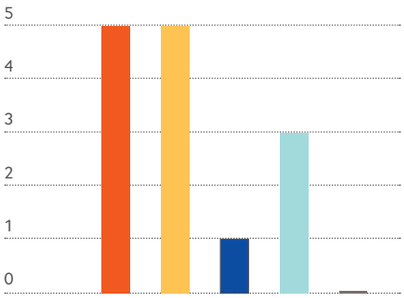
Independent Directors

0 - 3 years	57%
4 - 6 years	29%
7 - 8 years	14%
9+ years	0%

BOARD SKILLS

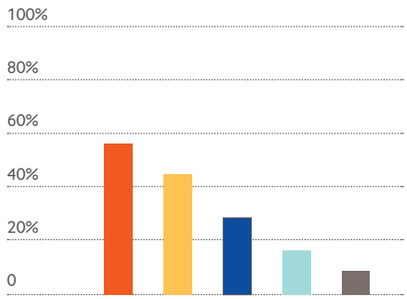
Management, Leadership & Strategy	100%
Multimedia & Communication	50%
Economics, Finance & Investment	71%
Accounting & Audit	36%
Oil & Gas	29%
Engineering	21%
Sustainability Skills - Social & Environmental	21%
Governance & Integrity	21%
Procurement	14%
Property Investment & Management	14%
Legal	7%

DIRECTORSHIPS ON LISTED COMPANIES (INCLUDING TM)



1 Listed Company	4 Directors and 1 Alternate Director
2 Listed Companies	4 Directors and 1 Alternate Director
3 Listed Companies	1 Director
4 Listed Companies	3 Directors
5 Listed Companies	0 Director

SECTOR EXPERIENCE OF BOARD



Finance & Economics	57%
Telecoms/Engineering	43%
Technology	29%
Property	14%
Media	7%

STATEMENT ON CORPORATE GOVERNANCE

The age, ethnicity and tenure of the existing TM Directors as at the date of this statement are depicted below:

No.	Director's Name	Age	Nationality/ Ethnicity	Date of Appointment	Tenure Year (Yr)/ Month (Mth)
Non-Independent Directors					
1.	Tan Sri Dato' Seri Dr Sulaiman Mahbob	68	Malaysian/Malay	12.01.2015	2 yrs 1 mth
2.	Tan Sri Dato' Sri Zamzamzairani Mohd Isa	56	Malaysian/Malay	25.04.2008	8 yrs 10 mths
3.	Datuk Bazlan Osman	52	Malaysian/Malay	25.04.2008	8 yrs 10 mths
4.	Dato' Sri Dr Mohmad Isa Hussain	59	Malaysian/Malay	30.10.2015	1 yr 4 mths
5.	Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	58	Malaysian/Malay	25.04.2008	8 yrs 10 mths
Independent Directors					
6.	Datuk Zalekha Hassan	63	Malaysian/Malay	09.01.2008 - 30.05.2011 (NINED)	3 yrs 5 mths
				01.06.2011 - present (IND)	5 yrs 8 mths
7.	Dato' Ibrahim Marsidi	64	Malaysian/Malay	25.04.2008	8 yrs 10 mths
8.	David Giacomo Frederico Benello	62	Italian	21.11.2011	5 yrs 3 mths
9.	Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	49	Malaysian/Malay	07.10.2013	3 yrs 4 mths
10.	Gee Siew Yoong	67	Malaysian/Chinese	13.03.2014	2 yrs 11 mths
11.	Tunku Afwida Tunku Dato' A.Malek	51	Malaysian/Malay	28.04.2016	10 mths
12.	Balasingham A. Namasiwayam	65	Malaysian/Indian	28.04.2016	10 mths
Alternate Directors					
13.	Asri Hamidin @ Hamidon	51	Malaysian/ Malay	06.11.2015	1 yr 3 mths
14.	Nik Rizal Kamil Tan Sri Dato' Nik Ibrahim Kamil	44	Malaysian/ Malay	29.11.2012	4 yrs 3 mths

As at the proposed date of the 32nd AGM on 26 April 2017, only one INED i.e. Dato' Ibrahim Marsidi would have served the Board for nine years.

The age range of the directors is listed below:

Range (Age) in year 2016	No. of Directors	Alternates
40 – 49	1	1
50 – 59	5	1
60 – 69	6	-
70 and above	0	-
	12	2

With a NINE Chairman, the seven INEDs formed the majority on the Board of 12 directors, assuring effective checks and balances in the functioning of the Board. It also complies with paragraph 15.02 of the Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities) whereby currently 58.0% of our Board members are Independent Directors.

During the year, TM Board has seen a few changes in its composition. At the 31st AGM held on 28 April 2016, two of our INEDs, Dato' Ir Abdul Rahim Abu Bakar and Dato' Danapalan T.P Vinggrasalam did not offer themselves for re-election and thus retired upon conclusion of the AGM. Two new INEDs, Tunku Afwida Tunku Dato' A.Malek and Mr Balasingham A. Namasiwayam were appointed in place thereof effective on the same date. These changes were announced to Bursa Securities on the same day. With this new Board composition, the gender mix on TM Board by end 2016 was 3 (female):9 (male).

Other than Mr Balasingham, who was formerly a TM Group employee, none of the INEDs were former employees of the Company. Mr Balasingham was employed by Jabatan Telekom Malaysia and served in various capacities in TM Group until he retires in 2003. His last post prior to his retirement with TM Group was as Chief Executive Officer of Fiberail Sdn Bhd, a subsidiary and a joint venture company of TM. Although a majority of his career was with TM, in conducting himself as TM Director, Mr Balasingham has displayed his independence of Management regardless of his former position in TM and unsubdued by any unwarranted influence. This has put him in a distinctive position of being familiar not only with telecommunication business but with TM itself. Mr Balasingham understands the culture and nuance of TM. Further, having expanded his experience as INED of a telecommunication company after leaving TM Group, he is able to objectively assess the differences and offers his empirical observations towards TM's improvement from a different angle.

Overall, the INEDs continue to be independent of Management and free from any undue influence from interested parties which could materially interfere with the exercise of their independent judgement. In discharging their responsibilities, during each Board and Committee meeting, the INEDs were thorough in deliberating issues of concern, inquisitive, frank and judicious in every decision-making process. They were impartial in their views, and liberal with their advice based on their expertise, safeguarding the Company's and stakeholders' best interests in every major decision. The INEDs participated actively in the Board's deliberations and decision-making, challenging the Management to perform better and more efficiently. These values are most clearly illustrated in the main Board Committees chaired by the INEDS, namely the BAC, BTC, BRC and BIC.

BOARD DIVERSITY

The Board of Directors is one of a number of internal governance mechanisms that are intended to ensure that the interests of shareholders and managers are closely aligned. Having a diverse range of skills, background, expertise and experience are critical elements in ensuring a vibrant, effective and robust Board.

An environment which enables the Board to interact cohesively, ensure adequate checks and balances, especially in the challenging telecommunication industry. The Board acknowledges that there is always room for improving diversity in ensuring continuous efficient functioning of the Board and to meet the void created by the constant change in telecommunication technology. It also opines that creating a diverse Board involves a myriad of critical elements not limited to gender and/or age, but including experience and skills-sets as well as the members' background - education and personality, ethnicity/race, nationality, religious beliefs and cultural or socio-economic personal histories.

The Board endeavours to attain diversity in terms of experience, skills, competencies, ethnicity, gender, culture, age and nationality to enable the Company to enhance its effectiveness and governance performance.

The Group's approach to ensure Board diversity is as follows:

(i) recruiting from a diverse pool of candidates for the position of director;
(ii) reviewing succession plans to ensure an appropriate focus on diversity;
(iii) identifying specific factors for consideration in the recruitment and selection processes; and
(iv) developing programmes to build a broader pool of skilled and experienced Board candidates.

The above approach does not impose on TM Group and its Directors any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to anti-discrimination or equal employment opportunity legislation or laws.

The Board believes that the existing appointment process for selecting a new member is already adequate as it takes into consideration the required skills-set, experience, competency, regional and industry experience, and knowledge of the individual candidate, in addition to the candidate's gender and age and how these add to the Board's diversity.

The Board did not set specific targets on gender diversity for the Company but endeavour to maintain and increase the number of women directors on the Board, based on pre-determined set of skills and competencies. Several prominent and suitable qualified women have also been identified and included in the Directors' Pool for possible nomination as part of the succession plan for TM Directors. In support of the target set out under the Corporate Governance Blueprint for women participation on Boards to reach 30% by year 2016, TM continuously identify and selects qualified women Senior Management to undergo training to equip them with relevant knowledge to serve as Directors on the Boards of TM's subsidiaries and associate companies. To-date there are 11 women serving as nominee directors on the Boards of TM Group.

In 2016, the number of women directors on TM Board increased from two to three, with the appointment of Tunku Afwida as INED. The other two women directors are Datuk Zalekha Hassan and Ms Gee Siew Yoong, both are INEDs and Chairperson of BTC and BAC respectively.

INDEPENDENCE

Our Board recognises the important contribution that Independent Directors make to good corporate governance. All Directors, regardless of their independent status, are required to act in the best interests of the Group and to exercise unfettered and independent judgment. We determine the independence of our Directors in accordance with the independence criteria in paragraph 1.01 of the Main LR. To date, all seven INEDs satisfy the following criteria:

a) independence from Management and free from any business or other relationship which could interfere with independent judgement or the ability to act in the best interests of the Company.

b) not involved in the day-to-day operations of the Company other than when collective Board approval is required. This mitigates the risk of undue influence from third parties and allows INEDs to exercise fair judgement.

c) declare their interest or any possible conflict of interest in any matter tabled prior to the commencement of Board meetings. Directors are able to ascertain their involvement in any proposal as the papers are disseminated to them at least five days before each meeting. In the case of conflict of interest, Directors are required to recuse themselves and abstain from deliberation to allow unbiased and free discussion and decision making. This also holds true for NINEDs.

The NEDs are not involved in the day-to-day operation of the Company. Business transactions handled by the Company are free from their involvement other than for the final approval when the collective Board's decision is required, as the case may be. This mitigates risk of possible undue influence from third parties and allows the directors to exercise fair judgements and avoids any possible conflict of interest situations.

It has been the directors' practice to disclose their interest or any possible conflicts on any matter put forth for the board's consideration. In these matters the directors are diligent and conscientious in ensuring adherence to the tenet. Interested director shall recuse himself/herself when required and abstain from deliberation to allow unbiased and free discussion and decision making. Based on the BEE 2016, the directors are highly cognisant of their duties to disclose real and apparent conflict of interest situation and recuse themselves accordingly.

Having a diverse Board where the Directors' varied in terms of their backgrounds, education and experiences, dissenting views or even unpopular opinions are a norm. With the changes in the composition of the Board and members gradually familiarising themselves with each other, an open, healthy and thorough deliberation are practised in reaching for a decision. By understanding good governance practices, they are able to exercise objective judgement, are not easily influenced by non-related factors, able to act in the best interest of the Company and safeguard stakeholders' interests.

Even with the new board composition, the BEE 2016 continues to indicate healthy Boardroom dynamics with good working relationships among the Board members as well as between the Board and Management.

Apart from the above criteria, the independence of all TM Directors, including the NEDs, is assessed annually through the BEE. This exercise involves questionnaires that cover principles, perspectives and personal insights of the respective Directors, and are completed by all Directors on themselves and on their peers.

The NRC, as part of its ToR, undertakes the annual review of INEDs' independence status and tables its findings and recommendations to the Board. The Directors' skills, experience, contributions as well as their backgrounds, economic and family relationships are considered. Thereafter, the NRC determines whether the Directors can continue to bring independent and objective judgement to the Board. The NRC also determines, according to character and judgement, whether there are relationships or circumstances which could affect, or appear to affect, the Independent Directors' judgement.

In ascertaining the independence status of the Directors, the Board continues to believe that tenure should not form part of the assessment criteria. It is of the view that the fiduciary duties of Directors as promulgated in the former Companies Act, 1965 and now in the Companies Act 2016 (CA 2016) are the primary concern of all Directors, regardless of their status. The Board firmly believes that the ability of a Director to serve effectively is dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity. It also believes there are significant advantages to be gained from long-serving Directors who possess insight and knowledge of the Company's business and affairs.

Having state the above, the Board firmly believe that although Recommendation 3.2 of the MCCG 2012 on the limitation of nine years cumulative tenure of INED may not be formally adopted by the Company, it does not necessarily precludes the Board from adhering to the spirit of the principle. The Board has embraced the principle in spirit by applying Recommendation 3.3, whereby the retention of INED who have served for more than nine years is to be put up for shareholders' consideration.

Dato' Ibrahim, having been appointed as INED on 25 April 2008, will reach the nine years' tenure on 24 April 2017. Dato' Ibrahim has indicated his intention to vacate his directorship in TM in 2017.

The BEE 2016 result on peer evaluation shown that the Directors have demonstrated their ability to act independently.

BOARD APPOINTMENT PROCESS

The Company maintains a formal and transparent procedure for the appointment of new Directors. Appointment to the Board is made either by the Minister of Finance (MOF), being the Special Shareholder as defined in Article 97(1) of the Company's AA, or by the Board of Directors pursuant to Article 98(1) of the AA.

Based on Article 109, the Special Shareholder may also appoint the EDs of the Company for such period and upon such terms as it may think fit and appoint another in his or their place(s). The EDs are however subject to the control of the Board of Directors.

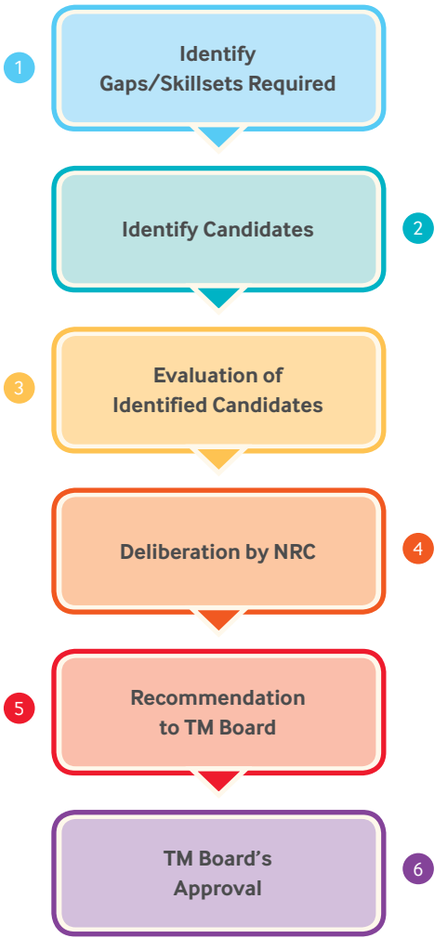
Nominees to the Board are first considered by the NRC, taking into account the mix of skills, competencies, experience and other qualities required to manage a highly regulated communication business, before they are recommended to the Board.

While the Board is responsible for the appointment of new Directors, the NRC is delegated with the role of screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board.

NRC evaluates the nominees' ability to discharge their duties and responsibilities before recommending their appointment as Directors to the Board for approval.

STATEMENT ON CORPORATE GOVERNANCE

A typical TM Board appointment process is depicted below:



In 2016, the NRC having considered Mr Balasingham and Tunku Afwida's qualifications, opined that they have the relevant expertise, skills and experience which would add value to the Board's mix and diversity, and hence, recommended them as the INEDs. TM Board accepted both recommendations and Mr Balasingham and Tunku Afwida were duly appointed on 28 April 2016.

DIRECTORS' RETIREMENT AND RE-ELECTION

In accordance with the Main LR and Article 103 of the Company's AA, all Directors, including the EDs, are subject to re-election by rotation at least once every three years and a re-election of Directors takes place at each AGM. At every AGM, one-third or the nearest to one third of the Directors, being longest in office since his/her last re-election, shall retire from office at the conclusion of the AGM. According to Article 98(2) of the AA and the CA 2016, Directors appointed to fill casual vacancies shall hold office only until the following AGM and shall be eligible for re-election.

Taking into account the relevant requirements, the Directors' Rotation List was presented to the NRC for endorsement. The Directors recommended to be re-elected at the AGM are subject to prior assessment by the NRC and the affected Directors are required to give their consent on their re-election prior to TM's Board meeting. In assessing the candidates, NRC takes into consideration their attributes, competencies, commitment, personality and qualities, as well as their contribution and performance based on the BEE. Assessment of the Board's structure and balance as well as the concerned Directors' independence is also made. NRC's recommendations are thereafter submitted to the Board and shareholders for approval.

At the coming 32nd AGM, five directors will be considered for re-elections pursuant to various provisions.

The following are the directors representing one-third and longest in office since their last election, and shall retire by rotation at the coming 32nd AGM. These Directors are recommended for re-election by the NRC and Board and they have given their consent to be re-elected as directors:

Tan Sri Dato' Seri Dr Sulaiman Mahbob, the NINE Chairman of TM, has extensive experience garnered from the Government sector and is well versed in dealings with regulators and government agencies. His directorship in a public listed Government-Linked Company and his participation in various Government agencies as well as several local universities, are evidence of his versatility, adaptability and commitment to serve various stakeholders. As MSWG's Chairman, Tan Sri Sulaiman has a strong grasp of minority shareholders' concerns and is observant of corporate governance practices. As TM Chairman, he is able to provide sound leadership and valuable inputs at TM Board and subsidiaries meetings which he chairs. Based on the BEE assessment, Tan Sri Sulaiman is found to be an excellent and effective chairman, who ensures to include all Board members in the decision making process. Whilst on peer to peer appraisal, which among others, assess on participation and firm stand on issues, professionalism, knowledge, independence of judgement, relationship with other Board members and Management, Tan Sri Sulaiman was rated highly by the other Board members. The NRC and the Board were of the opinion that Tan Sri Sulaiman is imperative to the board dynamics and recommended him for re-election.

Ms Gee Siew Yoong, INED, is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. She is the BAC chairman, member of BRC and BIC. A former auditor, who has also held the position of CEO tasked to reorganise troubled organisations, including financial institutions, local and international, Gee has considerable experience in business financial matters. Gee is thorough and systematic in assessing issues. Based on the BEE's peer to peer assessment Gee received good ratings from her peers on her firm stand on issues, demonstrate independence on judgement, mindful on rules and regulations affecting the Company and analytic in considering issues. The NRC and the Board were of the opinion that Gee's experience is vital and recommended her for re-election.

Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor, INED, has demonstrated his business acumen, astuteness, knowledge, experience and good judgement. Coming from a different business discipline and a businessman on his own right, he is able to provide different views and fresh business perspective for the Board. Datuk Seri Fateh is the Chairman of BIC and a member of BRC. With his background and experience in property related matters, his opinions in this regard is indispensable. Based on BEE's peer to peer assessment, Datuk Seri Fateh ranked higher than average on most of the qualities assessed. He actively participates in discussions, has firm stand on issues, demonstrate professionalism and knowledge and has independence of judgement. The NRC and the Board were of the opinion that Datuk Seri Fateh provides a variation to the skill set diversity and recommended him for re-election.

The following are the directors appointed to fill casual vacancies in 2016. Pursuant to Article 98(2) of the AA, they are to hold office until the following AGM where they are required to retire. The Directors are recommended for re-elections by the NRC and Board and they have given their consents to be re-elected as Directors:

Mr Balasingham A. Namasiwayam, INED, has in-depth knowledge of telecommunication industry with his over 30 years' experience. Being a former employee of TM Group for the vast majority of his career has set him in a unique position to better appreciate the business and culture of the Company, and able to apply his invaluable insights and knowledge in his judgment. Mr Balasingham is highly committed and has displayed his fervor in the transformation of TM and had showed great interest in all aspects of the Company's business. He is a member of the BAC, NRC, BRC and LTIP Committee. Based on the BEE peer to peer assessment, Mr Balasingham ranked higher than average on all assessment qualities. The NRC and the Board highly recommended that he be re-elected as Director of the Company.

Tunku Afwida Tunku Dato' A.Malek, INED, an accountant, with banking and investment experience has calm demeanor and has demonstrated her ability to methodically assess and review specific issues before the Board. She is able to dissect financial and investments concerns and impart opinions beneficial to the Company. Tunku Afwida is a member of BAC, NRC, BIC and LTIP Committee, and has displayed her astuteness on every occasion during the meetings. Based on the BEE's peer to peer assessment, Tunku Afwida is found to be professional in her conduct with impeccable integrity, has independence of judgement, assumes her fiduciary duties in good faith and actively seeks additional information and clarification before making decisions. The NRC and the Board were of the opinion that Tunku Afwida provide a healthy mix to the Board's expertise and recommended her for re-election.

The five Directors who are due for re-elections at the forthcoming AGM, as evaluated by the NRC and approved by the Board, have met the Board's expectations and continue to perform in an exemplary manner as demonstrated by their contributions to the Board. The Board is of the view that these Directors have brought independent and objective judgment in Board deliberations and has performed their fiduciary duties well.

Their independence assessment is conducted annually via the BEE and a report on this is tabled for the consideration of NRC in February prior to finalisation of the Notice of AGM. After considering the above factors, the Board has recommended the Directors for re-elections.

FOSTERING COMMITMENT OF THE BOARD AND BOARD ATTENDANCE

Our Board is of the opinion that the provisions in the CA 2016 and Main LR are sufficient to ensure adequate commitment by the Directors to perform their duties; and that each Director is able to commit sufficient time to the Company without it being formally regulated.

This is evidenced by the attendance of Directors and time spent at Board and Committee meetings. A high level of flexibility has been demonstrated with Board members abled to accommodate the Company according to its needs.

The Board also agreed for Directors upon appointment to notify the Company Secretary of their directorships in other companies for disclosure to the Board at Board meetings.

A schedule for TM Board meetings was formulated and presented to the Board in November 2015 and shared with the Directors before the beginning of the year to ensure Directors' time commitment.

A total of nine meetings were held during the year; six scheduled Board meetings to discuss and decide on quarterly financial results, performance reports and various other matters based on predetermined agendas; one special meeting to discuss on important issues requiring Board's urgent approval and two Board retreat cum special meetings. The strategic retreat meeting was held in July 2016 for the Company's strategic discussions and growth plans, while a Board retreat was held in December 2016 on the Group's AOP and financial targets. Besides the Board meetings, urgent decisions were approved via six Directors' Circular Resolutions during the year.

The amount of time spent on Board and Committees meetings for the financial year, is monitored via the BPIP. TM Board spent a total of 38 hours at nine Board meetings held throughout 2016.

Decisions made at Board meetings are mostly on consensus or via majority vote, save for items reserved for the Special Shareholder as stipulated in the Company's AA. Resolutions in writing by all the Directors or their alternates who may at the time be present in Malaysia shall be valid and effectual as if the resolution had been passed at a Board meeting. The AA of the Company is accessible on TM's official website at www.tm.com.my.

All Directors complied with the minimum attendance of at least 50.0% of Board meetings held in the financial period pursuant to the Main LR. The Board has also agreed for the 50.0% minimum attendance requirement to be adopted for Board Committees, with attendance from alternate Directors considered for purposes of the attendance of the principal Director. Overall, all Committee members complied with the attendance threshold.

STATEMENT ON CORPORATE GOVERNANCE

Details of attendance of each Director on the Board, Board Committees, the 31st AGM and the Extraordinary General Meeting (EGM) for the financial year ended 31 December 2016 are as follows:

No.		TM Board No. of Meetings Attended/ Held	%	BAC No. of Meetings Attended/ Held	%	NRC No. of Meetings Attended/ Held	%	BTC No. of Meetings Attended/ Held	%	BRC No. of Meetings Attended/ Held	%	BIC No. of Meetings Attended/ Held	%	31st AGM Attended	EGM Attended
	Directors														
1.	Tan Sri Dato' Seri Dr Sulaiman Mahbob *(Chairman)*	9/9	100.0	-	-	-	-	-	-	-	-	-	-	√	√
2.	Tan Sri Dato' Sri Zamzamzairani Mohd Isa *(MD/Group CEO)*	9/9	100.0	-	-	-	-	13/13	100.0	-	-	-	-	√	√
3.	Datuk Bazlan Osman *(ED/Group CFO)*	9/9	100.0	-	-	-	-	13/13	100.0	4/4	100.0	6/6	100.0	√	√
4.	Dato' Sri Dr Mohmad Isa Hussain	8/9	89.0	-	-	-	-	11/13[1]	100.0[1]	-	-	4/6[1]	100.0[1]	√	√
5.	Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	9/9	100.0	8/8	100.0	5/5	100.0	-	-	-	-	3/3	100.0	√	√
6.	Datuk Zalekha Hassan	9/9	100.0	8/8	100.0	4/5	80.0	13/13	100.0	-	-	-	-	√	√
7.	Dato' Ibrahim Marsidi	8/9	89.0	-	-	5/5	100.0	13/13	100.0	2/2	100.0	-	-	√	√
8.	Davide Giacomo Federico Benello	9/9	100.0	-	-	-	-	-	-	-	-	-	-	√	√
9.	Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	8/9	89.0	-	-	-	-	-	-	4/4	100.0	5/6	83.0	√	√
10.	Gee Siew Yoong	9/9	100.0	8/8	100.0	-	-	-	-	4/4	100.0	6/6	100.0	√	√
11.	Tunku Afwida Tunku Dato' A.Malek *(appointed wef 28 April 2016)*	5/5	100.0	4/4	100.0	2/2	100.0	-	-	-	-	2/3	67.0	N/A	N/A
12.	Balasingham A. Namasiwayam *(appointed wef 28 April 2016)*	5/5	100.0	4/4	100.0	2/2	100.0	-	-	2/2	100.0	-	-	N/A	N/A
	Alternate Director														
1.	Asri Hamidin @ Hamidon *(Alternate to Dato' Sri Dr Mohmad Isa Hussain)*	-	-	-	-	-	-	2/2	-	-	-	2/2	-	-	-
2.	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil *(Alternate to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin)*	6/9	-	-	-	-	-	13/13	100.0	-	-	5/6	83.0	√	√
	Directors who have retired since the last report														
1.	Dato' Danapalan T.P Vinggrasalam *(retired on 28 April 2016)*	4/4	-	-	-	2/2	-	-	-	1/1	-	2/2	-	√	N/A
2.	Dato' Ir Abdul Rahim Abu Bakar *(retired on 28 April 2016)*	3/4	-	-	-	2/2	-	-	-	1/1	-	2/2	-	-	N/A

The average meeting attendance is calculated based on the attendance from the date of appointment to the date of resignation.

During the year, Directors with alternates, in either the main Board or Committees, have endeavoured to ensure that each meeting was represented by them or their respective alternates in ensuring compliance with provisions of the Main LR and Board Charter.

Alternate Director as principal member of Committee. Nik Rizal was re-designated as Alternate Member to Tunku Dato' Mahmood Fawzy on BIC on 25 May 2016. He attended two out of three meetings prior to the re-designation.

[1] *Represented by alternate Director*

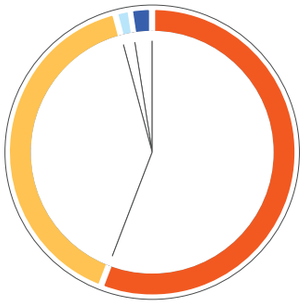
DIRECTOR'S REMUNERATION

Our Directors' remuneration policy ensures that the remuneration mix is market competitive and equitable. The aim of the remuneration policy and philosophy is to:

- Align with our strategic thrusts and value drivers.
- Attract and retain Directors of such calibre who are able to provide the necessary skills and experience, commensurate with the responsibilities for the effective management of TM Group.
- Support the philosophy of value-based management.

The policy and framework for the overall remuneration of the EDs and NEDs are reviewed against market practices by the NRC, following which recommendations are submitted to the Board for approval.

Executive Directors' (EDs)



- Fixed **40%**
- Performance based Incentives **56%**
- Allowances **1.5%**
- Customary Benefits/Incentives **2.5%**

As EDs, the MD/Group CEO and ED/Group CFO are paid salaries, allowances, performance based incentives including bonus and other customary benefits as appropriate to Top Management. A significant portion of the EDs' compensation package has been made variable depending on the Company's performance during the financial year, which is determined based on the individual KPIs, and aligned to TM Group's BSC. The EDs are not paid Director's fees or meeting allowances for Board and Board Committee meetings that they attend and are members of.

The performances of the EDs (as well as that of the Pivotal Positions and the Company Secretary) are reviewed annually by the NRC, and recommendations are submitted to the Board on specific adjustments in their remuneration and/or reward payments, reflecting their contributions for the year. The MD/Group CEO and Management team members are rewarded according to a combination of achievement of targets and their 360-degree ratings. These payments are competitive in line with the Group's corporate objectives and strategy. The EDs recused themselves during deliberations on their performance rewards and remuneration review at the NRC and Board meetings.

In 2013, the Long-Term Incentive Plan (LTIP) - Performance Share Plan (PSP) for EDs and Top Management under TM Rewards Transformation initiatives was implemented and granted to eligible participants based on an approved mechanism. Its main objective is to align the interests of our Top Management with that of our shareholders, driving a high performance culture and as a retention tool. It has been implemented for a 3-year performance period until end 2016. With the introduction of the LTIP PSP, the remuneration package for EDs now has more emphasis on performance-link elements.

At the EGM of the Company held on 28 April 2016, the shareholders have approved a new LTIP for all eligible employees and EDs. The LTIP comprises a Restricted Share (RS) Grant and Performance Share (PS) Grant, the main differences of which are the eligibility of the employees in terms of their job grades in the Group, the performance metrics to be met which will be determined prior to the grant being made and the vesting periods of the Grant to the Eligible Employees. The LTIP is administered and managed by the LTIP Committee, a sub-committee of the NRC established in accordance with the by-laws governing the LTIP (LTIP By-Law). Having acquired all relevant approvals, the LTIP was implemented on 29 September 2016. As at the end of 2016 and the date of this statement, only RS has been granted to Eligible Employees as defined by the LTIP By-Law.

Non-Executive Directors (NEDs)

NEDs' remuneration package is determined by the Board as a whole. Their director's fee is based on a standard fixed fee, which is subject to shareholders' approval, while meeting allowances are paid based on attendance at Board and Committee meetings.

Fees for the NINE Chairman, SID and NEDs were approved by shareholders at the 28th AGM on 7 May 2013 and subsist to date. The shareholders at the 31st AGM have approved the said fees from the date of the 31st AGM to 32nd AGM.

Despite the recommendations persuant to Clause 6.11 of the Board Charter to review the Directors' Remuneration every three years, the Board is not proposing for any changes to the fee structure at the upcoming 32nd AGM as it is still competitive and at par with the prevalent market.

STATEMENT ON CORPORATE GOVERNANCE

In compliance with Section 230(1) of CA 2016, the resolution on the payment of the following Directors' fees, from the 32nd AGM until the conclusion of the next AGM is tabled at the forthcoming AGM for shareholders' approval.

Directors	Directors' Fee
NINE Chairman	RM276,000 per annum @ RM23,000 per month
NEDs	RM180,000 per annum @ RM15,000 per month
SID	RM27,000 per annum @ RM2,250 per month

In addition to the directors' fees, NEDs are paid meeting allowances for Board and Board Committees. The meeting allowances' structure stipulated in the Board Charter are as follows:

	Meeting Allowance Per Attendance (RM)						
	Board	BAC	NRC	BTC	BRC	BIC	LTIP Committee
Chairman	3,500	3,250	2,500	3,250	2,500	2,500	2,500
NED	3,000	2,500	2,000	2,500	2,000	2,000	2,000

Meeting attendance allowances are payable to NEDs only and payable for each Board and/or Board Committee meeting held on per meeting basis. The said allowances are payable to Alternate Directors who attend meetings in the absence of their substantive Directors.

TM has also in place a Subsidiaries' Remuneration Framework. Under the framework, subsidiaries are categorized into tiers based on their strategic, revenue and impact levels to TM, as well as focus of business. TM Directors appointed on boards of subsidiaries are entitled to the following fees:

	Chairman		NED		Committee Fee	
	Fixed Fee (Monthly)	Meeting Fee	Fixed Fee (Monthly)	Meeting Fee	Chairman Meeting Fee	Member Meeting Fee
Tier 1 Subsidiaries	RM11,500	RM1,500	RM7,500	RM1,000	RM500	RM300
Tier 2 Subsidiaries	Nil	RM1,500	Nil	RM1,000	Nil	Nil

Apart from the above directors' fees and meeting allowances, which are considered as benefits payable to NEDs, the Directors are also entitled to customary benefits such as claimable benefits on annual business development trips, leave passage, business equipment, telecommunication bills, insurance and medical coverage.

The Board acknowledged the new requirement of Section 230(1) of the CA 2016 for the fees and any benefits payable to Directors of listed company and its subsidiaries to be approved at a general meeting of the Company. Accordingly, shareholders' approval is sought for the payment of the above remuneration to the NEDs.

To maintain appropriate check and balance, NEDs are not entitled to participate in any employees share scheme or variable performance- linked incentive schemes pursuant to the Blue Book issued by the Putrajaya Committee on Government Linked Companies (GLCs) High Performance (PCG).

Details of the total remuneration of each Director of the Company received from TM Group of Companies, categorised into appropriate components for the financial year ended 31 December 2016, are as follows:

NO.	NAME OF DIRECTORS	SALARY (RM)	PERFORMANCE INCENTIVES (RM)	FEES (RM)		ALLOWANCE (RM)		BENEFITS IN KIND (RM)	TOTAL AMOUNT (RM)
				TM	SUBSIDIARY	TM	SUBSIDIARY		
	NON-INDEPENDENT AND EXECUTIVE DIRECTORS (NIED):								
1	Tan Sri Dato' Sri Zamzamzairani Mohd Isa	2,285,810.00[a]	3,313,123.77[b]	-	-	60,000.00[c]	-	134,662.31	5,793,596.08
2	Datuk Bazlan Osman	1,302,592.00[a]	1,736,647.02[b]	-	-	60,000.00[c]	-	96,188.77	3,195,427.79
	NON-INDEPENDENT AND NON-EXECUTIVE DIRECTORS (NINED):								
3	Tan Sri Dato' Seri Dr. Sulaiman Mahbob	-	-	276,000.00	276,000.00	42,000.00	14,000.00	35,200.00	643,200.00
4	Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	-	-	270,000.00[d]	-	87,500.00[d]	-	51,250.00	408,750.00
5	Dato' Sri Dr Mohmad Isa Hussain	-	-	180,000.00	-	57,500.00	-	51,250.00	288,750.00
	ALTERNATE DIRECTORS (NON-INDEPENDENT AND NON-EXECUTIVE ALTERNATE DIRECTORS):								
6	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil *(Alternate to Tunku Dato' Mahmood Fawzy)*	-	-	-	-	43,000.00[e]	-	-	43,000.00
7	Asri Hamidin @ Hamidon *(Alternate Director to Dato' Sri Dr. Mohmad Isa Hussain)*	-	-	-	-	19,500.00	-	-	19,500.00
	INDEPENDENT AND NON-EXECUTIVE DIRECTORS (INED):								
8	Datuk Zalekha Hassan	-	-	180,000.00	90,000.00	109,500.00	4,000.00	51,250.00	434,750.00
9	Dato' Ibrahim Marsidi	-	-	180,000.00	90,000.00	98,750.00	4,000.00	51,250.00	424,000.00
10	Davide Giacomo Federico Benello	-	-	180,000.00	-	130,000.00[f]	-	-	310,000.00
11	Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	-	-	180,000.00	90,000.00	52,000.00	5,000.00	-	327,000.00
12	Gee Siew Yoong	-	-	180,000.00	-	82,000.00	-	48,830.00	310,830.00
13	Tunku Afwida Tunku Dato' A.Malek *(Appointed on 28 April 2016)*	-	-	120,000.00	-	35,000.00	-	51,250.00	206,250.00
14	Balasingham A. Namasiwayam *(Appointed on 28 April 2016)*	-	-	120,000.00	-	37,000.00	-	51,250.00	208,250.00
	INED RETIRED AT PREVIOUS YEAR AGM:								
15	Dato' Ir Abdul Rahim Abu Bakar	-	-	60,000.00	-	28,500.00	-	-	88,500.00
16	Dato' Danapalan T.P Vinggrasalam	-	-	60,000.00	90,000.00	50,000.00	6,800.00	-	206,800.00
	TOTAL AMOUNT	3,588,402.00	5,049,770.79	1,986,000.00	636,000.00	992,250.00	33,800.00	622,381.08	12,908,603.87

[a] *Inclusive of Company's contribution to provident fund.*
[b] *Inclusive of LTIP - PSP*
[c] *Car allowances in lieu of provision of company car.*
[d] *Inclusive of fee and allowance received from a Tier 1 subsidiary amounting to RM90,000 and RM7,000 respectively.*
[e] *Payment made to Khazanah Nasional Berhad (Khazanah) as management fee for Khazanah's nominee director.*
[f] *Inclusive of per diem allowance for foreign director amounting RM90,000.*

STATEMENT ON CORPORATE GOVERNANCE

Directors' Indemnity

TM maintained a Directors' and Officers' Liability Insurance throughout the financial year. Directors and Officers are indemnified against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company.

The existing policy period of insurance is from 1 June 2016 to 31 May 2017 with worldwide coverage of up to RM50 million for each and every claim. It protects the Directors and Officers from loss resulting from claims made against them alleging a wrongful act in the discharge of their duties on behalf of TM. This insurance does not, however, provide coverage in the event of any negligence, fraud, breach of duty, breach of trust or fine upon conviction.

Based on the analysis of the risk factors and previous trends, the Board agreed that the existing coverage is adequate to cover the Directors and Officers against claims. During the year, the Directors jointly contributed to the acceptable apportionment of the premium payment of this policy. Pursuant to the CA 2016, premium payment for the policy will be fully covered by the Company henceforth.

EVALUATING BOARD PERFORMANCE AND KEEPING UP-TO-DATE

BOARD EFFECTIVENESS EVALUATION (BEE)

Our BEE was adopted in 2004. Conducted internally since 2011, it comprises a Board Evaluation, a Committee Evaluation and a Directors' Self and Peer Assessment. It is designed to improve the Board's effectiveness as well as to draw the Board's attention to key areas that need to be addressed in order to maintain Board cohesion despite its diversity.

BEE assesses the Board's responsibilities, composition, ways to foster commitment, administration and process, conduct, interaction and communication with management and stakeholders, and its evaluation on the Chairman and MD/Group CEO.

This year's process

1. Directors completed the BEE form.
2. Upon collation and tabulation of the results and analysis of output, the Company Secretary consulted the Chairmen of the Board and NRC for in-depth analysis of the BEE results.
3. A summarised report was presented to the NRC and Board in February 2016 with comparative analysis of previous year results to enable the Board to identify its strengths, areas for improvement and potential issues for the Board, Board Committees and individual Directors.
4. Each Director is provided with the results of the self-evaluation marked against peer evaluation for comparisons and remedial actions.
5. The Chairmen reviewed the Directors' contributions based on the Self Peer Evaluation Result.
6. Each Board committee undertook a specific self-assessment questionnaire. The Audit and Risk Committee assessment also included input from the external auditor and relevant senior management.
7. The Chairman of each Board committee gave feedback on the evaluation of their committee to their respective committees and to the Board.

2015 financial year evaluation	Actions taken in 2016
Diversity The need for relevant skills and experienced board member in IT and technology that is in line with the Company and Group's vision development	NRC has taken the initiative to review the board composition and succession plan for the Board. The Directors Pool has also been expanded to include the required diversification that the Board needs.
Appointments to the Board Succession planning and talent pool/Directors Pool required further in-depth discussion for both Board and Management. Board need to have visibility on the matter for long term planning for the Company	Selection of Directors through a Directors Pool was made to replace Directors that did not seek re-elections at the 31st AGM. New appointments were made based on the need to replace the vacated skills and expertise.
Information flow To have frequent updates on the selected issues that are relevant to Company based on the current environment	The Board was apprised on the issues at the Board meeting and retreats.

2016 Evaluation

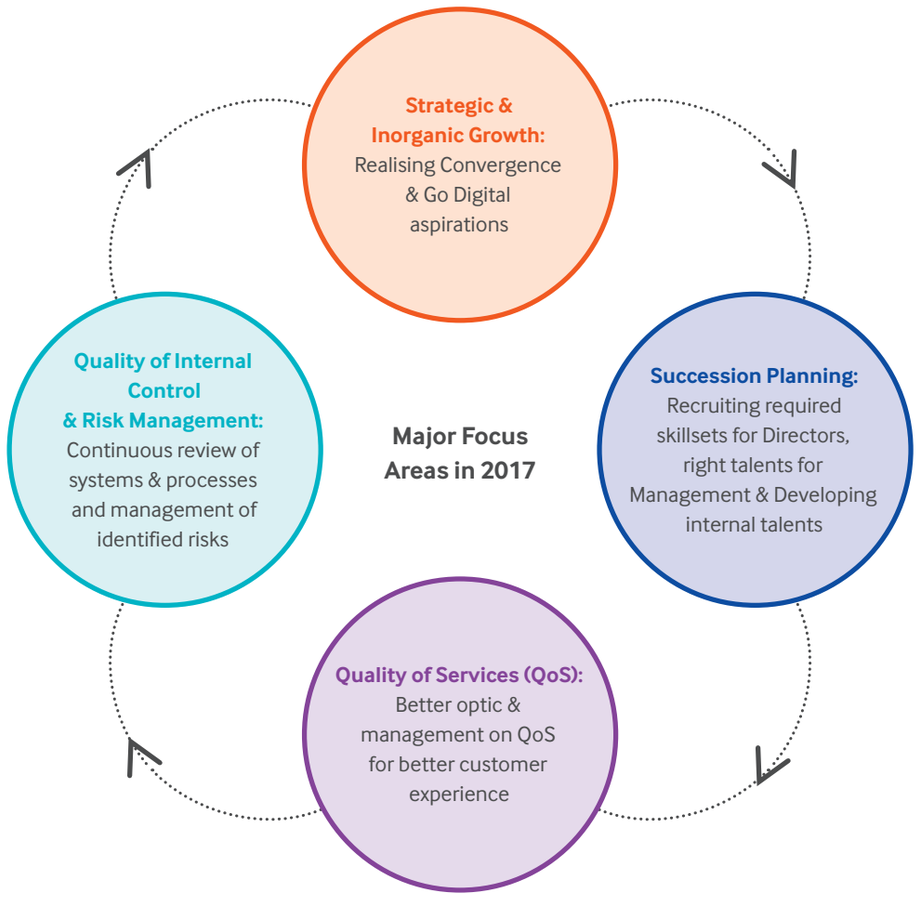
BEE 2016 revealed that the Board has carried out its duties well and amicably with most areas rated as "Good" or "Outstanding". The Board agreed that it has performed well in these challenging times and is satisfied with its overall performance with some areas identified for improvements.

The BEE also assesses the effectiveness of the Board Committees, particularly their structure and processes as well as accountability and responsibility. All Board Committees are rated "Good" to "Outstanding" indicating that the Committee members have discharged their duties and responsibilities well with commitment and professionalism to the benefit of the Company.

Self and Peer Evaluation are conducted to assess each Director's professional competency, attributes and personality. Directors' Peer Evaluation results continued to be high in 2016. It is important for Chairman of NRC and Board in determining Directors' fit on the Board in ensuring healthy dynamics and a collectively strong Board.

Recommendations for the 2017 financial year

Based on the 2016 BEE results, the Board will continue to focus on the following strategic areas in 2017 to maintain TM's competitive edge:



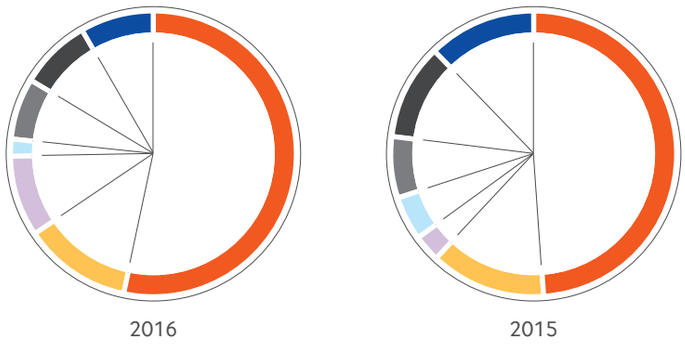
BOARD PERFORMANCE IMPROVEMENT PROGRAMME (BPIP)

The BPIP Governance work stream, adopted since January 2008, has undergone enhancements throughout the years to improve the Board's functions and structure and ensure the Board's priorities are aligned with the MD/Group CEO's mandate.

Various initiatives have been introduced as Board Operating Mode (BOM) deliverables to enhance the Board's effectiveness. These deliverables are monitored and reported to the Board annually. Management formulates a whole-year plan for TM Board Meeting Priorities and Agenda taking into account the MD/Group CEO Priorities as well as major focus areas requested by the Board based on the BEE results, for the Board's approval in April 2016. The Board Agenda is aligned to the Company's vision and mission, consistent with the Board's key roles and the mandate provided to the MD/Group CEO.

In 2016, the Board's main focus was on strategic matters, in line with its business direction and the competitive telecommunications industry landscape, followed by performance management. Time spent on various broad agenda topics at Board meetings in 2016 is as illustrated below:

BOARD TIME SPENT



2016 2015

	2016	2015
Strategic Matters	53%	49%
Performance Management	12%	13%
Human Capital Management	9%	3%
Risk Management	2%	5%
Operations	7%	7%
Board Issues	8%	11%
Others	8%	12%

BOARD TRAINING PROGRAMME (BTP) AND KNOWLEDGE ACQUISITION

BTP Guidelines were adopted in January 2005 to address the training needs of Directors in the absence of Bursa Securities' Continuous Education Programme (CEP) requirements. Today, they are in line with the MCCG 2012 which advocates the continuous training of Directors. This enhances the skills of the Directors and ensures they are kept updated of industry trends.

The training structure for the Board is monitored and updated to be relevant to changing business needs. As a result of close monitoring of the BTP by the NRC and in line with the BEE, the Directors' training structure for 2016 was aligned to their needs to focus on training programmes that would cater to the Company's transformation and convergence plan, beyond connectivity and digitalisation environment.

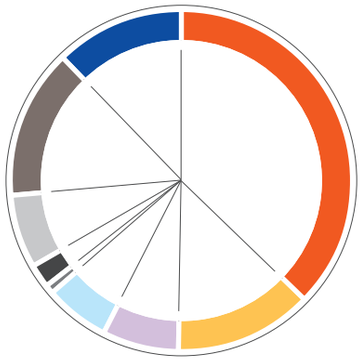
TM has continuously organised in-house training for Directors' development. During the year, in-house training sessions were arranged in relation to "Northgate Capital: Northgate Investment Management", "Grand Challenges Facing the Internet" and "Study Visit on Digital and VADS CXO Summit 2016".

Based on BTP records, other than Encik Asri Hamidin, an Alternate Director, all Directors completed the minimum requirement of 36 training hours for the year, which was pro-rated for Directors appointed during the year. The Board concurred that being a full-time government servant, Encik Asri's participation in government organised seminars and trainings is adequate to enhance his skills for TM's BTP purpose.

The Directors via BEE 2016, also concurred that they have devoted sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning in order to sustain their active participation in Board deliberations.

A salient finding of the BPIP in 2016 was that Directors spent more than 50% of their training on key areas, namely industry knowledge and strategy. This is in line with the need to maintain and enhance their knowledge as well as remain up to date with developments in the business and telecommunications markets.

The Directors' training structure in 2016 is illustrated in the chart below:



- Industry 37%
- Strategy 13%
- Risk 7%
- Finance/Audit/Accounting 6%
- Human Capital Management 1%
- Board Performance Management 2%
- Investor Relations 7%
- Corporate Governance 14%
- Others 12%

Others:

- *Regulatory – 47.5TH*
- *Ethics/Integrity – 14.5TH*
- *IT – 6TH*
- *Property – 38TH*
- *Procurement – 20TH*

Mandatory Accreditation Programme

All TM Directors completed the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Securities including the newly appointed directors, Mr Balasingham and Tunku Afwida, who have completed their MAP on 27 and 28 October 2009 respectively.

Board Induction

The Chairman is responsible for ensuring that each Director receives an induction on joining the Board and receives the training he or she requires, tailored to his or her specific requirements.

Induction briefings and updates on the telco industry, as well as TM's aspirations, business targets and group performance, were organised for the newly appointed Directors. In the current point of TM's journey towards convergence and digitalisation, it is imperative that the new directors are put up to speed on the Company's history, current position and the challenges moving forward. Several inductions sessions were organised for the new directors on the Group's activities and performance as follows:

Topics	Date
TM business overview, business plan targets and performance	3 May
Overview on Webe Digital Sdn Bhd's business	20 May
Enterprise Risk Management	14 June
Overview on VADS Berhad's business	7 October
Financial Performance Overview on TM Group	20 October

Newly appointed directors were also given short briefings on specific issues as requested to facilitate constructive and way forward discussion during the board meetings.

Industry Information Packs (Info-packs)

The Board is updated on information relating to the telecommunications industry and developments thereof with the issuance of quarterly Info-packs, which compiles a summary of analysts' views on TM, local and global trends, events, competitive intelligence, industry reports, periodicals and local and overseas regulatory updates.

During the year, Directors also attended other relevant training programmes and seminars organised by the relevant regulatory authorities and professional bodies. Training needs for the Directors continued to be evaluated through the BTP to identify how best to aid the Directors in discharging their duties.

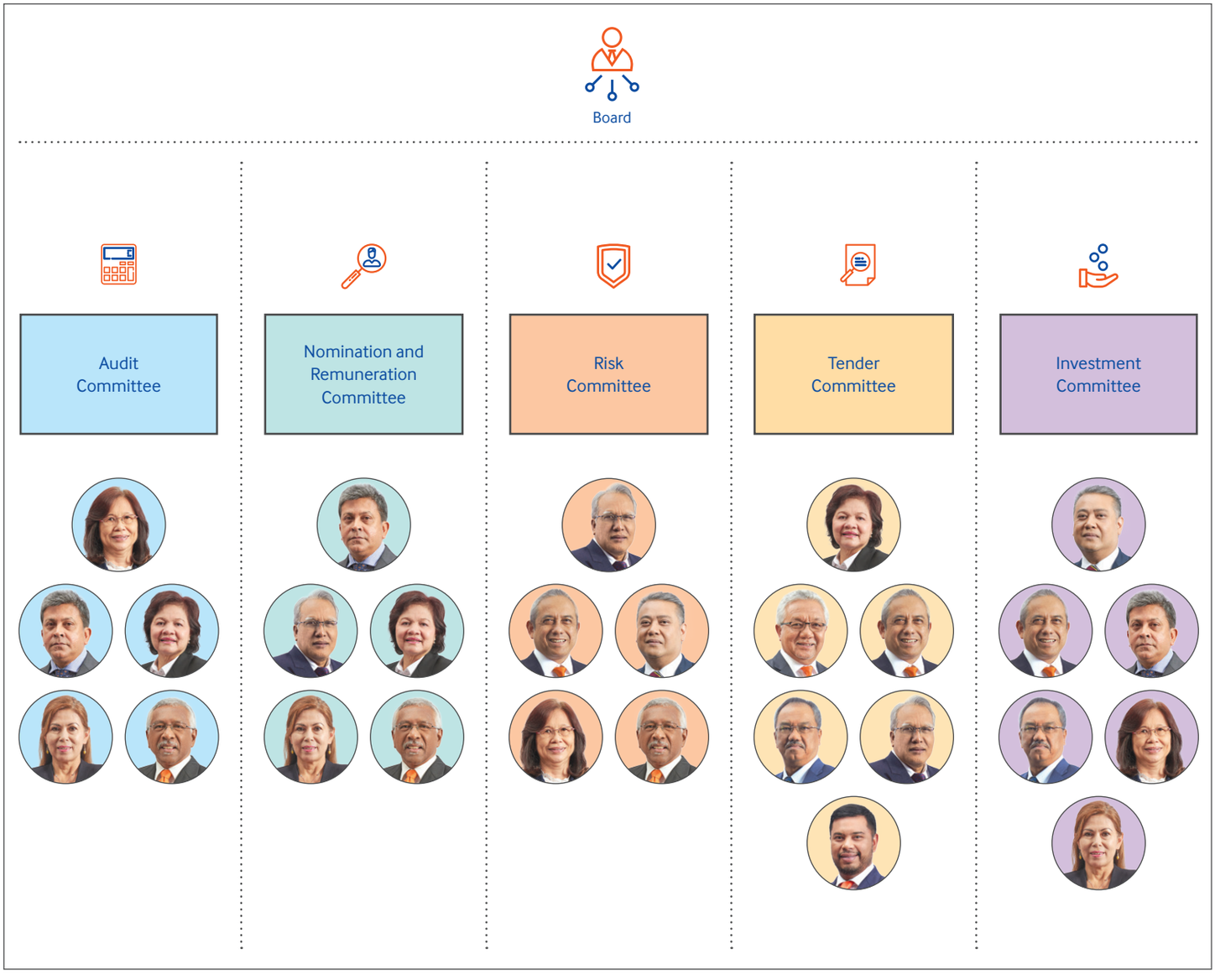
In the quest for continuous learning and acquisition of relevant skills and knowledge and to enhance their business expertise and professionalism, the Directors attended the following conferences, seminars and training programmes in 2016:

Training Focus	List of Conferences/Seminars and Training Programmes
Accounting	Impact of MFRS 16 – Accounting for Lease
Audit	Audit Technical update
Board Performance Management	Role of the Chairman & Independent Directors Seminar 2016
Corporate Governance	• 8th Annual Corporate Governance Summit 2016 *"Decoding uncertainties, Delivering value"* • Achieving Higher Performance: Leveraging Governance Practices • Ring the Bell for Gender Equality • Anti-Money Laundering Act/Counter Financing of Terrorism: The Law and Compliance • Awareness on Sustainability Reporting • Bank Negara Malaysia (BNM) – Financial Institutions Directors' Education Forum Dialogue on the Corporate Governance Concept Paper • Leadership Excellence from the Chair • Executive Compensation and the Role of the Remuneration Committee • Integrity Forum • FTSE 350 Remuneration Committee Debates • MSWG Institutional Investor Council Corporate Governance Week 2016 • National Economic Governance: Parliamentary Committees • The Rise of the South at a Crossroads: A View from East Asia & Latin America • The Strategy, the Leadership, the Stakeholders and the Board • Sustainability Engagement Series for Directors/Chief Executive Officer
Corporate Governance/ Risk Management	Thought Leadership Session for Directors -Improving Board Risk Oversight Effectiveness
Ethics	3rd Malaysia's War on Corruption Symposium 2016
Finance	• ACCA President's Debate • BNM Concept Paper on Shareholder Suitability • Business & Financing Session with the World Bank Group in collaboration with PEMANDU • Deutsche Bank 2016 Global Emerging Markets (GEMs) One-on-One Conference • Financials Hidden in Plain Sight: Why Directors & Management Need to Ask Hard Questions • Forum on Public Service Delivery: The Auditor General's Report 2015 • Live Long & Prosper: Aging in East Asia Pacific • Meeting with Investors, Regulators and Executives to Discuss Capital Allocation by Financial Markets • Money Matters Training • Sustainability Reporting Briefing • Telecoms Finance Summit
Human Capital Management	• High Level Dialogue on Talent Management • Induction Briefing: Long Term Incentive Plan (LTIP)
Industry	• Commonwealth Broadband Asia Forum 2016 • International Broadcasting Convention • Future of Telecommunications in Europe – Assogestioni • Application of Internet of Things to insurance • Montgomery Summit Conference • The Role of MOF's Audit Committee in ensuring application of Corporate Governance • Seminar on Internet of Things • The Innovation Zone: Unleashing the Mindset • TM Customer Experience Summit 2016 – Customer Experience in Digital Era • Khazanah Megatrends Forum 2016 • Induction Briefing: Overview of Malaysian Telecom Industry as well as the snapshot on TM • Induction Briefing: LTE Project Update/webe

Training Focus	List of Conferences/Seminars and Training Programmes
Industry	• Induction Briefing: VADS Data Centre • Visit to Contact Centre and Indosat/XL Axiata meeting • Inauguration/Official Ceremony of Manjung 4 Power Plant, Sultan Azlan Shah Power Station, Manjung, Perak • Technical visit to Hydroelectric Project with emphasis on environmental issues • Technical visit to Power Station • Technical visit to Tin Smelter • Visit to open-pit tin mining operations at Rahman Hydraulic Tin Sdn Bhd • Webe Field site visit • Visit to DHL and ICN on Aeropolis • Study visit on Digital & CXO Summit • Study visit to South Korea's Smart City, Digital Library and Digital Content
Information Technology	• Seminar: Cyber Security – NED Difference • Technical Update Seminar
Integrity	• Integrity Forum
Leadership	• European NED Conference • Malaysia OpenGov Leadership Forum 2016
Procurement	ProcureCon Asia 2016: Transforming Procurement into a Business Enabler
Procurement/ Integrity	5th Annual National Procurement & Integrity Forum for the Public and Private Sectors 2016
Property	• 19th National Housing & Property Summit 2016 – Revitalising The Housing & Property Industry – What Next for the Housing & Property Sector? • REHDA 2016 Property Outlook/Round Table Session • Strata Management Seminar: The Good, The Bad and the Ugly • TA Securities Roundtable Forum: Is There Light at the end of the Tunnel for Consumers • The State of the Nation's Housing
Regulatory	• Current & Emerging Regulatory Issues in the Capital Market • Amendments to Bursa's Listing Requirements – How to Rise Up to Meet Those Challenges! • Briefing on Companies Act 2016 and Its Implications to Directors • Briefing and Engagement session on Trans-Pacific Partnership Agreement • Policy Evaluation: Applying Evaluation Principles and Methods • The Art and Science of Policy Making: Tools, Techniques, Processes & Policy Choices in a Volatile World • The Policy Making Environment in Malaysia: A Search for Relevance • Unveiling of Malaysia Airports Runway to Success 2020
Risk Management	• Audit Committee Update – Managing Risk • Board Risk Intelligence 2016: Risk Governance into Practice • C-Suite Risk Conference • Cyber Risk – New Challenge for the Board of Directors • Enterprise Wide Risk Management (EWRM) and Risk Organisation • Induction Briefing: TM's Enterprise Risk Management (ERM) • Risk Oversight & Compliance – Action Plan for Board of Directors • Warning Signals & Lessons Learned in Corporate Credit • Whistle Blowing and Cyber Fraud
Strategy	• 12th World Islamic Economic Forum (WIEF) • 30th Asia Pacific Roundtable • Akamai Foster Forward: Grand Challenges Facing the Internet • Khazanah Europe Investment Ltd • Northgate Capital • Outlook of the World's Economy: Challenges & Opportunities for Malaysian Companies • Seminar: Assessing the Implications of Brexit • The Most Innovative Companies

BOARD COMMITTEES

Article 118 of the Company's AA provides the Board the discretion to delegate its powers to its Committees. All Committees have specific ToRs, operating procedures and their respective authority parameters approved by the Board. The Committees' modes of operation are reviewed from time to time to ensure they are relevant and up to date. The ToRs of the Board Committees are detailed in the Board Charter which is available on the Company's official website. TM has established five main Board Committees which are entrusted to carry out the Board's delegated tasks:



There is also a provision for the establishment of an ad-hoc Board Sub-Committee (BSC) based on specialisation required and the nature of the issue/case raised.

On 9 March 2016, the Board approved the formation of a LTIP Committee, a sub-committee to NRC, for the purpose of implementing and administering LTIP based on its By-Laws. The proceedings and deliberations of the LTIP Committee is reported to the NRC at its Meeting.

The proceedings and deliberations of the Board Committees are reported to the Board at every Board meeting by Chairmen of the various Board Committees on matters reserved for the Board, and where the Board committees have no authority to make decisions, recommendations are highlighted in their respective reports together with the Committee members' comments and views for the Board's deliberation and endorsement.

AUDIT COMMITTEE



Chairperson

Gee Siew Yoong
Independent Non-Executive Director

Member

- **Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin**
  Non-Independent Non-Executive Director
- **Datuk Zalekha Hassan**
  Independent Non-Executive Director
- **Tunku Afwida Tunku Dato' A.Malek**
  Independent Non-Executive Director
- **Balasingham A. Namasiwayam**
  Independent Non-Executive Director

Key objective:

Besides complying with the requirement of the Main LR of Bursa Securities, the establishment of an audit committee is to primarily assist the Board in fulfilling its oversight responsibilities through review of financial information and provides an objective non-executive review of the effectiveness and efficiency of the Group's internal control.

Membership

In line with Paragraph 15.09 of the Main LR of Bursa Securities and Clause 5.1.2 of the Board Charter with regard to the governance of the Board Audit Committee (BAC), TM BAC membership comprises:

- All NEDs, a majority of whom are INEDs.
- No alternate Director is appointed as a member.
- At least one member fulfilling the requisite qualifications under paragraph 15.09 (1) (c) of the Main LR.

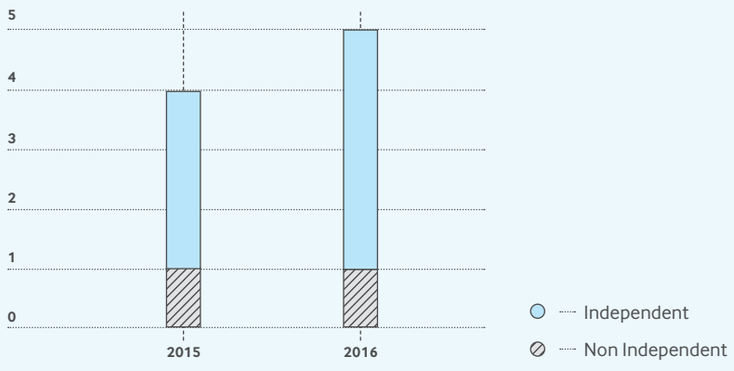
Currently, two BAC members fulfil the requirement of paragraph 15.09 (1)(c)(i), the Chairperson and Tunku Afwida. Ms Gee Siew Yoong, is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants (MIA). Whilst Tunku Afwida is a Chartered Accountant with the Institute of Chartered Accountants in England and Wales and is a member of the MIA. All BAC members, as shown by their profiles, are able to read and understand financial statements, and ask pertinent questions about the Company's financial reporting process.

During the year, membership of BAC was revised following the retirement of Dato' Danapalan as Director at TM's 31st AGM on 28 April 2016. According to Clause 5.1.2.1 of the BAC ToR, Dato' Danapalan also ceased as BAC member effective on the same day.

On 25 May 2016, Tunku Afwida and Mr Balasingham, newly appointed Directors to TM Board, were appointed to the BAC.

These changes were considered by the NRC and approved by the Board. Announcements to the effect were made to Bursa Securities accordingly.

The composition of BAC, as compared to 2015, is as follows:



Responsibilities

The ToR establishes the powers, duties and responsibilities of the BAC, and is incorporated in the Board Charter which is accessible on the Company's official website at www.tm.com.my. The Board Charter is reviewed on a regular basis to enhance its processes and procedures and ensure alignment with new requirements and regulations.

During the year, no revision was made to the BAC ToR.

Overview

Through the year in review, BAC has executed its duties and responsibilities to the best of its abilities. It has timely reviewed all 3 quarters of 2016 and the 4th quarter 2015 financial reports, the relevant reports for the inclusion of the 2015 annual report, dealt with audit issues raised by internal and external auditors, perused issues of concern, reviewed internal and external audit plans, provided opinion on related party transactions and reviewed matters regarding fraud and wrongdoings in the Company. BAC also monitored the independence of the external auditors and has recommended for the Board's approval the request for proposal for the provision of external audit and other services.

Attendance at scheduled meetings

BAC meetings in 2016 were pre-arranged in October 2015 together with TM Board and other Committee meeting schedules. The tentative dates were tabled to TM Board at its meeting on 26 November 2015 and adopted by BAC in November 2015. The early planning ensures that all members are able to provide the required time commitment for the meetings.

Eight meetings were held during the financial year 2016 with total time spent of approximately 24 hours. Members' attendance at these meetings is listed below:

	Number of BAC Meetings	
BAC Member	Attended/ Held	%
Gee Siew Yoong (Chairman)	8/8	100.0
Datuk Zalekha Hassan	8/8	100.0
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	8/8	100.0
Tunku Afwida Tunku Dato' A.Malek *(appointed on 25 May 2016)*	4/4	100.0
Balasingham A. Namasiwayam *(appointed on 25 May 2016)*	4/4	100.0
Dato' Danapalan T. P Vinggrasalam *(retired on 28 April 2016)*	3/3	-

Apart from the above meetings, BAC has also approved one Circular Resolution in Writing.

During the financial year, attendance at all BAC meetings met the requisite quorum as stipulated in the BAC ToR. Majority of the members present at all meetings were Independent Directors.

How the Committee operates

The BAC meetings were structured into two deliberation clusters:

Meetings	Financial Results	Other Audit Matters
Dates	22 February 23 May 25 August 21 November	21 January 14 April 13 July 2 November
Matters Discussed	• Quarterly results and related matters • Annual Report matters	• Management issues under the purview of BAC • Internal and external audit matters

This segregation ensured efficient planning by Management and sufficient time spent for the members to deliberate and discuss the various matters.

Operational issues that could potentially jeopardise the Company's performance highlighted by the Group Internal Auditor (GIA) or external auditors that BAC deemed warrants closer monitoring or constant updates will be segregated as separate agenda item until the issues are resolved to BAC's satisfaction.

BAC has also during the course of the year requested presentation by Management on issues that merits in-depth explanation to ensure appropriate resolutions. Issues highlighted during the year were with regards to system and revenue leakages.

The Company Secretaries act as the BAC Secretary in all BAC meetings. The meetings were also attended by the ED/Group CFO, Chief Internal Auditor (CIA) together with other members of Senior Management and external auditors, upon invitation, to brief BAC on pertinent issues.

Proposal papers are delivered within five days from the date of the meeting to enable ample time for the members to review the proposals. During 2016, proposal papers were made accessible via electronic means in dual platforms for immediate delivery and access by members.

Minutes of BAC meetings are circulated to all members and extracts of the decisions made are escalated to relevant process owners for action. Significant matters reserved for the Board's approval are tabled at TM Board meetings. The Chairman of BAC provides a report and highlights significant points on the decisions and recommendations of BAC to TM Board.

Main activities of BAC in 2016 (and how BAC met its responsibilities)

Throughout 2016, BAC executed various strategies and actions to discharge its duties and responsibilities effectively. Main activities performed during the financial year are as follows:

1. Internal Control

a) Deliberated on the Directors' Statement on Risk Management and Internal Control (SORMIC), which was reviewed by the external auditor, in February 2016 for inclusion in the 2015 Annual Report. The statement was also jointly reviewed by the BRC.

The SORMIC was supported by the 2015 Special Report on Annual Internal Control Assurance, Internal Control Incident and MD/Group CEO and ED/Group CFO Assurance Statement on Effectiveness of Risk Management and Internal Control. Based on these documents, BAC reviewed and concluded that the SORMIC presented a true and fair view of the Company's state of internal control.

b) Reviewed the reports on the adequacy, effectiveness and reliability of internal control systems based on controlled self-assessments performed annually by the Management of the Lines of Business and subsidiaries.

The issues raised were discussed at length to secure satisfactory conclusion on moving forward actions by Management.

c) Deliberated on the quarterly reports from the Audit and Business Assurance Committee (ABAC), a sub-management committee headed by the ED/Group CFO, on actions taken by Management to resolve significant internal control and accounting issues highlighted by the internal and external auditors.

BAC deliberates and monitors the progress and status of the audit issues raised by auditors for TM Group until BAC deemed it has reached its satisfactory conclusions and concurrence of the internal and external auditors.

Issues relating to security of Company's assets was deemed by BAC to require in-depth investigation.

d) Monitored specific issues or concerns requested by BAC members that affect the Company's efficiency and performance, which are tabled to BAC on a quarterly basis until BAC is satisfied sufficient control is in place.

During the year, issues regarding debtors and churn management were closely monitored. In view of the improvement as evidenced in the 2016 financial statements, BAC at its meeting on 23 January 2017 concurred that issue relating to debtors is to be monitored by Management only. Updates on the matter is to be provided to BAC via the business performance reports.

e) Deliberated on the following reports from the Best Practices Committee (BPC), a sub-committee of BAC headed by the ED/Group CFO:

- Updates and developments on corporate governance and best business practices, statutory and regulatory requirements, compliance with accounting standards and other business guidelines.
- Updates on the progress of the adoption of TM Group Business Policy and Governance by TM Subsidiaries.
- Updates on any material litigations and their financial impact to the Group.
- Review of related party transactions (RPTs) or recurrent related party transactions (RRPT) during each quarter.

2. Financial Reporting

The following matters were reviewed by the BAC before being recommended to TM Board for approval:

a) Quarterly audited and unaudited financial statements of TM Group in compliance with Malaysian Financial Reporting Standards (MFRS) 134 and the Main LR.

- BAC deliberated on the Company's quarterly financial statements on 22 February, 23 May, 25 August and 21 November for the financial quarters of 4Q 2015, 1Q 2016, 2Q 2016 and 3Q 2016 respectively. BAC concluded that the reports presented a true and fair view of the Company's financial performance.
- BAC discussed the quarterly internal audit reviews to ensure compliance with MFRS 134.
- BAC also reviewed the draft announcements of the audited and unaudited financial statements to Bursa Securities, to ensure compliance with regulatory requirements.

b) Reviewed the audited financial statements of TM Group for the financial year ended 31 December 2015 in February 2016 and concluded that the financial reports presented a true and fair view of the Company's financial performance for the year and was in compliance with regulatory requirements.

c) Proposed the dividend payout for the financial year.

3. External Audit

a) Reviewed the external auditor's report for the financial year ended 31 December 2015 and SORMIC in February 2016 before recommending to TM Board for approval.

b) Reviewed the Internal Control Memorandum (ICM), together with Management's response to the findings of the external auditor. The interim findings were presented in November 2015 while the 2015 ICM was tabled in April 2016.

The audit issues raised by the external auditor were deliberated and monitored by ABAC and tracked by Group Business Assurance Division until their conclusion. The activity and status thereof were reported on a quarterly basis to BAC.

c) Reviewed the 2016 Interim Audit Committee Report in November 2016 prior to the tabling of the final report for BAC's deliberation in February 2017.

Key audit matters and areas of concern highlighted by the external auditor provided a level platform for Management, BAC and external auditor to focus on.

d) Reviewed the 2016 external auditor's audit plan for TM Group, encompassing the proposed work blueprint, nature and scope for the year's audit and engagement strategy in August 2016 prior to its implementation. The review included an audit on the IT systems that directly implicate the integrity of the financial information.

BAC noted the plan and thus able to strategise and ensure efficient use of internal audit resources to audit the maximum areas possible during the year in order to ensure effective internal control is in place. External auditor was also requested to expand audit on several areas which BAC deemed merit the attention such as the application of data analytics in enhancing the integrity of reporting data.

e) Reviewed the terms of engagement of the external auditor for the 2016 statutory audit and SORMIC, upon confirmation of its independence and objectivity, in November 2016, prior to tabling for TM Board's approval. The engagement of the external auditor for TM Group was supervised and processed under the Group's umbrella to streamline their terms of engagement.

f) Reviewed the overall performance and, upon satisfactory assessment of the effectiveness of the external auditor for TM Group, recommended their re-appointment and fees payable in respect of the scope of work performed for TM Board's approval.

Assessments of the effectiveness of the external auditor were conducted by relevant Management members and the BAC coordinated by the GIA. The external auditor's qualifications and performance, quality of communication and interaction, and independence, objectivity and professional skepticism were assessed.

The findings of the 2015 assessment tabulated by GIA were thereafter presented to BAC in April 2016. Both BAC and Management are generally satisfied with the external auditor's quality of service and sufficiency of resources provided, professional skepticism, quality of communication and interaction, independence and objectivity. The external auditor has also provided independent and professional service to the Company throughout the year of assessment. BAC further opined that the external auditor has fulfilled its duties and responsibilities during the engagement. Result of the assessment, and particularly areas of concern, were shared with the external auditor for improvement moving forward.

The external auditor, which has been TM's external auditor since 1999, was recommended to be re-appointed for the ensuing year. The financial year ended 2016 marked its fourth year of engagement with the current audit partner and audit team.

g) In April 2016, the Company embarked on a request for proposal for the provision of external audit and other services, taking into consideration best practice on engagement of external auditor. The evaluation result was reviewed and deliberated by BAC and TM Board in November 2016. Arising therefrom, the Board recommended the engagement of the current external auditor for the financial year ending 2017, subject to the shareholders' approval. The exercise provides BAC and the Board the benchmarking platform on audit methodology and services as well as pricing offered by industry players.

h) Reviewed the independence status of the external auditor and recommended that they be re-appointed for the ensuing year.

Every year, the BAC secures written assurance from the external auditor confirming their independence throughout their term of engagement for the financial year in review.

In the 2016 audit plan tabled to the BAC on 25 August 2016, the external auditor declared that they have maintained their independence in the course of audit for TM Group during the year in accordance with the firm's requirement and the By-Laws on Professional Independence of the MIA. They further declared that upon review of the non-audit services to TM, none of the services provided compromise their independence as the Group's external auditor.

Apart from the written assurance, BAC has also relied on the result of the assessment of the effectiveness of the external auditor undertaken by GIA with particular focus on their independence, objectivity and professional scepticism.

i) Reviewed and approved the non-audit services provided by the external auditor while ensuring there was no impairment of independence or objectivity. This includes monitoring the fee of the total non-audit work carried out by the external auditor so as not to jeopardise their independent status.

Pursuant to the provision in the Board Charter, BAC has monitored the non-audit engagement of the external auditor to ensure their independence was not impaired and that they remained objective throughout the financial year.

The non-audit engagements underwent relevant procurement processes and procedures. BAC has authorised the ED/Group CFO to approve the proposed non-audit engagement for any engagement valued below 50% of the cumulative value of the statutory audit fee for the current year. A report on the engagement of external auditors approved by the ED/Group CFO for non-audit work and the cumulative value is tabled every quarter to BAC.

Non-audit service fees paid to the external auditor during the year and its value relative to the statutory audit fees are as follows:

Particulars		**RM (million)**
2016 Statutory Audit Fees	**Company**	**Group**
• Statutory Audit	1.61	2.95
• Other Audit Related Services	0.73	1.07
Total Audit and Audit Related Services	**2.34**	**4.02**
2016 Non-Audit Fees		
Tax Service	0.53	0.55
Other Services	1.20	1.20
Total Non-Audit Fees	**1.73**	**1.75**
Percentage of Non-Audit Fees over Statutory Audit & Other Audit Related Services & Fees	**73.9%**	**43.5%**

The Company engaged the external auditor for the following non-audit works:

- Taxation matters including consultation and preparation of the Group's application for tax incentives to Ministry of Finance and tax computation review for year of assessment 2015;
- Service Culture Consultation work for Customer Experience Management & Transformation (CEMT) Division, sourced via relevant tender procurement process; and
- As Independent scrutineers for the AGM and EGM.

j) BAC also exercised its right to hold meetings with the external auditor without Management's presence. This session was to enable open discussion with the BAC and ensure the external auditor was not restricted in its scope of audit.

During the year, only one formal private engagement was held, on 14 April 2016, as the external auditor had on two separate occasions indicated to BAC that there were no pertinent issues requiring additional private audience with the BAC.

k) The BAC Chairman, CIA and external auditor also held private sessions without Management's presence as and when required. These helped to reinforce the independence of the internal and external audit functions of the Company.

4. Internal Audit

a) Reviewed and approved the GIA's Annual Audit Plan and budget in January 2016 to ensure adequate scope and comprehensive coverage of the Group's activities.

BAC has further requested GIA to review a few areas of concerns that are not included under the external auditor's audit scope for the year.

BAC noted in November 2016 that GIA has appointed a consultant for quality assurance review on GIA as required by the International Standards for the Professional Practice of Internal Auditing. The assessment is still ongoing on the date of this report.

b) Reviewed the KPIs, performance, competency and resources of the internal audit function to ensure that, collectively, GIA has the required expertise and professionalism to discharge its duties.

The Statement on Internal Audit is set out on pages 173 to 174 inclusive, of the Integrated Annual Report.

c) Deliberated on the internal audit reports, audit recommendations and Management's action plan regarding these recommendations. Where appropriate, BAC instructed Management to rectify and improve the control systems based on GIA's recommendations and suggestions for improvements. The detailed reports and findings by GIA were delivered to BAC members as and when the audit was completed and analysis made. A summary of the major findings was presented and deliberated at BAC's interval meetings.

d) Kept updated on Management's implementation of the internal audit recommendations on outstanding issues on a quarterly basis to ensure that all key risks and control weaknesses were being properly addressed.

e) Held private meetings and discussions with CIA on key internal controls and internal audit related matters.

5. RPTs and Conflicts of Interest

a) Reviewed reports of RPTs and possible conflict of interest transactions, ensuring they were in the best interest of TM, fair and reasonable, on normal commercial terms and not detrimental to the interest of the minority shareholders.

In 2016, BAC approved the following RPTs:

- Proposed Collaborations between TM, Packet One Networks (Malaysia) Sdn Bhd (now known as Webe Digital Sdn Bhd) and Celcom Axiata Berhad (Celcom) for Domestic Roaming, Next Generation Backhaul and HSBB Access Services.

  The announcement was made on 28 January 2016 based on findings of the BAC review.

- Proposed Joint Development of 2 pieces of TM's Freehold Land at Lot 461 and Lot 493, Seksyen 19, GRN 11471, Bandar Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan (Bukit Mahkamah Land) with UEM Sunrise Berhad (UEMS) and Sunrise Quality Sdn Bhd, a wholly-owned subsidiary of UEMS.

  The announcement was made on 27 May 2016 based on findings of the BAC review.

b) Reviewed the estimated RRPT Mandate for the ensuing year and Circular to Shareholders on the Renewal of Shareholders' Mandate for RRPT, and recommended the same for TM Board's approval.

BAC reviewed the proposed estimates for RRPT mandate involving Axiata Group Berhad (Axiata) and/or its subsidiaries (Axiata Group) and Astro Malaysia Holdings Berhad (AMH) and its subsidiaries (AMH Group) for the shareholders' approval at the 31st AGM. Comparisons were made based on the actual utilisation of the contract amount of previous mandated estimates.

c) Periodically reviewed the RRPTs that were mandated at the 31st AGM held on 28 April 2016 and tracked the transactions against their mandated amount to ensure they were at arm's length.

Based on the approved RRPT mandate involving Axiata Group and AMH Group, BAC found that there were reasonable controls in monitoring the RRPT amount transacted during the year.

6. Integrity and Ethics

a) Deliberated on reports in relation to internal control incidents, investigations and domestic inquiries and major cases of internal and external misconduct that breach the Group's Code of Business Ethics, Integrity Pact and whistle-blower programme. These reports were reported to BAC on a quarterly basis.

BAC provided input and/or directives on the next course of action on the issues highlighted and was updated on progress of the cases from time to time by the Corporate Investigation Unit (formerly Special Affairs Unit) (CIU) until conclusion of the issues. During the year CIU highlighted several investigations conducted on TM employees that led to investigations by Malaysian Anti-Corruption Commission (MACC) and/or police reports.

7. Annual Reporting

a) Reviewed the disclosures on the BAC Report, SORMIC, Statements on Internal Audit, Investor Relations, Additional Compliance and Corporate Integrity Report for the financial year ended 31 December 2016 for inclusion in the Integrated Annual Report 2016 and recommended their adoption by the Board.

These reports were first perused by BPC for comments and cohesiveness, prior to tabling the same for BAC's consideration, review and recommendation to the Board.

8. Others

a) Monitored project review reports on issues such as:

- The blueprint on Customer Experience Management and Transformation in light of the transformation of TM customer care system.
- The review on IT and network assets useful life.
- The effectiveness of Group IT System in ensuring operational improvements.
- Monitoring internal control issues arising from human capital aspect such as people associated non-compliances.
- Reviewed on the security of the Company's infrastructure and possible implications to the Company.

Significant judgements and issues

Matter considered	Action
1. Useful life of assets, impairment of Property, Plant and Equipment and Intangible Assets The estimated useful lives of property, plant and equipment are reviewed by Management on an annual basis based on factors such as business plan and strategies, expected level of usage, changes in technology, latest findings in research and development, updated practices which may enhance performance of certain network assets and future technological developments.	Fully aware that in a capital intensive operation like TM Group, future results of operations could be materially affected by changes in estimates of assets' useful lives brought about by changes in the factors mentioned, due review and discussion is carried out on this. The appropriate Management review committees have been set up to perform reviews of useful life of assets, impairment of Property, Plant and Equipment and Intangible Assets of the Group, consisting of and chaired by key Management individuals possessing the relevant experience and expertise in overseeing such annual reviews. The outcome of such reviews are updated to BAC and deliberated in ensuring reasonableness of due conclusion and resulting financial impact. During the financial year, aside from write-offs of certain WiMAX assets, depreciation of remaining WiMAX assets in operations was accelerated in view of planned roll-out of new LTE sites.

Matter considered	Action
2. Fair Value of Derivatives and Other Financial Instruments The Group recognised two significant derivatives in the form of obligations and options to purchase shares of a subsidiary, Webe Digital Sdn Bhd (webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd), from its Non-Controlling Interests i.e. Green Packet Berhad (GP) through its wholly owned subsidiary, Packet One Sdn Bhd (POSB) and SK Telecom Ltd (SKT) from the acquisition of webe on 30 September 2014. The recognitions were necessary after detail assessment made in compliance with MFRS 132 Financial Instruments: Presentation and MFRS 139 Financial Instruments: Recognition and Measurement. As webe's shares are not traded in any active markets, their fair value is determined by using valuation techniques. The Group exercises its judgment in selecting a variety of valuation methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.	BAC is periodically updated of the fair value of these derivatives which are quantified based on the present value of future cash flows that are subjected to the Group's annual budget review process which ultimately requires approval of TM's Board of Directors. In estimating the fair value of put and call options on shares of webe, BAC is updated of the valuation models used in projecting expected share prices and the comparable discounts and growth rates reflective of market conditions specific to the telecommunication industry existing at the end of the reporting period. BAC is aware and mindful that the use of different methodologies or assumptions could lead to different measurements of fair values and as such, due assurance should be established in ensuring the estimates of fair values are appropriate.
3. Carrying value and recoverability of Goodwill The Group tests the carrying value of goodwills for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 24 to the financial statements.	BAC reviews and provides comments on the assumptions and parameters used in the annual review and test of carrying value of two significant goodwills carried by the Group i.e. VADS Berhad and webe. Key parameters used, assumptions applied in projecting future cash flows and reasonableness of resulting uplift or otherwise in the resulting recoverable values are flexed and challenged through due sensitivity analysis as well as appropriate benchmarking against the telecommunication industry and comparable peers. The necessary disclosures for inclusion in the Group's financial statements and Integrated Annual Report are also scrutinised in assessing the adequacy of the disclosures made for due understanding and relevance of key stakeholders in providing the necessary future outlook over the carrying value of the goodwills.

Regulators and our financial reporting

The quarterly financial result reports, upon approval by the Board were disseminated to the public through Bursa Securities and the relevant regulators, Securities Commission (SC) and Malaysian Communications and Multimedia Commission (MCMC).

During the year in review, the announcements on the Company's financial results to Bursa Securities were made during trading break hour of 12:30 pm – 1:30 pm on the date of the approval of the financial results.

Simultaneously, the distribution of the financial results to the relevant regulators were made through multiple electronic systems as prescribed by the said regulators.

The following are the approval track for financial results:

Financial Result	Date of Approval & Recommendation by BAC to Board	Date of Approval by the Board	Date of Dissemination to relevant regulators
Audited 4Q 2015	22 February	24 February	24 February
Unaudited 1Q 2016	23 May	25 May	25 May
Unaudited 2Q 2016	25 August	30 August	30 August
Unaudited 3Q 2016	21 November	25 November	25 November

During the year, an amended announcement to the 3Q 2016 financial results was made to the public through Bursa Securities on 5 December 2016. An amendment was made to the footnote to the comparative Segmental Information in the Explanatory Notes. The error was fairly minor and did not affect the financial results figures.

BAC Effectiveness Review and Performance

The review of the effectiveness of BAC, including its structure and process, performance, accountability and responsibilities as well as the member's term of office and performance was duly assessed as part of the annual BEE.

BAC scored a rating of above 3.5 out of 4.0 in the BEE 2016, indicating the effective and professional discharge of its duties and responsibilities to the benefit of the Company.

TM Board agreed that the BAC has continued to show strong performance over the years. The BAC members, as indicated in their profiles illustrated on pages 96 to 101 inclusive, have sound judgement, objectivity, independent attitude, management experience, professionalism, integrity, knowledge of the industry and are financially literate. With balanced diversity of skills and experience, they have discharged their duties and responsibilities with excellence. TM Board further agreed to maintain the composition of the BAC.

Training

During the year, BAC members attended various conferences, seminars and training programmes to enhance their knowledge in order to efficiently discharge their duties as Directors of the Company as well as to enhance their technical competencies in their respective fields of expertise. Details of the training are included in the Statement of Corporate Governance on pages 134 to 137 inclusive, of the Integrated Annual Report.

The 2016 BEE shows that the BAC members were able to maintain a high level of technical competency and generally keep themselves abreast of technical changes and updates.

NOMINATION AND REMUNERATION COMMITTEE



Chairperson

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Non-Independent Non-Executive Director

Member

- **Dato' Ibrahim Marsidi**
  Senior Independent Non-Executive Director
- **Datuk Zalekha Hassan**
  Independent Non-Executive Director
- **Tunku Afwida Tunku Dato' A.Malek**
  Independent Non-Executive Director
- **Balasingham A. Namasiwayam**
  Independent Non-Executive Director

Key objective:

The key objectives of the NRC are to assist the Board amongst others, in regard to selection, nomination, appointment, assessment, remuneration and compensation of Board and Pivotal Positions. It also enhance the efficiency and transparency of TM's governance related matters or issues that may directly or indirectly affect the Board.

Membership

The NRC comprises exclusively of NEDs, with 80% of its members being independent. Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, who is the sole NINED in the committee, continues to be the Chairman of the NRC. Based on findings of the BEE, the NRC continues to perform effectively under his chairmanship.

The Chairman was selected based on pre-determined process taking into consideration the skills, knowledge and experiences required. As a NINED representing a Government Linked Investment Company on the Committee, he is able to align the evaluation of existing Directors and selection of new Directors with the Company's requirements. This ensures adequate checks and balances in the decision-making process as the final decisions or recommendations of the NRC require the endorsement of the Board.

Although the SID is not the Chairman of TM's NRC, which is a departure from the recommendation of the MCCG 2012, the Board, via the BEE findings, agreed that the NRC, chaired and led by Tunku Dato' Mahmood Fawzy, has maintained its independence and objectivity during the process of Board appointments and performance evaluation. His impeccable knowledge of board and company governance matters, as well as strong leadership, coupled with the support of his fellow committee members, have created an effective NRC.

During the year, the composition of the Committee undergone changes whereby, Dato' Ir Abdul Rahim and Dato' Danapalan who did not seek re-election at the 31st AGM held on 28 April 2016, retired as Directors upon the conclusion of the meeting. Concequently, they also ceased to be the members of the NRC with effect from the same day.

Following thereto, Tunku Afwida and Mr Balasingham were appointed as NRC members on 25 May 2016.

Responsibilities

The NRC has dual roles since its inception. Both roles have been combined for the purpose of expediency and practicality, whereby the same members are entrusted with both functions. Apart from the nomination and remuneration roles, NRC also oversees governance matters.

Overview

Throughout the year in review, NRC has continued to provide efficient support to the Board. Key issues deliberated on the assessment and nominations of two new INEDs, succession plan for Board and Pivotal Positions, as well as establishment of performance linked reward ie. the LTIP, and the LTIP Committee.

The NRC is governed by its own ToR which is stipulated in the Board Charter, accessible on the Company's official website at www.tm.com.my.

Pursuant to the MCCG 2012's recommendation that an annual review be conducted on the Board Charter, amendments have been made on periodic basis to continuously strengthen its governance and ensure operational efficiency as well as to reflect relevant changes in regulations and internal policies.

In carrying out its duties and responsibilities, the NRC has the following authority:

- Full, free and unrestricted access to TM's records, properties and personnel;
- Report its recommendations to the Board for its consideration and approval;
- Acquire the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary; and
- Seek the advice of external consultants on the appropriateness of remuneration packages and other employment conditions, if required.

Attendance at Scheduled Meetings

NRC convened five meetings in 2016 with a total time spent of 10 hours. Matters requiring NRC's urgent decision were circulated to its members via Circular Resolutions together with the proposal papers for consideration. In 2016, three NRC Circular Resolutions were circulated and approved. Details of the members attendance are as follow:

	Number of NRC Meetings	
NRC Member	**Attended/Held**	**%**
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (Chairman)	5/5	100
Dato' Ibrahim Marsidi	5/5	100
Datuk Zalekha Hassan	4/5	80
Tunku Afwida Tunku Dato' A.Malek *(appointed on 25 May 2016)*	2/2	100
Balasingham A. Namasiwayam *(appointed on 25 May 2016)*	2/2	100
Dato' Ir Abdul Rahim Abu Bakar *(retired on 28 April 2016)*	2/2	-
Dato' Danapalan T. P Vinggrasalam *(retired on 28 April 2016)*	2/2	-

Main activities of NRC in 2016 (and how NRC met its responsibilities):

The Board recognised the NRC's contributions and acknowledged that all NRC members, including the newly appointed members have undertaken their responsibilities diligently and efficiently. During the year, the NRC have undertaken the following key activities:

a) Nomination Function

NRC ensure Board composition meets the needs of the Company. It also develops, maintains and reviews the criteria to be used in the recruitment process and annual assessment of directors.

NRC considered and made recommendations to the Board on the following matters:

- Re-appointment and re-election of Directors at the 31st AGM.
- Appointment of new SID.
- Appointment of INEDs on the Board of TM.
- Re-designation of existing Joint Secretary as Company Secretary pursuant to approved succession plan.
- Extension and re-designation of External Directors on the Board of TM subsidiaries.
- Establishment of the LTIP Committee as a Sub-Committee to the NRC.
- Annual assessment and review of composition of all TM Board Committees.
- Annual assessment of independence status of the INEDs.

b) Remuneration Function

Considered and made recommendations to the Board on the following matters:

- Payment and Vesting of Shares pursuant to the LTIP - PSP.
- LTIP for EDs and eligible TM employees.
- Review of the Board's Remuneration and Benefits Policy.
- 2015 performance evaluation of the EDs, Senior Management in pivotal positions as well as the Company Secretary against pre-set KPIs.
- Revised measure for inclusion in the KPI for 2017-2020.

Pursuant to the Board Charter, NRC ensures that the remuneration package is reviewed annually in order to attract competent and talented Directors to the Board. No revision is proposed to the subsisting Directors' fees at the forthcoming AGM.

c) Governance

Considered and made recommendations or reported to the Board on the following matters:

- Implementation and scope of the BEE assessment for 2016.
- Status of Directors' continuing education programme in compliance with the BTP.
- Observance of governance requirements by the Directors including their attendance at Board and committee meetings held during the financial year.
- Evaluated and confirmed that the minimum 50% attendance requirement at Board meetings imposed by the Main LR was met by all Directors. TM Directors complied with the minimum 50% attendance requirement at committee meetings pursuant to the Board Charter.
- Annual review of the Board Charter.
- Implementation of succession planning for the Board.

NRC Effectiveness Review and Performance

Based on the 2016 BEE findings, the Board believes that the current NRC's composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all stakeholders and to meet the needs of the Group.

Establishment of a NRC Sub-Committee, LTIP Committee

During the year, NRC proposed the formation of its sub-committee, known as the LTIP Committee which was approved by the Board on 9 March 2016. Its main objective is to oversee the administration and implementation of the LTIP as approved by shareholders on 28 April 2016.

Membership

- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (Chairman)
- Davide Giacomo Federico Benello
- Tunku Afwida Tunku Dato' A.Malek
- Balasingham A. Namasiwayam
- Nik Rizal Kamil Tan Sri Dato' Nik Ibrahim Kamil

During the year, LTIP Committee met twice to deliberate on its ToR and the design and implementation plan of the LTIP. All members attended both meetings held during the year.

RISK COMMITTEE



Chairperson

Dato' Ibrahim Marsidi
Senior Independent Non-Executive Director

Member

- **Datuk Bazlan Osman**
  Non-Independent Executive Director
- **Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor**
  Independent Non-Executive Director
- **Gee Siew Yoong**
  Independent Non-Executive Director
- **Balasingham A. Namasiwayam**
  Independent Non-Executive Director

Key objective:

BRC was established to oversee the Company's risk management framework and policies. BRC also monitors key business risks to safeguard shareholders' investments and TM's interests and assets.

Membership

In 2016 BRC consists of five members including its Chairman. During the year, the following changes were made to the BRC's composition:

a) Cessation of Dato' Danapalan T.P Vinggrasalam as Chairman/member, and Dato' Ir Abdul Rahim Abu Bakar as a member effective 28 April 2016;
b) Appointment of Dato' Ibrahim Marsidi as Chairman and a member effective 25 May 2016; and
c) Appointment of Mr Balasingham A. Namasiwayam as a new member effective 25 May 2016.

The BRC's performance and effectiveness were assessed by the Board via the annual BEE. The results showed that the BRC has the relevant technical competencies and knowledge, had performed effectively in discharging its duties and responsibilities and is proactive in engaging on the Group risk issues.

Responsibilities

BRC is responsible to enhance the Corporate Governance practices of TM Group with focus on risks issues and assist the Board in overseeing a sound and robust enterprise risk management framework and policies for TM Group.

The powers, duties and responsibilities of the BRC are incorporated in the Board Charter which is accessible to the public on the Company's official website at www.tm.com.my.

Overview

BRC oversees the following:

- the review of policies and plans for risk management.
- the effectiveness of implementation of the policies.
- appropriate steps are adopted for potential or unpredictable risks.
- risks are managed within the appropriate and adequate levels of tolerance as approved by the Board.
- the risk management plans are widely disseminated throughout the Group and integrated in the Group's day-to-day activities.

BRC also has liaised closely with the GIA and BAC to exchange information relevant to risk.

BRC has been proactive in highlighting risk issues that may have potential impact to TM's business and provided guidance on the risk controls to mitigate and/or pre-empt the risks. Management has been guided well by BRC's views and advice in monitoring the Group's corporate risks.

Attendance at scheduled meetings

BRC meetings for 2016 were pre-arranged in November 2015. The dates were communicated to the members early to ensure their time commitment.

Four meetings were held in 2016 with total time spent of approximately 6.15 hours. The attendance of each member at BRC meetings held in 2016 is as follows:

	Number of BRC Meetings	
BRC Member	**Attended/Held**	**%**
Dato' Ibrahim Marsidi *(appointed as Chairman/Member on 25 May 2016)*	2/2	100.0
Datuk Bazlan Osman	4/4	100.0
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	4/4	100.0
Gee Siew Yoong	4/4	100.0
Balasingham A. Namasiwayam	2/2	100.0
Dato' Danapalan T.P Vinggrasalam *(retired on 28 April 2016)*	1/1	-
Dato' Ir Abdul Rahim Abu Bakar *(retired on 28 April 2016)*	1/1	-

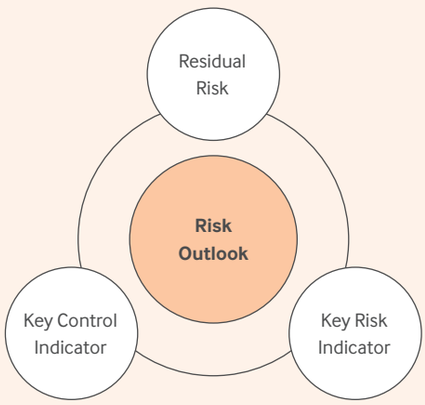
BRC has the necessary support from the Board in carrying out its duties and reports its deliberations and decisions at every TM Board meeting.

The Vice President of Group Business Assurance (GBA), who also acts as Head of Risk Management Unit, attended the BRC meetings as permanent invitee. Other attendees, external or internal, were invited to attend all or part of meetings as and when appropriate and with the consent of the Chairman, to facilitate BRC business.

ERM Governance and Framework

Risk Management practice is internalised throughout TM Group with the embracement of the ERM tool to support our convergence agenda. In the year 2016, the ERM framework was further enhanced by introducing a forward-looking risk assessment and management approach. This approach enables TM's ERM to be dynamic and more relevant in a fast changing business environment, giving the Board a better foresight of risks and facilitating its role of providing reasonable assurance to the shareholders.

The enhancement entails refining the definition of risk outlook and making it more visible in management and board risk reports. Risk outlook indicates the potential direction of the level of risk over the intermediate term, namely six months to one year. It is derived from the residual risk rating and takes into account the leading indicators of the risk profile (which provide early warning signals) as well as the leading indicators of the effectiveness of new controls.



Main Activities of BRC in 2016

During the year, BRC continues to be active and undertook the following activities:

- Communication initiatives comprising a Group-wide Risk Management Day, knowledge sharing sessions with ERM resource persons, the distribution of a quarterly Newsletter (known as *Risk Monitor*) and continuous engagements with TM staff at all levels.
- Expanding the ERM practice and promoting its benefits to the state level by holding risk assessments and awareness sessions.
- Better focus on Compliance Management by establishing a Compliance Steering Committee to oversee corporate compliance initiatives.
- Conducted a workshop to review the list of critical areas for national security.
- Widened the scope of ERM to divisions undergoing ISO 9001:2015 certification by implementing process risk management.
- Holding a refresher session with SIRIM on MS ISO 31000:2010.
- Utilising the Management of Enterprise Risk, Compliance, Insurance, Incident and Information Security (MERCIS) system to record and monitor risks in line with TM's digitalisation journey.
- Conducted the second Risk Maturity survey. The findings showed that risk maturity level in TM has increased to 3.52 (out of 5) from 2.91 in 2012.

Managing Operational Risk

The following describes the material risks that affected TM and the controls taken throughout 2016 to mitigate them.

Competition and Revenue Gap

2016 was an intense year as industry players fiercely engaged in price wars and raced to entice customers with the best value proposition for their broadband services. TM also operates in a very diverse and fragmented market for the ICT and BPO segment. To mitigate competition and revenue gap risk, TM rolled out new plans for UniFi – the Unifi Advance and Unifi Pro, intensified upselling activities and campaigns and undertook various programmes to increase activation rate and improve customer experience.

Fraud

TM continued to implement controls to prevent fraud. In 2016, TM put in place validation systems to ensure genuine customer acquisition, embedded anti-fraud features in the online systems and enhanced the Identification Management System to prevent fraud. Risk assessments were done at an early stage during product and service developments to detect and plug any loopholes for fraud.

Compliance

As part of the continuous process to strengthen external compliance, the Compliance Steering Committee (Compliance SC) and a Compliance Project Management Office (Compliance PMO) were established with clear terms of reference. The Compliance SC's roles include approving and driving the implementation of compliance initiatives, debottlenecking issues and recommending additional compliance initiatives as necessary. The Compliance PMO, on the other hand, develops standardised compliance framework and guidelines in addition to managing and tracking compliance issues and providing necessary support and guidance to process owners.

Corporate Security Threat

Cable Theft
The controls that have continuously been put in place proved to be effective as the number of cable theft cases decreased in 2016. Among the controls are the installation of anti-cable theft features for underground and overhead cables and the expansion of the alarm system installation at hot-spot areas.

Logical/cybersecurity
The impact of cyber-attacks can be catastrophic to an organisation, requiring TM to be more vigilant as cybercriminals become more sophisticated by the day. TM beefed up its logical security through the strengthening of access controls and firewalls. In addition, greater awareness programmes were being instilled among TM staff on data leakage and vulnerability to address human factors.

Credit Risk

As a result of various initiatives to curb Non-Payment from Day One (NPD1), there was marked improvement in credit risk in 2016. Nonetheless TM undertook further controls by ensuring genuine customer acquisition through biometric validation, strengthening collection management and embarking on the credit management system enhancement to support multiple collection strategies.

Forex Sensitivity

The continued weakening of the ringgit brings significant impact to TM through foreign currency-denominated borrowings and procurement spending. Although TM has some revenues in foreign currency from its Global Business as a natural hedge, financial hedging instruments using the ringgit in procurement contracts and revising procurement policies help to mitigate TM's residual foreign currency risks.

Occupational Safety, Health and Environment (OSHE)

Injury or damage due to unsafe act or condition at the workplace leads to business interruption and reputational loss. The controls undertaken to mitigate this risk include enhancing staff awareness on OSHE practices including ergonomics, conducting compliance audit and site inspections, and embarking on the Hazard Identification, Risk Assessment and Risk Control (HIRARC) review program.

Business Continuity

The multiple earthquakes happening in Sabah could lead to a potential crisis. Although no crisis were triggered during the year, the risk assessment, Business Impact Analysis (BIA) and desk top exercises conducted have increased our preparedness. In addition, TM continued to strengthen the hard and soft capabilities of the Business Continuity Management (BCM) Group-wide. Among others, we have proactively developed a Recovery Strategy plan for the Mass Market cluster and enhanced BCM capabilities in Group Procurement, webe and VADS.

webe

An ERM structure has been established in webe to oversee and execute the implementation of ERM. Focus of the ERM programme in 2016 was to support the launch of webe in September 2016, increase in customer base and smooth implementation of webe's digital features such as the webe community, live chat and the online purchase and self-care portal.

Emerging Risks

Trans-Pacific Partnership Agreement (TPPA) and Regional Comprehensive Economic Partnership (RCEP)

Notwithstanding the uncertainty of TPPA, a series of impact analysis were conducted and will be followed up by further assessments once the affected laws and regulations are amended. TM is also monitoring the progress and impact of RCEP, another regional trade agreement, which is expected to be finalised in 2017.

Broadband Improvement Plan (BIP)

In October 2016, the Government has announced in 2017 Budget that fixed line broadband service providers will offer higher speed and competitive broadband pricing beginning 2017. The increased broadband speed announced for 2017 has been embedded in TM's business plan. TM is engaging the government including MCMC and will continue to provide valued service offerings to meet customers' requirements and pursue aggressively its convergence champion agenda.

Digitalisation

Taking cognisant of TM's direction on going digital and to ensure that our digitalisation journey is successful, it is imperative to identify and mitigate the risks early. Risks related to digitalisation are currently being identified and assessed in support of the digitalisation journey.

Conclusion

The era of digitalisation changes the landscape in which TM operates, giving rise to new risks for TM and intensifies some of the existing risks. The Board will continue strengthening the effectiveness of the ERM framework, ensuring its soundness and fulfilling its role to protect and enhance shareholder value in support of TM's aspiration to be convergence champion.

TENDER COMMITTEE



Chairperson

Datuk Zalekha Hassan
Independent Non-Executive Director

Member

- **Tan Sri Dato' Sri Zamzamzairani Mohd Isa**
  Non-Independent Executive Director
- **Datuk Bazlan Osman**
  Non-Independent Executive Director
- **Dato' Sri Dr Mohmad Isa Hussain**
  Non-Independent Non-Executive Director
- **Dato' Ibrahim Marsidi**
  Senior Independent Non-Executive Director
- **Nik Rizal Kamil Tan Sri Dato' Nik Ibrahim Kamil**
  Non-Independent Non-Executive Alternate Director

Alternate Member

- **Asri Hamidin @ Hamidon**
  Non-Independent Non-Executive Alternate Director
  (Alternate to Dato' Sri Dr Mohmad Isa Hussain)

Key objective:

BTC was established to consider procurement proposals of TM Group based on the approved LoA, in line with the Board's delegation of power.

Membership

There are no changes to the membership of BTC in 2016.

Responsibilities

BTC's key responsibilities are as follows:

a) Facilitate a more transparent, efficient and faster decision making process.
b) Provide a platform for the Board via its Committee to discuss procurement proposals and interact with the Management for further information and clarifications before deliberating and approving the proposals.
c) Ensure that all procurement policies and procedures are fully adhered to before making any approvals or recommendations.
d) Ensure that the best interests of the Company and Group are met and protected at all times.

The key functions of the BTC are summarised as follows:

a) Ensure that the procurement process is in accordance and complies with all applicable procurement ethics, policies and procedures.
b) Verify the validity of technical and financial capabilities of the tenderers.
c) Consider and approve bids which will benefit the Company and Group taking into consideration various factors, such as pricing, utilisation of goods/services, quantity, delivery/commissioning timeframes and other relevant factors.
d) Ensure that the objectives of the Bumiputera Entrepreneurship Development Programme and Vendor Programme are achieved through careful monitoring of the performance and track records of the companies/vendors appointed under these programmes.

The BTC is governed by its own ToR which is stipulated in the Board Charter, accessible on the Company's official website at www.tm.com.my.

Overview

During the year, BTC has executed its duties and responsibilities well whilst providing sound advice on procurement governance for adoption by the Company.

Attendance at scheduled meetings

BTC held 13 meetings during the year in review, with total time spent of 29 hours. TM's Chief Procurement Officer (CPO) attended these meetings as a permanent invitee while the Chief Technology and Innovation Officer (CTIO) was invited as and when required to provide additional input on technical matters. Management Evaluation Committee members were also invited to brief the BTC on specific issues as and when required.

Members' attendance is as listed below:

BTC Member	Number of BTC Meetings	
	Attended/Held	%
Datuk Zalekha Hassan (Chairperson)	13/13	100
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	13/13	100
Datuk Bazlan Osman	13/13	100
Dato' Sri Dr Mohmad Isa bin Hussain	11/13*	100
Dato' Ibrahim Marsidi	13/13	100
Nik Rizal Kamil Tan Sri Dato' Nik Ibrahim Kamil	13/13	100
Asri Hamidin @ Hamidon *(alternate to Dato' Sri Dr Mohmad Isa Hussain)*	2/2	-

* *Represented by alternate Director*

The Board opined that all members have collectively contributed to the effectiveness of the Committee.

Main Activities of BTC in 2016

During the year, BTC deliberated on the following:

- Procurement proposals within its authority limits
- Procurement performance report and status summary
- Procurement review on procurement governance model
- Three-year procurement plan
- Identified procurement issues

Significant matters reserved for Board's approval and procurement proposals within the authority limits of TM Board were tabled at Board meetings.

BTC is supported by sub-management committees chaired by the MD/Group CEO, ED/Group CFO and CPO, depending on the level of authority accorded to them.

BTC Effectiveness Review and Performance

In BEE 2016, BTC continues to operate effectively. The Board agreed that it is a very structured Committee and technical with very clear rules and governing process. It has also adequate support and authority and is able to make decisions that give the best value for money for TM Group.

INVESTMENT COMMITTEE



Chairperson

Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor
Independent Non-Executive Director

Member

- **Datuk Bazlan Osman**
  Non-Independent Executive Director
- **Dato' Sri Dr Mohmad Isa Hussain**
  Non-Independent Non-Executive Director
- **Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin**
  Non-Independent Non-Executive Director
- **Gee Siew Yoong**
  Independent Non-Executive Director
- **Tunku Afwida Tunku Dato' A.Malek**
  Independent Non-Executive Director

Alternate Member

- **Nik Rizal Kamil Tan Sri Dato' Nik Ibrahim Kamil**
  Non-Independent Non-Executive Alternate Director
  (Alternate to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin)
- **Asri Hamidin @ Hamidon**
  Non-Independent Non-Executive Alternate Director
  (Alternate to Dato' Sri Dr Mohmad Isa Hussain)

Key objective:

BIC was established to consider and evaluate strategic equity investment and/or divestment related proposals of TM Group for recommendation to the Board. It was also tasked to consider and deliberate on all proposals relating to TM Group's properties (i.e. land and buildings) for TM Board's decision and/or endorsement.

Membership

BIC composition was revised in 2016 with the following changes:

a) Cessations of Dato' Ir Abdul Rahim Abu Bakar as Chairman/member, and Dato' Danapalan T.P Vinggrasalam as a member effective 28 April 2016;
b) Appointment of Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor as new chairman effective 25 May 2016;
c) Appointment of Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin and Tunku Afwida Tunku Dato' A.Malek as new members on 25 May 2016; and
d) Re-designation of Nik Rizal Kamil Tan Sri Dato' Nik Ibrahim Kamil as alternate member to Tunku Dato' Mahmood Fawzy on 25 May 2016.

The changes have strengthened BIC's composition and greatly contributed to a more productive deliberations on strategic and major proposals.

Responsibilities

The powers, duties and responsibilities of the BIC are incorporated in the Board Charter which is accessible to the public on the Company's official website at www.tm.com.my.

Key BIC's responsibilities are summarised below:

- To review, evaluate and recommend to the Board the Management's recommendations on investment and divestment related proposals.
- To review, evaluate and recommend to the Board the Management's recommendations on land matters related proposals.

In 2016, BIC was given an additional function to review post investment review (PIR) report on post-acquisition or post-investment implementation on major and strategic investment by TM and Group and provide the necessary guidance as appropriate.

Overview

BIC has performed its duties diligently during the year and provided clear guidance and advices to Management on land related matters in accordance with TM's internal policy to protect the Group's interest.

TM Board has always considered BIC's views favourably and accepted BIC's recommendations accordingly. There were no major strategic equity investment/divestment proposal tabled during the year for BIC's consideration.

Meetings and Attendance

BIC held six meetings in 2016 including two special meetings with total time spent of approximately 5.7 hours. Decisions and recommendations of the meetings were reported to and deliberated at the Board meetings. The attendance of each member at BIC meetings held in 2016 is as follows:

BIC Member	Number of BIC Meetings	
	Attended/Held	%
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor *(appointed as Chairman on 25 May 2016)*	5/6	83.0
Datuk Bazlan Osman	6/6	100.0
Dato' Sri Dr Mohmad Isa Hussain	4/6*	100.0
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin *(appointed on 25 May 2016)*	3/3	100.0
Gee Siew Yoong	6/6	100.0
Tunku Afwida Tunku Dato' A.Malek *(appointed on 25 May 2016)*	2/3	67.0
Asri Hamidin @ Hamidon *(alternate to Dato' Sri Dr Mohmad Isa Hussain)*	2/2	-
Nik Rizal Kamil Tan Sri Dato' Nik Ibrahim Kamil *(redesignated as alternate to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on 25 May 2016)*	5/6#	83.0
Dato' Ir Abdul Rahim Abu Bakar *(retired on 28 April 2016)*	2/2	-
Dato' Danapalan T.P Vinggrasalam *(retired on 28 April 2016)*	2/2	-

* *Represented by Alternate Director*

\# *Attended 2 out of 3 meetings prior to redesignation as Alternate Member*

Relevant TM officers were invited to attend BIC meetings as and when appropriate to present Management's proposals.

Main Activities of BIC in 2016

During the year, BIC has deliberated and recommended to the Board on the following matters:

- Proposed new Joint Land Development (JLD) of TM's land
- Approach on way forward on an existing JLD agreement
- PIR report on acquisition of a wholly-owned subsidiary and investment in an associate company

BIC Effectiveness Review and Performance

Similar to other Board committees, the BIC's performance and effectiveness were assessed by the Board via the annual BEE. The results showed that the BIC has been proactive in engaging related issues and has fulfilled its responsibilities to enable the Board to make informed decisions.

In BEE 2016, BIC agreed that the combined experience and knowledge of the members are adequate to assess and evaluate the subject matters effectively.

MANAGEMENT COMMITTEE & SUB-MANAGEMENT COMMITTEE



Chairperson

Tan Sri Dato' Sri Zamzamzairani Mohd Isa
MD/Group CEO

Membership

- **Datuk Bazlan Osman**
  ED/Group CFO
- **Dr Farid Mohamed Sani**
  Chief Strategy Officer
- **Dato' Mohd Khalis Abdul Rahim**
  Chief Human Capital Officer
- **Dato' Rafa'ai Samsi**
  Chief Technology & Innovation Officer/ Chief Customer Experience
- **Mohamad Mohamad Zain**
  Chief Procurement Officer
- **Idrus Ismail**
  Chief Legal & Integrity Officer
- **Ahmad Ismail**
  Chief Corporate & Regulatory Officer

Key objective:

The Board has established two main management committees, namely the Management Committee (MC) and the Group Leadership Team, both chaired by the MD/Group CEO, to deliberate on key strategic matters and monitor the Company's performance and operations.

Management Committee (MC)

Membership

During the year, there were no changes to MC membership.

Responsibilities

The key roles and responsibilities of the MC are summarised below:

a) To provide support for the MD/Group CEO in determining policies for the Company.
b) To provide guidance on strategic matters.
c) To consider and recommend specific identified matters (such as Company policies or decisions that have financial implications to TM Group) to TM Board.
d) To consider other matters as may be delegated by the Board from time to time for review and/recommendation.

For effective deliberations, the respective heads of LOBs (Consumer & SME, Enterprise, Government, Global Wholesale and New Media), Group Brand & Communication, Mass Market Marketing Operations, Chief Digital Officer, Group Special Advisor on Transformation Program and CIA attended MC meetings as permanent invitees as determined by MD/Group CEO.

MC held regular meetings which align with the Board meeting schedule and governed by its ToR.

Group Leadership Team (GLT)

Membership

GLT comprises MC members, Senior Management members who are Head of LOBs, Divisions and key subsidiaries within the Group as determined by MD/Group CEO.

The main objectives of the GLT are:

a) To provide a platform for TM's key senior management team to discuss, deliberate and challenge on matters pertaining to business performance and resolve key business and operational issues.
b) To provide focus and guidance on the core priorities of TM.
c) To facilitate deliberations and decision on matters delegated by the MC and Board.

GLT meeting is held monthly for an effective monitoring and tracking of the Group's performance and operations.

Sub-Management Committees

In ensuring proper administration and supervision of the day-to-day business, EDs and key Management members are assisted and supported by various main sub-committees including:

Business Continuity Management Steering Committee (BCMSC)

BCMSC was established in March 2012 and is chaired by the MD/Group CEO. It is the primary decision-making platform for TM BCM overseeing BCM programmes in TM Group.

Customer-Centricity Steering Committee (CCSC)

CCSC was established in November 2009 and is chaired by the MD/Group CEO with the objective of improving TM's customer experience and achieving customer service charter goals.

Long Term Evolution (LTE) Executive Steering Committee (LTE ESC)

The LTE ESC is a cross function governing body at TM Group level, chaired by MD/Group CEO that guides and endorses strategic, key operational decisions impacting the performance and health of TM Group on mobility and convergence matters.

In 2016, this platform oversees the LTE investment network rollout and webe go-to-market project progress; providing guidance on the project as put forward by TM Group Mobility project head.

Finance Committee (FC)

FC, established in July 2009 and chaired by the ED/Group CFO, reviews and deliberates on financial matters pertaining to investments and budgets, resolving key financial and operational issues. Specific matters requiring the Board's decision are tabled by FC to MC for prior input before escalation to the Board.

Group Property Committee (Property-Comm)

Property-Comm was established in December 2009, chaired by ED/Group CFO, to oversee TM Group's property related matters and provide recommendations for approval to BIC, as deemed necessary.

Management Procurement Committees (MPC)

Three MPCs were established, each chaired by the MD/Group CEO, ED/Group CFO and the CPO, to deliberate on procurement matters which are segregated based on approved LoA.

Group Product Committee (GPC)

GPC was established in 2009 and is chaired by the Chief Strategy Officer (CSO). It acts as a strategic point of reference for unresolved cross-line business and operational issues related to product and customer segmentation. It also provides guidance and policies to ensure product synergies within the Group.

Mass Market Management Committee (MMMC)

MMMC, chaired by EVP Consumer & SME, was established following the alignment of the Mass Market cluster in October 2014. It deliberates on strategic matters relating to the Mass Market business for approval by MC and provides guidance and/or decision-making relating to Mass Market business operations.

Managed Account Council (MAC)

MAC was established in 2013, chaired by the Managed Account (MA) Chairman who is the EVP Government. Its main objective is to drive more collective focus in the MA business, providing guidance and approval on key initiatives, reviewing business performance and ensuring synergies across LOBs and subsidiaries within MA cluster including VADS Berhad.

Group Technical Investment Committee (GTIC)

GTIC was established in June 2012 and is chaired by the CTIO with the CSO as alternate Chairman. GTIC's objectives are to address fragmented technical investment issues, if any, and ensure alignment and optimisation of technical investment across the Group.

Service Management Council (SMC)

SMC was established in July 2014, chaired by the Chief Customer Experience, for strategic directions on operational issues related to service experience across all touch points.

BOARD ACCESS TO INFORMATION

ACCESS TO MANAGEMENT

In an industry where technology is ever evolving, it is imperative that the Board has easy access to Senior Management to seek clarification and understanding for efficient decision making.

The Board has direct access to Senior Management with unrestricted and immediate access to information relating to the Group's business affairs. Relying on the integrity of the Company's Senior Management with access to expertise in telecommunication business, legal, accounting, financial and other advisors, the Directors are able to discharge their duties effectively to arrive at informed decisions.

Relevant and material information is provided to the Board on average five calendar days prior to meetings to accord the Directors sufficient time to assess the proposals or information.

In 2016, an average of six calendar days was recorded for distribution of Board papers save for Special Board Meetings for which a shorter timeframe has been agreed with the Board.

ACCESS TO COMPANY SECRETARY

The Board has full and unrestricted access to the Company Secretaries, who are equipped with the skills and expertise to provide sound corporate governance advice and ensure compliance with corporate secretarial procedures.

In 2016, the Chief Legal Compliance and Company Secretary, supported by the Joint Secretaries, are responsible to provide support and appropriate guidance to the Board on policies and procedures, rules and regulations and relevant laws as well as best practices on governance.

On 25 November 2016, TM announced the change of company secretary to take effect on 1 January 2017. Puan Hamizah Abidin, the current Joint Secretary was appointed as Group Company Secretary in place of Encik Idrus Ismail, who was reassigned as Chief Legal and Integrity Officer. Puan Hamizah continued to be supported by Cik Zaiton Ahmad, the existing Joint Secretary.

The Group Company Secretary, being the common denominator for all board and management committees' operation and overseeing the corporate secretarial functions of TM Group, other than a source of information and advisor to the Board is also able to secure consistency in Board conduct and effective Boardroom practices throughout the Group.

ACCESS TO DOCUMENT MANAGEMENT SYSTEM

During the year, TM has enhanced its distribution of meeting materials and dissemination of relevant information to TM directors through the TM BoardPac, an electronic meeting management system which is also a secondary archival system. Directors are supplied with a device so that all notices and proposal papers are uploaded and distributed to directors electronically. The system has essentially eliminated the conventional paper printing and distribution of meeting materials. Papers can be uploaded and distributed instantly. As it is also an archival system, directors may retrieve any past information anytime.

At the same time we continue to maintain the Meeting and Document Management System (MDMS), a secured electronic archival and retrieval system which stores all proposal papers and minutes of Board, its Committees and MC meetings.

TM also continues to employ a secured cloud solution for the purpose of distributing and sharing proposal papers for Board, Committee and subsidiaries' meetings. This not only eases the process of distribution of paper and minimises leakage of sensitive information but also enables the Directors and Management to have access to the proposal papers electronically anytime and anywhere.

We continue to maintain multiple electronic platform as each system accommodate different cluster of audience. TM BoardPac is predominantly for TM Board of Directors, while the cloud system caters for both Management and TM Board of Directors accessible through multiple type of devices.

ACCESS TO EXTERNAL EXPERTS

Other than the Group's internal resources, the Board and its Committees have at their disposal access to external information and expert advice by engaging independent external experts at the expense of the Company, if they deem it necessary in ensuring performance of their duties. During the year, no external expert was separately sourced by the Board for advice.

COMMUNICATION, INTERACTION AND RELATIONSHIP WITH STAKEHOLDERS

BOARD AND MANAGEMENT

Members of Senior Management are invited to attend Board and Committee meetings to present, report or seek recommendations for the Board's consideration on matters relating to their areas of responsibility. Concise and comprehensive proposal papers are prepared and presented for the Directors' consumption, deliberation and decision. Since 2012, MC members and permanent invitees have been invited to Board meetings during the presentation of monthly performance reports/balanced scorecards for effective deliberation on the Group's performance.

Vital decisions are communicated to the Management within one working day of the Board meeting while the minutes of Board meetings are completed for comments by the Chairman and EDs within five working days. Relevant extracts of the minutes are distributed to the Management for action within three to five working days, depending on the urgency of the items.

The board has revised its assessment form to access the effectiveness of the meeting productivity. During the year the meeting productivity was encouraging with the rating above 78% with focus primarily on key issues.

Management was also given the opportunity to rate the Board's performance in terms of the focus, constructiveness and support given by the Board during deliberations and whether clear decisions based on relevant facts were derived from the discussions. In the year under review, Management's average rating of the Board was above 4.0 points.

SHAREHOLDERS AND INVESTORS

The Board acknowledges the importance of an effective communication channel between itself and stakeholders, institutional investors and the investing public at large to provide a clear picture of the Group's performance and position. TM is committed in maintaining high standards in the dissemination of relevant and material information on the Group in order to maintain effective, comprehensive, timely and continuing disclosure of information.

The Board has established an Internal Communication Policy and Best Practices to facilitate the handling and disclosure of material information in a timely and accurate manner. The Policy, based on openness and transparency, two-way communication, accountability, timeliness, accuracy and simplicity, ensures compliance with the disclosure requirements of the Main LR and other relevant laws. The Company has also adopted the Corporate Disclosure Guidelines (2nd Edition) issued in October 2013 by Bursa Securities.

Formal channels to account to shareholders and stakeholders are:

Annual Report

TM's annual report contains invaluable information on the Company for shareholders specifically and the public in general. As a key channel of communication between the Group and its stakeholders, it contains a comprehensive report on the Group's direction and financial performance, providing disclosure beyond the requirements of the Main LR in promoting better governance.

In 2016, the notices of the AGM and EGM are served to shareholders 23 days and 14 days respectively prior to the meetings. The Corporate and Financial Summary containing the notice of the AGM, together with the 2015 Annual Report and Sustainability Report in CD-ROM was posted to shareholders accordingly on 4 April 2016 whilst, the EGM's Circular to Shareholders was posted to shareholders on 13 April 2016. An electronic version of the full integrated annual report is also available on the Company's website for download. As per previous years, TM continues to produce an e-book version of the Integrated Annual Report, available as a download on both iOS and Android.

The complete printed version of the integrated annual report is provided to shareholders upon request. Details on the form of request for printed copy are provided in the corporate and financial summary of the integrated annual report. Our Share Registrar will ensure that the printed copy reaches shareholders within four days of requests being received.

TM has also noted the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC), and has analysed the state of Integrated Reporting in Malaysia. For the year under review, TM endeavours to produce an Integrated Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

Annual General Meetings (AGM) and Extraordinary General Meetings (EGM)

During the AGM, the Group CEO presents a comprehensive review of the Group's performance and value created for shareholders as well as current developments of the Group. This review is supported by a visual and graphic presentation of the key points and financial figures. Questions raised by the MSWG prior to the AGM are also shared with the shareholders during the AGM together with feedback on pertinent issues and queries relating to the Company's business. The presentations are uploaded onto the Company's website upon conclusion of the AGM.

In line with MCCG 2012's recommendation in encouraging shareholders' participation in general meetings, the notices for the AGM and EGM have been enhanced to include all relevant information with regard to shareholders' rights at the general meeting.

The Board encourages active participation by shareholders and investors during the AGM and EGM. Attendance at the Company's AGM continues to be high as evidenced by the presence of 3,057 shareholders, proxies and corporate representative representing 60.45% of our total ordinary shareholding at the 31st AGM of the Company held on 28 April 2016.

Attendance at EGM was also encouraging with a total presence of 2,385 shareholders, proxies and corporate representatives.

PwC was appointed as scrutineers for the proceedings of the AGM and EGM save for the resolution on its re-appointment whereby the Share Registrars has been appointed to act as scrutineers.

Upon commencement of the general meeting, the Chairman will explain the rules, including voting procedures that will govern the meeting. The Chairman will identify and reminds interested parties who should abstain from voting on particular proposals, prior to the voting on the proposal. The Company also engages independent scrutineers to count, audit and validate the votes for each proposal presented to shareholders. All resolutions tabled at the 31st AGM and EGM in 2016 were voted by show of hands.

At the general meetings, shareholders have encouragingly taken the opportunity to raise questions on the agenda items. Appropriate answers and/or clarification are provided by the Board members and Committee chairmen. A press conference is also held immediately after the AGM and EGM at which the Chairman, Group CEO, Group CFO and relevant Senior Management are present to clarify and explain issues raised by the media.

Voting for the resolutions laid at the 32nd AGM shall be by electronic polling or e-polling. Shareholders shall be able to cast a vote for each of the shares held by them.



Investor Relations (IR)

TM has established a dedicated IR function and acknowledged that a sound IR programme is vital in managing the interests of shareholders, stakeholders and investors in the Company. Continuous engagement is maintained with the investing community through a planned IR programme managed by the IR Unit under the patronage of the ED/Group CFO. Shareholders and market observers are also welcomed to raise queries at any time through GBC and the IR Unit.

All communication with the capital market is under the scope of our IR Policy and Guidelines, guaranteeing timely and high quality disclosure of information to shareholders and investors to enable them to form proper judgements and appraisals of the Group in making informed investment decisions.

An alternative communication line is presented to the investing community and other stakeholders through the SID. This is an important channel for minority shareholders and relevant stakeholders to air their concerns to the Company and Management.

Communication and feedback from investors can also be directed to:

investor@tm.com.my

or

Head of Investor Relations
Level 11 South Wing, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia

Details of TM's IR commitment to shareholders are set out on pages 184 to 187 inclusive, of this integrated annual report.

BOARD CONDUCT

CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS (RPT)

All Directors are required to make written declarations of their interest in transactions at every Board meeting to ensure accountability and ascertain potential or actual conflict of interest in relation to every issue that comes before the Board. Directors are also reminded by the Company Secretary of their fiduciary duties and responsibilities and are provided with updates on any changes thereon.

A register is maintained by the Company Secretary on Directors' interests and directorships, including his/her related persons, for the purpose of monitoring and RPT tracking by the Compliance Unit and Group Procurement.

Accordingly, our Directors have updated the Company Secretary on changes in their interest and status as and when these occurred.

The Directors further acknowledged that they are required to abstain from deliberation and voting on relevant resolutions in which they have conflict of interest at the Board or any general meeting convened and recuse themselves from the meeting. In the event that a corporate proposal is required to be approved by shareholders, interested Directors will abstain from voting in respect of their shareholdings in TM and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

In 2016, two RPT announcements were made to Bursa Securities. All these transactions were considered by the BAC and were in the best interest of TM Group, fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders.

TRADING ON INSIDER INFORMATION

TM's Directors and employees are prohibited from trading in securities or any other kind of property based on price sensitive information and knowledge which has not been publicly announced.

Notices on the closed period for trading in the Company's shares are sent to the Directors and principal officers on a quarterly basis as a reminder on the prohibition by identifying the timeframe during which Directors and the principal officers are prohibited from dealing in the Company's shares. Directors are also reminded against dealing in the Company's shares when price sensitive information is shared with them in the proposal papers.

During the year, there were no cases reported on any breach of the prohibition.

CORPORATE INTEGRITY

The Company Directors' Code of Ethics issued by the Companies Commission of Malaysia is internalised in TM as a tenet for proper comportment of the Board of Directors. Through disclosure of interest at every meeting, Directors have implemented the principle relating to transparency, integrity and responsibility.

Apart from the above, the conduct of TM Board, Management, employees and all stakeholders of the Group is governed by TM Code of Business Ethics (CBE), Procurement Ethics Rules and Practices, Integrity Pact, TM Anti-Corruption Guide and Whistle-blowing and Reporting Policy. These policies and guidelines aim to uphold the value of Uncompromising Integrity.

Employees, members of Procurement Committees and suppliers involved at any level of procurement activity in TM are required to sign an Integrity Pact, first introduced on 20 January 2012, which is a declaration made against corrupt practices. The Integrity Pact is an initiative adopted from the Government to curb corruption in public contracting. It is a directive by the Board and Management to enhance governance in the Company. Its implementation is in line with the provision relating to procurement in the CBE and policy against corruption and conflict of interest as laid out in the Procurement Ethics Rules and Practices.

The declaration signifies the Group's commitment to creating a business environment that is free from corruption in its interactions with business partners and the Government.

Additionally, members of BTC are required to execute a declaration prior to every meeting confirming that they have no conflict of interest in the proposals to be tabled. Confidentiality of information is also maintained throughout the procurement exercise.

The Whistleblower Policy is an initiative undertaken under TM's CBE, allowing TM Group employees to report concerns about alleged unethical behaviour, as well as actual or suspected fraud within the Group. During the year, there was increased awareness among stakeholders of the whistleblowing channel as evidenced by an increased number of reports and improved quality of information, resulting in positive actions taken against the wrongdoers.

The CBE, Procurement Ethics Rules and Practices, Integrity Pact and Whistleblower Policy underline the Company's intolerance of corrupt practices and undesirable behaviour within and in relation to the Group. This was a collective effort between Enterprise Ethics and Integrity Unit, GIA, CIU, Group Human Capital Management and Group Procurement under the Ethics & Integrity Committee.

Details of our Corporate Integrity initiatives are stated on page 179 of this Integrated Annual Report.

CONFLICT MANAGEMENT

TM Board recognises the importance of addressing conflicts within the Board sensibly, fairly and efficiently within the Company, irrespective of the parties involved. The Chairman and SID have a tacit role to act as the intermediary to resolve any issue or sensitive matter that arises between members of the Board.

In instances of conflict or issues between Board members and employees involving unethical conduct of any member of the Board, TM has established a grievance procedure whereby aggrieved employees may escalate complaints against the Board member via a formal channel through the SID and/or the Company Secretary.

The SID and/or Company Secretary will evaluate and, if required, stream the complaint to the NRC Chairman for consultation to decide on the next course of action. If the complaint is substantiated and warrants further investigation, an independent ad hoc Board Ethics Committee will be established to review and investigate the complaint and recommend the next course of action to the NRC. Ultimately, TM Board will decide on the most appropriate action to be taken against the Director.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board ensures that shareholders are presented with a clear, balanced and meaningful assessment of the Group's financial performance and prospects. Quarterly announcements of our financial results were made on 23 May, 25 August and 21 November 2016, as well as the Chairman's Statement and Group CEO's Management Discussion & Analysis in this Integrated Annual Report. Through delegation, a focused BAC assists the Board in overseeing the Group's financial reporting process and the quality of its financial reporting.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has established an appropriate control environment with a control framework to review the effectiveness, adequacy and integrity of the Group's system of internal controls. It is designed to manage the risk of non-achievement of the Group's objectives and provide adequate assurance against the occurrence of any material misstatement or loss.

The Directors' Statement on Risk Management and Internal Control (SORMIC), which provides an overview of the state of internal controls within the Group, is enumerated on pages 166 to 172 inclusive, of this Integrated Annual Report.

RELATIONSHIP WITH THE EXTERNAL AND INTERNAL AUDITORS

The Board maintains an appropriate relationship with the Company's auditors through the BAC. The authority to communicate directly with both the external and internal auditors has been explicitly accorded to the BAC in the Board Charter enabling the BAC to discharge this duty effectively.

The BAC and Board place great emphasis on the objectivity and independence of the external auditor, PwC, in providing transparent reports to the shareholders. PwC continues to report its opinion to shareholders of the Company, and this is included as part of the Group's financial reports with respect to the statutory audit for the financial year. PwC is regularly invited to attend BAC meetings to provide full disclosure of the audit undertaken by them specifically on financial matters and the integrity of systems that relate to financial aspects of the Company. BAC has also exercised its right under the Board Charter for a private discussion without the presence of Management for a full and free discussion on issues that concern both BAC and/or PwC.

The external auditor's presence was requested at the Company's AGM to personally provide its report to the shareholders and attend to any issues raised.

Based on advice from the BAC and upon considering the assessment made by Management and BAC, the Board has agreed on the suitability of the external auditor and its independence.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have provided assurance that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year as required by the CA 1965.

Although the enforcement of CA 2016 is effective on 31 January 2017 and effective at the date of this report, the Group's financial statements were prepared according to CA 1965 whereby it was still enforceable during the year under review.

The Statement of Responsibility by Directors for the audited financial statements of the Company and Group is as outlined on page 199 of this Annual Integrated Report. Details of the Company and the Group's financial statements for the financial year ended 31 December 2016 are set out on pages 200 to 336 inclusive, of this Annual Integrated Report.

OUR SUSTAINABILITY APPROACH

TM's approach to sustainability remains a steadfast commitment and is ingrained in our value chain. Our sustainability reporting comprises the Eco 360° 2016 Sustainability Report, our sustainability website and a concise summary of our approach and performance is available in this Annual Integrated Report on pages 52 to 57 inclusive. Through our reporting we aim to provide information on sustainability issues relevant to our business and of importance to our stakeholders, as defined through our annual materiality process.

COMPLIANCE STATEMENT

Pursuant to paragraph 15.25 of the Main LR of Bursa Securities, the Board is pleased to report that this Statement on CG provides the CG practices of the Company with reference to MCCG 2012. This Statement, together with the SORMIC, sets out the manner in which the Company has applied the principles as prescribed in MCCG 2012.

While TM has fully applied the broad principles set out in the Code, the Board continues to make exceptions to certain MCCG 2012 Recommendations and Commentaries as it believes these departures are justified.

The Board remains steadfast in strengthening its governance practices to safeguard the interests of all its stakeholders.

This Statement on CG is made in accordance with the resolution of the Board of Directors duly passed on 22 February 2017.



Tan Sri Dato' Seri Dr Sulaiman Mahbob
Chairman

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

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

RESPONSIBILITY AND ACCOUNTABILITY

The Board

The Board is responsible in the establishment as well as overseeing the Group's risk management framework and internal control systems that are designed to manage the Group's risks appetite within the acceptable level of tolerance set by the Board and Management, rather than eliminate totally the risks of failure, to achieve the Group's goals and objectives in generating potential returns to shareholders. The Board periodically reviews the effectiveness and adequacy of the framework and systems by identifying, assessing, monitoring and communicating key business risks to safeguard the shareholders' investment and the Group's assets.

The two committees at the Board level that have primary risk management and internal control oversight responsibilities are:

- **Board Risk Committee (BRC)**

  The main responsibility of the BRC is to assist the Board in ensuring a sound and robust Enterprise Risk Management framework and its implementation to enhance the Group's Corporate Governance practices with focus on risk issues. The Terms of Reference (ToR) and main duties of the BRC in relation to risk management are detailed out on page 151 to 153 of this integrated annual report.

- **Board Audit Committee (BAC)**

  The main responsibility of the BAC is to assist the Board in assessing the effectiveness of the Group's internal control systems and overseeing the financial reporting. The BAC also reviews the adequacy and integrity of the Group's internal control systems and management information systems, including compliance with applicable laws, rules, directives and guidelines through Group Internal Audit (GIA) functions. The BAC's ToR and main duties in assessing the adequacy and effectiveness of internal control systems implementation within the Group are detailed out on page 139 to 147 of this integrated annual report.

Other Board Committees such as Nomination and Remuneration Committee, Tender Committee, and Investment Committee are also established with clearly defined duties and responsibilities to oversee various key business activities involved within the Group. The Board acknowledges to remain responsible for all the actions of the committee with regard to the execution of the delegated roles, including the outcome of the review and disclosure on key risks and internal control systems in this Group's integrated annual report.

The Management

The Management is accountable to the Board and responsible for implementing the processes of identifying, evaluating, monitoring and reporting of risks and the effectiveness of internal control systems, taking appropriate and timely corrective actions as required. The Management has assured the Board that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management framework and internal control systems adopted by the Group. In respect of risk management, the Management has implemented the necessary processes to:

- identify and analyse the risk appetite relevant to the business and determine the level of risk tolerance towards the achievement of the Group's objectives and strategies;
- design, implement and monitor the risk management framework in accordance with the Group's strategic vision and overall risk appetite; and
- identify changes to risks or emerging risks, take appropriate actions and promptly bring these to the attention of the Board.

RISK MANAGEMENT

Risk Management Framework

TM adopts MS ISO 31000 Risk Management Standard as a guideline for identifying, evaluating, managing and monitoring significant risks by the Group in order to align its risk management process with industry best practices. The Figure 1 & 2 below illustrates the risk management governance, context and framework as implemented in TM.

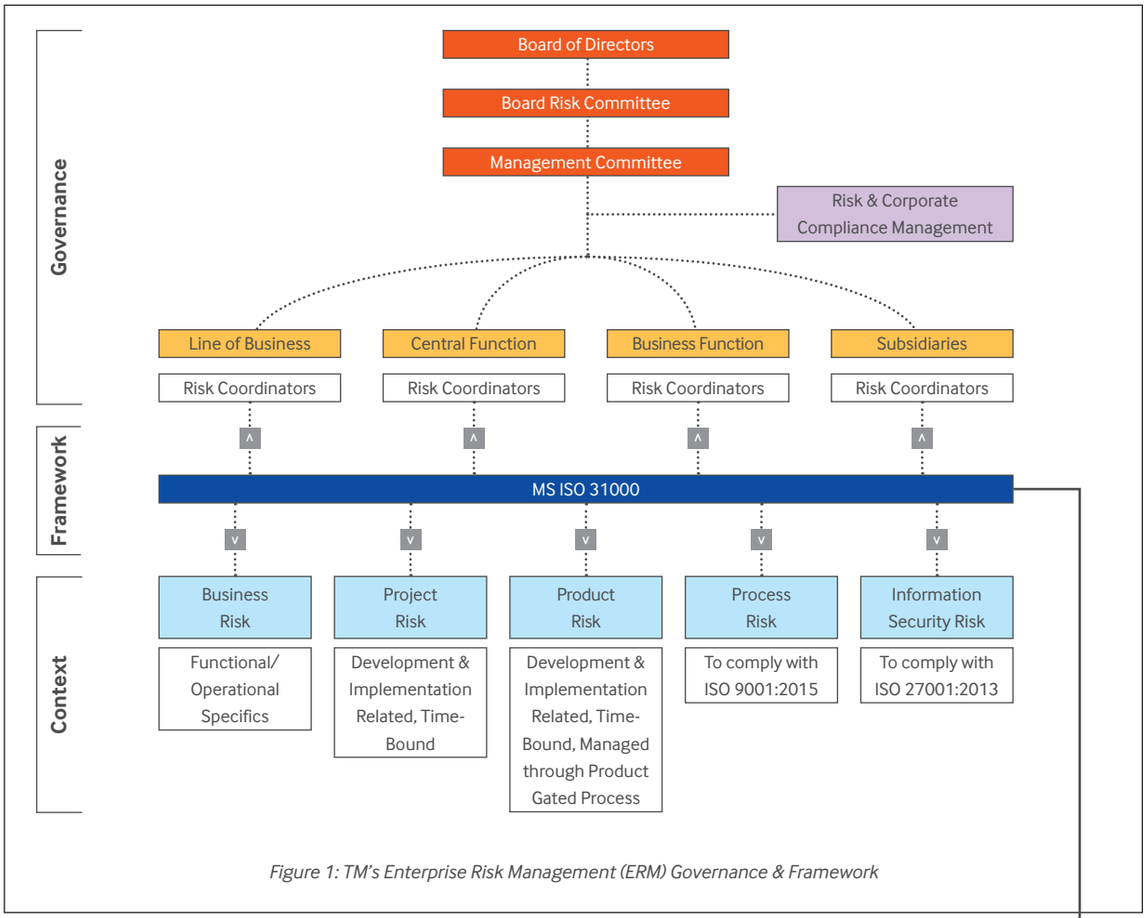


Figure 1: TM's Enterprise Risk Management (ERM) Governance & Framework

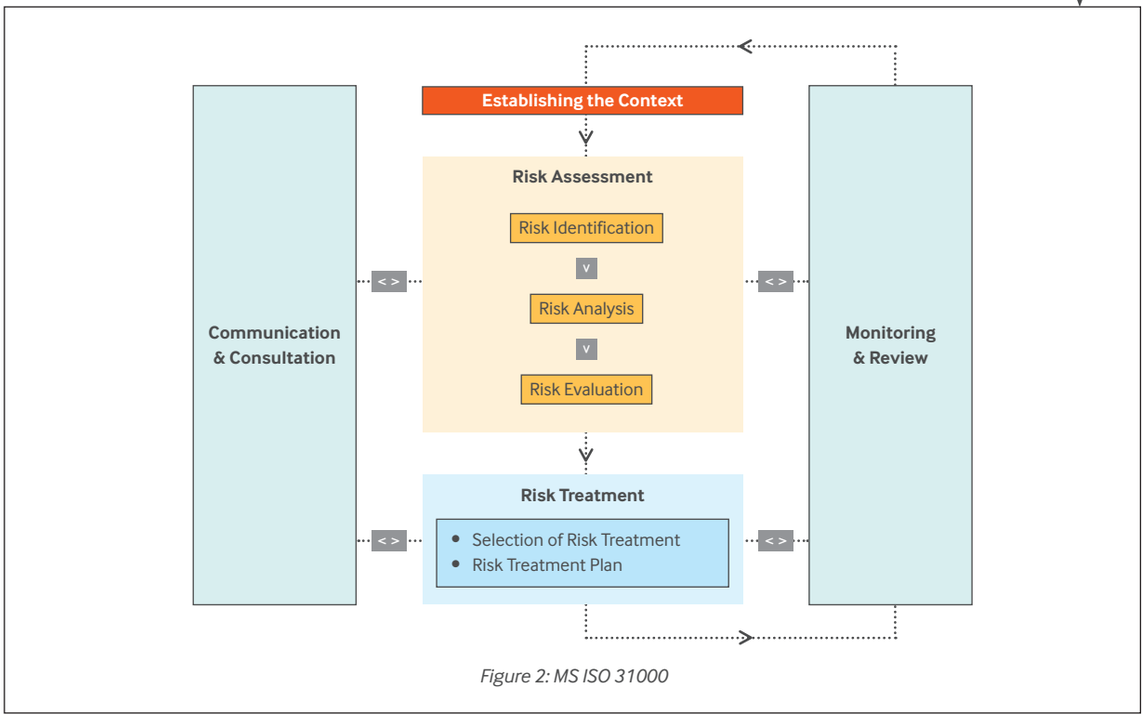


Figure 2: MS ISO 31000

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

TM's ERM structure spans the entire organisation, from the Board right down to the operational level. Through such architecture, material risk is consolidated from all Business Segments to Management Committee, escalated up to the BRC and finally to the Board. Risk Coordinators are appointed at every Line of Business (LOB), central function, business functions and subsidiaries. Their role is to coordinate the risk management activities as well as support the building of a risk awareness culture. In all risk management activities, the role of all staff in managing risks are always emphasised.

Risk Appetite

One of the roles of the Board is to determine the corporate risk appetite. To ensure that the risk appetite is clearly communicated across the company, the Group has reviewed the risk appetite guideline. The guideline contains the risk appetite statement that encapsulates TM's commitment to allocate necessary resources to ensure risks are being managed within the acceptable level, ensuring sustainable profitability and upholding of TM's reputation/brand to safeguard company's assets and enhance shareholder value. In addition to the corporate risk appetite established at the BRC level, each risk at the operational level has its own risk appetite. To ensure uniformity and alignment with the business strategic objectives, the process of establishing the risk appetite is also spelled out in the guideline as Figure 3 below:

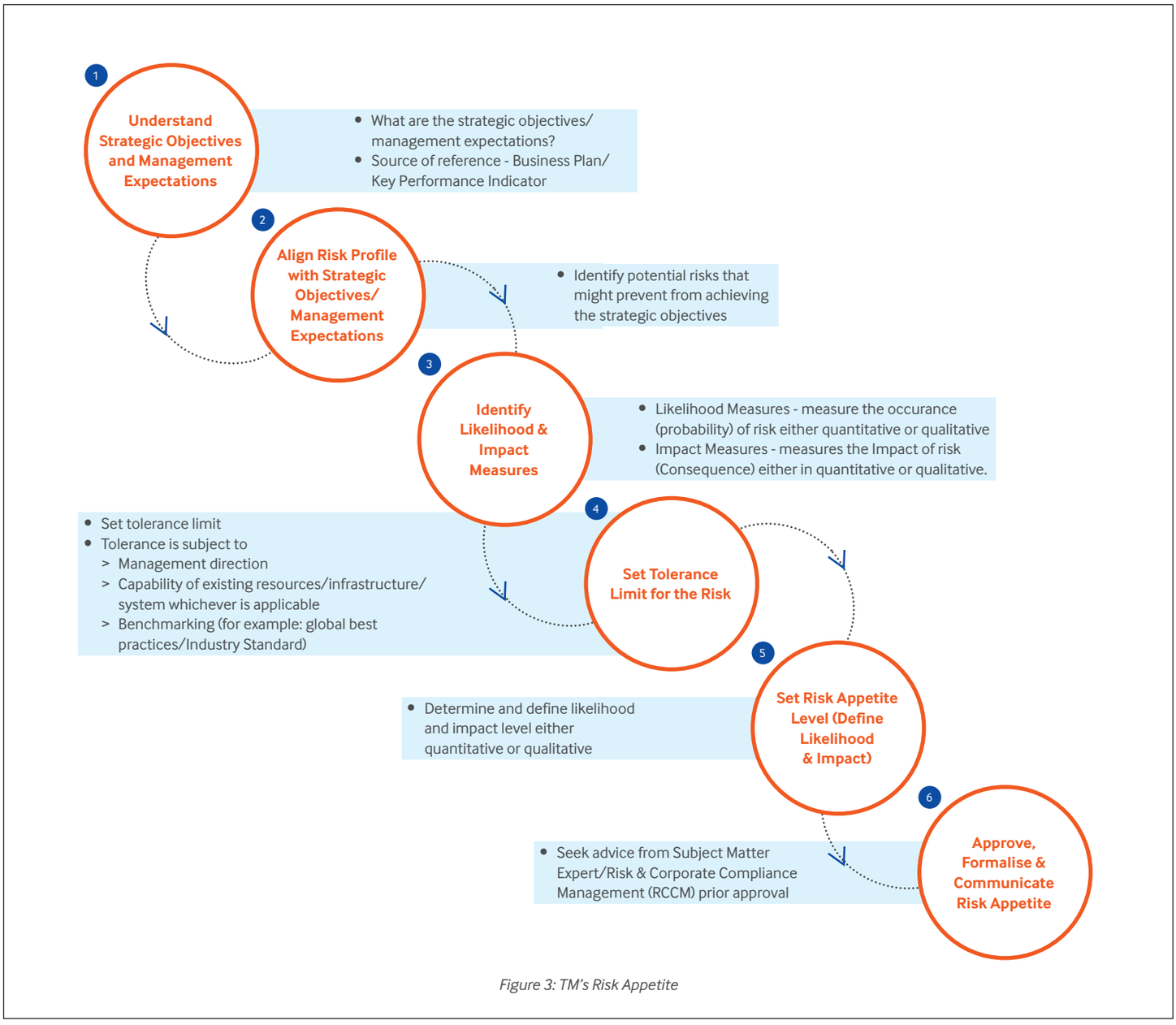


Figure 3: TM's Risk Appetite

Principal Risks

The principal risks that are being monitored by the Board is summarised in the Figure 4 below, the details of which can be found in the Risk Committee Report on pages 151 to 153.

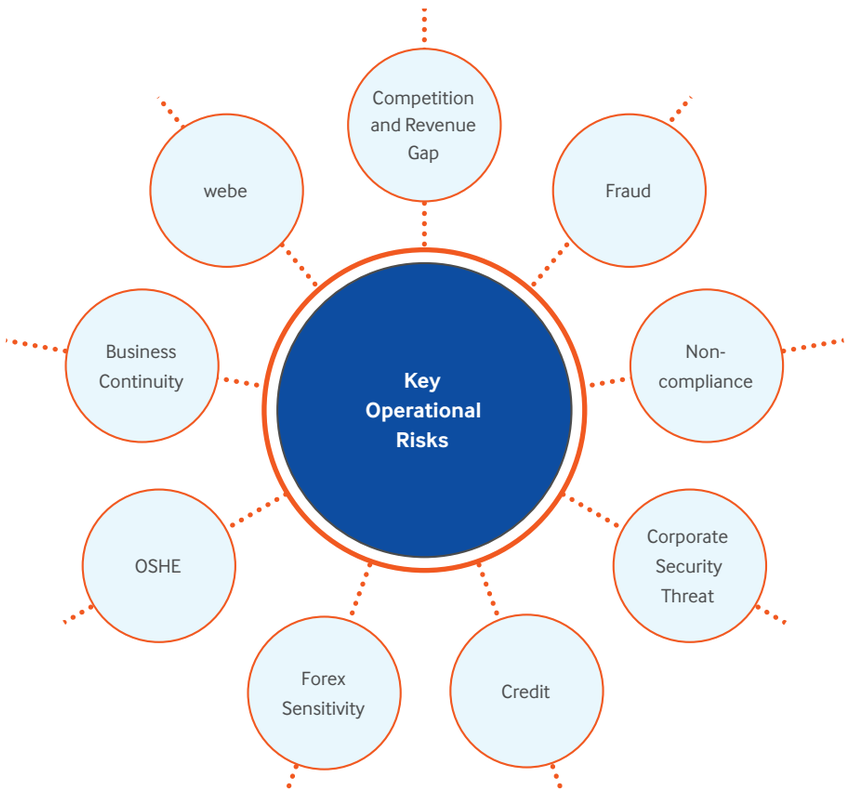


Figure 4: TM's Principal Risks

INTERNAL CONTROL SYSTEMS

The Board acknowledges that the internal control systems are designed to manage and reduce risks that will hinder the Group from achieving its goals and objectives. It provides reasonable assurance against the occurrence of any material misstatement of management inclusive of financial information, business, operational, environmental, compliance and financial losses or fraud. The internal control systems are embedded within the Group's operating activities and exist for fundamental business reasons.

The internal control systems are developed based on the COSO (Committee of the Sponsoring Organisations of the Treadway Commission) Internal Control Integrated Framework and regularly reviewed throughout the year by the Board, taking into consideration any changes in the regulatory, applicable laws and business environment to ensure adequacy and integrity of internal control systems.

The key elements of the internal control systems established by the Board that provides good governance and effective internal control systems include:

- **Clearly defined lines of responsibilities and authorities**

  The Group has clearly defined lines of responsibilities and authorities to facilitate prompt responses in the continuously evolving business environment, effective supervision of day-to-day business conducts and accountability. These include a formal organisation structure in place and establishment of Limit of Authority (LoA) matrix that clearly outlines the Board and Management's limits and approval authorities across various key processes. The LoA is duly approved by the Board and subject to regular review and enhancement to ensure it reflects changes in accountability and risk appetite of the Group.

- **Strategic Theme, Objectives and Core Values**

  In achieving the Group's vision to materialise "Life and Business Made Easier, for a better Malaysia", the Management continues to execute the Performance Improvement Programmes 3.0 initiative prioritising on fundamental productivity shift, continued growth by protecting the core, and improve institutional health enablers through customer experience and institutional building to support the Group's key business objectives in becoming the Convergence Champion. This is supported by the internalisation of the Group's Core Values, KRISTAL i.e. Total Commitment to Customers, Uncompromising Integrity and Respect & Care.

- **Risk Management and Internal Control Policy Statement**

  Risk Management and Internal Control Policy Statement is issued by the Board and the Management to provide reasonable assurance towards achieving the Group's business objectives, as well as safeguarding and enhancing shareholders' investments and the Group's assets. CEO of the Group, Head of Line of Business, Head of Business and Support Groups, and CEOs of subsidiaries are responsible to implement risk management framework and practices.

DIRECTORS' STATEMENT ON
RISK MANAGEMENT & INTERNAL CONTROL

- **Establishment of Framework, Policy, Manual and Procedures**

  > **Business Policy & Governance (BPG)**

  TM Business Policy & Governance (BPG) is the main reference document that outlines the overall policies and governance with clearly defined process owner across key functional areas within the Group. The sub-policies, processes, procedures and guidelines are developed and properly maintained by the respective process owners to provide the details in supporting the overall policies and governance in BPG.

  > **Procurement Policy**

  TM's Procurement Policy is established to control and manage procurement activities within the Group. It is TM's philosophy to procure the best goods & services in terms of quality, price, quantity, delivery, supplier and technology, using the "Total Cost of Ownership" approach to ensure the best returns to the Group.

  > **Credit Management Policy**

  The Credit Management Policy enables TM to identify high-risk customers especially in detecting potential delinquent customers at an early stage and take necessary actions to safeguard any loss due to default payment. The policy also provides guidelines in making sure that the cost of providing services on credit terms and the cost of recovery is kept to a minimum level. The Group continues to improve the execution and implementation of key controls in credit management policy by assigning credit rating based on customer payment behaviour, credit treatment enforcement, collateral management and tainting of customer with persistent bad payment trend to ensure credit and payment risk to the Group are minimised.

  > **Corporate Security Policy**

  The Corporate Security Policy provides a model for establishing, implementing, operating, monitoring, reviewing, maintaining and improving the Security Management in TM. The policy applies to all TM assets, including all means of handling, storing and processing of information, whether the information is intended for public access or for strictly limited distribution.

  > **Data Governance Policy**

  TM Data Governance Policy provides the framework and guideline in managing data across the Group. The objective of this policy is to manage data with the purpose of delivering timely, trustworthy, and relevant information that enables informed business decisions. The policy also establishes clear ownership with roles and responsibilities to accommodate TM business needs and compliance to Malaysian regulatory requirements, inclusive of the Malaysian Personal Data Protection Act (PDPA) to ensure the privacy of data is protected and well-maintained.

  > **IT Governance Manual**

  IT Governance specifies the decision rights and accountability framework to encourage desirable behaviour in the use of IT in TM. It explains the five major decision domains within IT Governance i.e. IT Principles, IT Architecture Governance, IT Infrastructure Governance, IT Investment Prioritization Governance and Business Application Needs Governance.

  > **Group IT Enterprise Architecture (GITEA) Framework**

  GITEA Framework defines the technology components necessary to provide business and operational capability within the Group. It includes the inter-related architectures and the life-cycle management for the technical components, generally referred as IT infrastructure. GITEA is part of a decision-making framework governing investment and deployment of IT for the Group.

  > **Human Resource Policies and Procedures**

  Human Resource Policies and Procedures are in place to provide clarity in all aspects of the human capital management within the Group. Competency-Based Development Framework is established to identify competency requirements across all divisions as well as equipping employees with necessary skill-sets via internal, external trainings and e-learnings. Succession Planning is done periodically to ensure the Group has a pool of successors who are capable in meeting future organisational business needs. In achieving the next level of productivity, excellent service and performance, TM has developed SUCCESS TM Leadership Competency Model which clarifies the skills and behaviours essential for all employees.

  > **Corporate Compliance Charter and Framework**

  Corporate Compliance Charter is established to provide strategic guidance as to how the corporate compliance management would be carried out within TM. The charter provides a holistic value-added corporate compliance management within the Group by leading, coordinating and managing identification and assessment of operational compliance across TM in order to prevent, reduce or transfer compliance risk exposures to the level in line with the Group risk appetite. In supporting the charter, TM Corporate Compliance Framework is established to govern the overall compliance initiatives to be carried out by the Corporate Compliance Management Unit. The framework covers the approach/ methodology, compliance monitoring programs, compliance reporting, remedial action monitoring, collaboration, training and education.

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- **Ethics and Integrity**

  TM is committed in conducting its business in an open, honest and ethical manner. Code of Business Ethics (CBE) has always been the main reference for all employees when dealing with various stakeholders; both internal and external with high integrity standards. The strong commitment of the Group in upholding integrity when carrying out duties are evidenced by:

  > Corporate Integrity Pledge signed on 27 April 2011. The Integrity Pact which was implemented in 2012 consists of integrity declarations by TM employees as well as TM suppliers involved in procurement activities. It was revised in Nov 2016 to incorporate the execution of annual declaration by employees and by Procurement Committee members upon their appointment.

  > Procurement Ethics Rules & Practices which demonstrates greater transparency and cultivate ethical behaviours among employees, suppliers and business partners in procurement activities. Non-compliance with the Procurement Ethics Rules & Practices will result in the imposition of necessary consequence management.

  > TM Anti-Corruption Guide which supplements the CBE by setting out the policy statements and guidelines for all TM Employees in relation to improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business. TM adopts a zero tolerance approach to all forms of corruption.

  > Ethics and Integrity e-Learning launched in 3 different phases in 2016 to enhance the awareness in upholding integrity values.

  > TM Integrity Movers in which 45 employees were selected and have attended a master trainer program to disseminate knowledge on ethics and integrity through knowledge sharing sessions to others.

  > Annual Declaration of Assets (DOA) and Integrity Agreement where all Management and employees are required to declare their assets and interest via Online Declaration of Assets and Interest System.

- **Whistle-Blowing Policy**

  The Whistle-Blowing Policy enables any employee or supplier to report actual or suspected malpractices, misconducts or violations of the Group's policies and regulations in a safe and confidential manner through the 'Ethics Line'.

- **Fraud Investigation and Management**

  Internal investigations are carried out by Corporate Investigation Unit (CIU), an independent unit under Group Internal Audit for any misconduct and corporate fraud committed by employees and any party who has dealings with TM. Investigation on telecommunication fraud is carried out by Fraud Investigation & Intelligence Unit (FII) under Group Business Assurance.

- **Insurance and physical safeguards**

  Adequate insurance and physical safeguards on major assets are in place to ensure Group assets are sufficiently covered to minimise material loss against any mishap.

- **Business Continuity Management (BCM)**

  The BCM Steering Committee is chaired by the GCEO committed to enhance service reliability and resilience via improved BCM programme. The programme serves as guidance to identify potential adversities to the Group and its impact to business operations. Subsequently, overall framework is established to build organisational resilience with effective response mechanism to safeguard the interest of key stakeholders, reputation and brand.

- **Control Self-Assessment (CSA)**

  As TM moves up its risk maturity level, CSA allows employees to identify risks within their business environment and evaluate the adequacy and effectiveness of the internal control systems in place. Results from the CSA feature as key information in identifying high-risk areas within the Group.

- **Management Committee (MC) and Group Leadership Team (GLT)**

  Two top level committees have been established, namely the Management Committee and the Group Leadership Team chaired by GCEO with clear demarcation of roles in managing the Group's strategies and policies effectively. The MC focuses on providing guidance and making decisions on strategic matters, while the GLT concentrates on matters pertaining to business performance and ensures the effective execution and supervision over key operational issues.

- **Best Practice Committee (BPC)**

  BPC is a management committee that reports to the BAC. The BPC serves as a platform to update and discuss on current development of best practices, corporate governance, statutory and regulatory requirements set by all statutory bodies and relevant authorities.

DIRECTORS' STATEMENT ON
RISK MANAGEMENT & INTERNAL CONTROL

- **Recording to Reporting (R2R) Framework**

  R2R is non-compliance reporting framework adopted by Group Finance to instil and enforce behaviour change across the organisation to enhance the quality and integrity of the recording to reporting process. It serves as a mechanism for identifying and capturing financial non-compliance incidents and at the same time promotes awareness of compliance and increase senior management's accountabilities.

- **Internal Control Incident (ICI)**

  Periodic ICI reporting captures and disseminates lessons learnt from significant internal control incidents to Senior Management to prevent reoccurrences in other divisions and operating companies within the Group.

- **Audit and Business Assurance Committee (ABAC)**

  The ABAC, chaired by the GCFO, comprises of Senior Management from the respective LOBs and Support functions. Effective monitoring and tracking of any internal and external audit issues are in place through deliberation in the ABAC to ensure issues are timely resolved and recommendations are effectively implemented.

  The People Compliance Committee (P2C) was established as part of the ABAC to serve as the governing body to address audit issues on people committing non-compliances. The P2C aims to instil a high standard of integrity and educate clear line of accountability in TM.

INTERNAL AUDIT

Group Internal Audit (GIA) is an in-house internal audit function that reports to BAC with the objective to provide an independent, objective assurance and consulting activities designed to add value and improve the Group's operation. GIA helps the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. During the financial year, the internal audit function provides continuous assessment on risks to ensure risks are adequately evaluated, managed, monitored and mitigated. GIA further evaluates the effectiveness and efficiency of the governance, risk management framework and internal control systems and provides recommendations for improvement. The Management then follows through and reviews the status of actions taken on recommendations made by the internal and external auditors.

Audit reviews are carried out through risk-based approach, in line with the Group's objectives and policies in the context of its evolving business and regulatory environment, taking into consideration input from the Senior Management and the Board.

Further information on Internal Audit is provided on page 173 to 174 inclusive of this Integrated Annual Report.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has received assurance from the Group Chief Executive Officer and Group Chief Finance Officer that the Group's risk management framework and internal control systems are operating adequately and effectively, in all material aspects, during the financial year under review. Taking into consideration the assurance from the Management Team and input from the relevant assurance providers, the Board is of the view that the risk management framework and internal control systems are satisfactory and adequate to safeguard shareholders' investments, customers' interests and the Group's assets and have not resulted in any material loss, contingency or uncertainty. TM's internal control systems do not apply to its associate companies, which fall within the control of their majority shareholders.

Nonetheless, TM's interests are served through representation on the Board of Directors and Senior Management posting(s) to the associate companies as well as through the review of management accounts received. These provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments in such companies.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. This was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the risk management and internal controls of the Group. RPG 5 does not require the external auditors to, and they did not, consider whether this statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

STATEMENT ON INTERNAL AUDIT

Group Internal Audit (GIA) assists TM Group to accomplish its business objectives by implementing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management measures, control and governance processes. GIA provides independent, objective assurance and consulting services designed to add value and improve TM's operations. The internal audit charter approved by the Board Audit Committee (BAC), defines GIA's purpose, authority and responsibility. GIA reports directly to the BAC to ensure it remains free from any interference in ensuring its independence and objectivity.

The Group Chief Internal Auditor reports on activities performed by GIA as well as key strategic and control issues observed to the BAC in order to preserve its independence. BAC reviews and approves GIA's Audit Plans, Annual Budget and Human Resources requirements to ensure the function is well resourced and aligned with the Group's objectives. In addition, BAC approves and periodically reviews GIA's and the Group Chief Internal Auditor's performance to observe the progress and achievements.

GIA adopts the International Professional Practices Framework (IPPF)® inclusive of the mandatory elements; Core Principles for the Professional Practice of Internal Auditing, International Standards For The Professional Practice Of Internal Auditing of The Institute of Internal Auditors, the definition of Internal Auditing, and Code of Ethics to manage its functions and perform the audit engagements.

PRACTICES AND FRAMEWORK

GIA is guided by the internal policies, procedures and framework as well as the Internal Control Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), Control Objectives for Information and Related Technology (COBIT) and Enhanced Telecom Operations Map (eTOM) framework in assessing and reporting on the adequacy and effectiveness of the design, implementation and efficiency of the Group's overall system of internal controls, risk management and governance.

SCOPE AND COVERAGE

GIA continues to adopt a risk-based audit plan approach to provide assurance to the Board that programmes being carried out have been prioritised based on the Group's strategies, objectives, key risks and core areas. Input from various sources – inclusive of Enterprise Risk Management (ERM), Business Plan, past internal and external audits, Management and the Board – permits the identification of auditable risk areas. In 2016, the Group's audit universe expanded to mobile and wireless, in addition to the existing areas which includes Lines of Businesses (LOBs), Central Functions, Local Subsidiaries, Regional Offices, Network, Finance, Procurement and Information Technology.

GIA conducted reviews on governance, risk management and controls in the areas of finance, compliance, human resource, operations, project management, network and Information Technology as well as data analytics. Among the key areas covered were:

- Sales and marketing
- Service agreement management
- Customer experience management
- Credit management
- Product lifecycle management
- Service fulfilment management
- IT security and governance
- ID Management
- Data lifecycle management
- Billing and revenue assurance
- Major project deliverables and management
- Procurement, inclusive of contract and outsourcing management
- Asset and customer premises equipment management
- Accounting/financial activities

All internal audit reports were presented to the BAC with recommendations from GIA and feedback from Management. GIA subsequently monitored and verified the implementation status on a quarterly basis through the ABAC.

In addition to performing audit engagement, GIA has been actively involved with the management in developing compliance teams within management units. The involvement from GIA includes sharing of best practices and knowledge on internal auditing, risk management and internal controls.

STATEMENT ON INTERNAL AUDIT

RESOURCES

A total of RM7.07 million was spent on internal audit activities in 2016. A summary of the internal audit costs is as follows:

Category	RM (million)	% of total cost
Manpower	5.45	77
Incidentals (incl. travelling)	0.46	7
Internal recharges (incl. space rental, IT charges, training etc)	1.16	16
Total	**7.07**	**100**

All internal audit activities in 2016 were performed in-house by a group of 42 internal auditors from various background and competencies, as follows.

Discipline	No. of Internal Auditors	Percentage
Accounting and Finance	11	26
Information Technology	7	17
Engineering/Network	11	26
Marketing	4	10
Business Administration	6	14
Procurement/Human Resources	3	7
Total	**42**	**100**

INTERNAL AUDIT QUALITY

The Group Chief Internal Auditor develops and maintains a Quality Assurance and Improvement Programme that covers all aspects of internal audit activities. The quality assurance programme assesses the efficiency and effectiveness of GIA processes and identifies opportunities for improvement via internal and external assessments.

GIA has a peer reviewer mechanism to ensure relevant, reliable and sufficient assessment to support audit engagement's results and conclusions. Peer reviewers with relevant expertise among Senior Auditors or the GIA Management team are selected to provide professional advice and ensure that all risk areas are adequately covered prior to communicating the final engagement results to the appropriate parties.

PROFESSIONAL QUALIFICATIONS & CONTINUOUS COMPETENCY DEVELOPMENT

GIA is committed to equip TM's internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities. The internal auditors are also encouraged to obtain appropriate professional certifications and qualifications. To date, 14 of our internal auditors hold a total of 27 certifications and qualifications between them. These have been awarded by various recognised professional bodies.

In 2016, the internal auditors attended 2,620 hours of external and internal training, seminars and workshops in multiple technical disciplines and internal soft skills training on leadership, communication and negotiation to enhance their job performance and career prospects. These include the Internal Audit Basic Training module developed by GIA using real business environment case studies.



Hazimi Kassim
Group Chief Internal Auditor



Gee Siew Yoong
Chairman, Audit Committee

BUSINESS CONTINUITY MANAGEMENT

Our Goals:

1. To strengthen business continuity capabilities in broadband and mobility
2. To spread business continuity practice to supply chain management

Highlights of 2016:

1. Achieved BCMS ISO 22301:2012 certification
2. Established a Business Continuity Roadmap 2016-2018 for our operational pillars and state functions

Our business continuity is critical to the delivery of an excellent customer experience, as well as to ensuring the availability of telecommunications in times of national emergency. It also protects against financial loss, bad reputation and regulatory non-compliance. In order to safeguard our business continuity, we continually strengthen our capabilities across our operational pillars of Network, Information Technology, Contact Centre, Corporate Office and Procurement.



SIRIM QAS INTERNATIONAL

CERTIFICATE

BUSINESS CONTINUITY

SIRIM QAS International hereby certifies that

TELEKOM MALAYSIA BERHAD
NETWORK OPERATIONS CENTRE (NOC)
DATA NETWORK MANAGEMENT
MEZZANINE (M) FLOOR, TMNOC COMPLEX
JALAN TEKNOKRAT 2
63000 CYBERJAYA
SELANGOR DARUL EHSAN
MALAYSIA

has implemented a Business Continuity Management Systems complying with

ISO 22301 : 2012
Societal Security - Business Continuity Management Systems - Requirements

Scope of Certification

BUSINESS CONTINUITY MANAGEMENT SYSTEM FOR OPERATION OF TM NOC GALLERY, CYBERJAYA.

Issue date : 05 August 2016
Validity period : 05 August 2016 - 04 August 2019
Certification No. : BCM 0006

Khalidah Mustafa
Managing Director
SIRIM QAS International Sdn. Bhd.

Figure: SIRIM BCMS ISO 22301:2012 Certificate





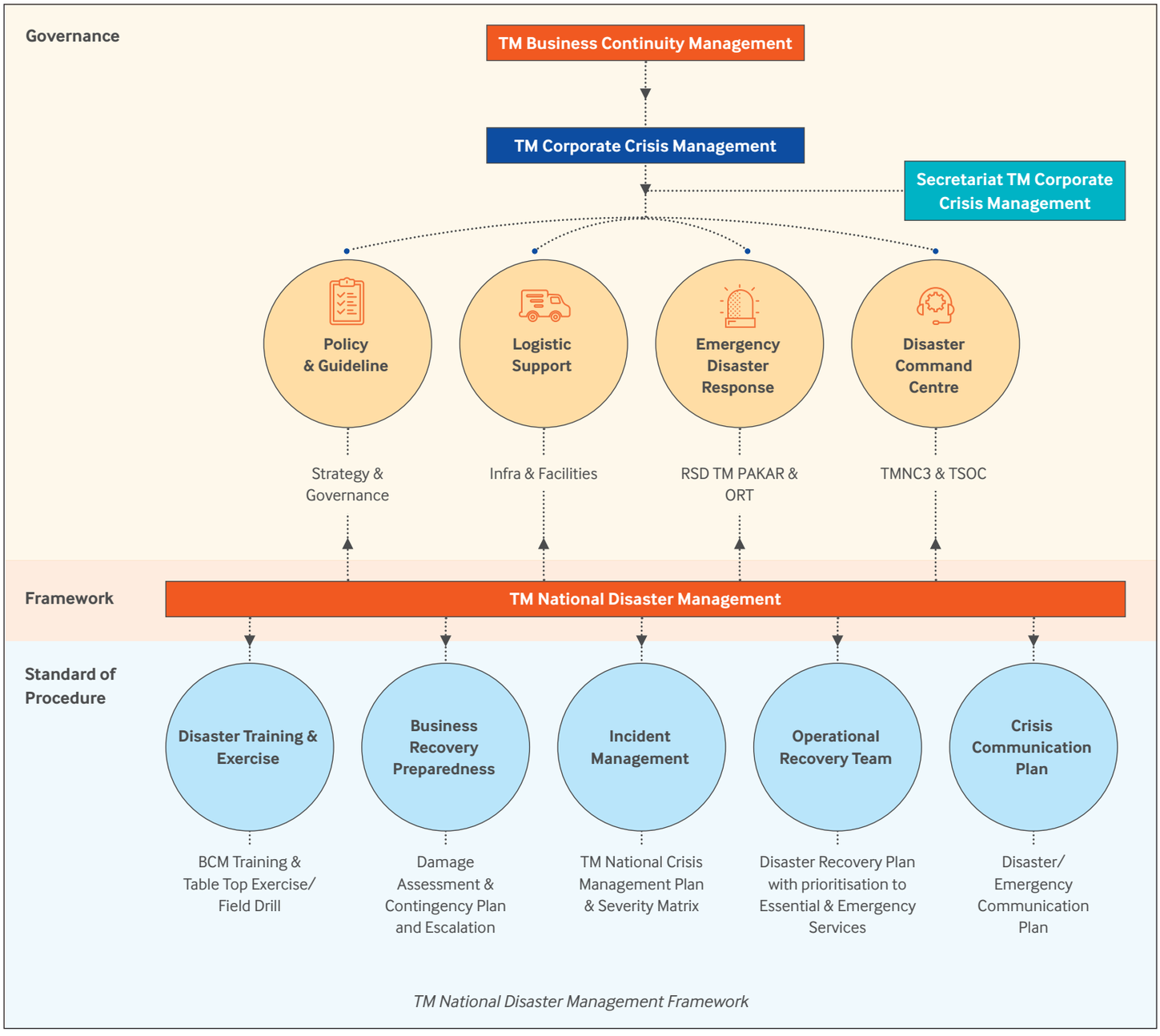
Figure: BCMS ISO 22301:2012 Surveillance Audit by SIRIM at TMNOC Cyberjaya

Every new service introduced is supported by a business continuity management (BCM) programme, hence one such programme was established for webe during the year. We also focused on instilling the practice of business continuity among our partners and suppliers.

Our efforts to embed business continuity into our operations were duly rewarded when, through our Network Operation Centre (NOC), TM became the first telco in Malaysia to be certified with BCMS ISO 22301:2012 by SIRIM QAS International. This was achieved on 5 August 2016.

BUSINESS CONTINUITY MANAGEMENT

The National Disaster Management framework in our Business Continuity Plan consists of a structured organisation and governance, comprising a TM National Crisis Command Centre (TMNC3), TM State Operation Centres (TSOC) and Operational Recovery Team (ORT). The robustness of this framework is validated by the fact that MCMC uses it as a benchmark for all operators.



TM National Disaster Management Framework

In early 2016, we reinforced this framework in the earthquake-prone state of Sabah. A Business Impact Analysis (BIA) workshop was conducted at which a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) SOP were established. As part of Disaster Management preparedness, we enhanced BCM awareness at the Sabah State Operation Centre and went through the paces of a Table Top Exercise (TTE) for recovery process with the state Operation Recovery Team.

Going Forward

To further entrench our business continuity, we developed a Business Continuity Roadmap 2016-2018 for our operations and state functions. We believe strongly that our business continuity is integral to our vision of delivering Life and Business Made Easier for a better Malaysia.

ADDITIONAL COMPLIANCE INFORMATION

IN ACCORDANCE WITH APPENDIX 9C OF THE MAIN MARKET LISTING REQUIREMENTS (MAIN LR) OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES)

The following information is provided in compliance with the Main LR of Bursa Securities:

1.0 UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

On 3 March 2015, the Company through its wholly-owned subsidiary, Tulip Maple Berhad, received approval for the establishment of a Multi-Currency Euro Medium Term Notes (EMTN) Sukuk programme of up to USD750.0 million in nominal value (or its equivalent in foreign currencies). Pursuant to the approval, the programme was transacted as follows:

Issuance Date	Type	Nominal Value (RM million)	Maturity Date	Proceeds Utilisation
25 February 2016	EMTN	50.0	25 February 2026	For capital expenditure and business operating requirements
19 August 2016	EMTN	50.0	21 August 2023	For capital expenditure and business operating requirements
15 November 2016	EMTN	75.0	15 November 2026	For capital expenditure and business operating requirements

In 2016, the Company also issued several Islamic Commercial Papers (ICP) as part of the ICP/Islamic Medium Term Notes (IMTN) programmes approved in 2013. A summary of the transactions and utilisation of the proceeds is tabled below:

Issuance Date	Type	Nominal Value (RM million)	Maturity Date	Proceeds Utilisation
3 August 2016	ICP	150.0	2 September 2016	For capital expenditure and business operating requirements
12 October 2016	ICP	300.0	9 December 2016	For capital expenditure and business operating requirement

(Disclosed in accordance with Appendix 9C, Part A, item 13 of the Main LR)

2.0 MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts or any contracts in relation to loans entered into by the Company and/or its subsidiaries involving the interests of the Directors, chief executive who is not a director or major shareholders either still subsisting as at 31 December 2016 or entered into since the end of the previous financial year ended 31 December 2015.

(Disclosed in accordance with Appendix 9C, Part A, items 21 and 22 of the Main LR)

3.0 LISTING OF PROPERTIES

The Company has on 3 May 2002, obtained a waiver from Bursa Securities from having to disclose detailed particulars of its properties for the Company's 2001 Annual Report and subsequent annual reports. The waiver is still subsisting to date.

The net book value of land and buildings, and usage of properties for the financial year ended 31 December 2016 is disclosed on pages 342 to 343 inclusive, of this Integrated Annual Report.

(Disclosed in accordance with Appendix 9C, Part A, item 25 of the Main LR)

4.0 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (RRPT)

At the Extraordinary General Meeting held on 28 April 2016, the Company had obtained a general mandate from its shareholders on the RRPT entered into by the Company and/or its subsidiaries as set out in the Circular to Shareholders dated 4 April 2016 (RRPT Mandate). This RRPT Mandate is valid until the conclusion of the forthcoming Thirty-second Annual General Meeting of the Company to be held on 26 April 2017.

ADDITIONAL COMPLIANCE INFORMATION

IN ACCORDANCE WITH APPENDIX 9C OF THE MAIN MARKET LISTING REQUIREMENTS (MAIN LR) OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES)

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main LR, details of the RRPT entered into during the financial year ended 31 December 2016 pursuant to the said RRPT Mandate are as follows:

Transacting Companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of Relationship	Nature of RRPT	Value of Transactions (RM'000)
Our Company and/or our subsidiaries	Axiata Group Berhad (Axiata) and/or its subsidiaries (Axiata Group)	Minister of Finance, a body established under the Minister of Finance (Incorporation) Act 1957 (MOF Inc.), Khazanah Nasional Berhad (Khazanah), Dato' Sri Dr. Mohmad Isa Hussain and Asri Hamidin (@ Hamidon, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin and Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil	In addition to their shareholdings in our Company, MOF Inc. and Khazanah have direct and indirect shareholdings of 37.57% in Axiata. Dato' Sri Dr. Mohmad Isa and his Alternate, Asri, are representatives of MOF Inc. on our Board. Tunku Dato' Mahmood Fawzy and his Alternate, Nik Rizal Kamil, are representatives of Khazanah on our Board.	Revenue	
				– Interconnect revenue from Axiata Group.	80,862
				– Provision of leased-line services to Axiata Group.	12,025
				– Provision of data and bandwidth related services to Axiata Group.	55,510
				– Site rental for telecommunications infrastructure, equipment and related charges by TM Group to Celcom Axiata Berhad (Celcom).	51,284
				– Provision of Internet access and broadband services to Celcom.	79
				– Provision of contact centre and business process outsourcing services by VADS Berhad (VADS) to Axiata Group.	55,866
				– Provision of fibre optic core and bandwidth services by Fiberail Sdn Bhd to Celcom.	4,166
				– Provision of fibre optic, bandwidth, space and facility by Fibrecomm Network (M) Sdn Bhd (Fibrecomm) to Celcom.	3,613
				– Rental of office premises to Axiata Group.	16,975
				Cost	
				– Interconnect charges by Axiata Group.	85,324
				– Leased-line charges by Axiata Group.	2,238
				– Fibre optic and leased-line charges by Celcom to Fibrecomm.	1,116
				– Core rental and mobile services from Celcom to TM Group.	5,490
				– Domestic roaming charges by Celcom to TM Group.	9,057
				– Site rental for telecommunications infrastructure, equipment and related charges by Axiata Berhad to TM Group.	6,035
				TOTAL	**389,640**
Our Company and/or our subsidiaries	Astro Malaysia Holdings (AMH) Berhad and its subsidiaries (AMH Group)	Khazanah, Tunku Dato' Mahmood Fawzy and Nik Rizal Kamil	In addition to its shareholdings in our Company, Khazanah is a major shareholder of AMH with deemed interest of 20.69%. Tunku Dato' Mahmood Fawzy and his Alternate, Nik Rizal, are representatives of Khazanah on our Board.	Revenue	
				– Provision of data centre services by VADS to AMH.	1,632
				– Provision of internet access, broadband and fibre circuit services to AMH.	4,427
				– Provision of ICT products, radio transmission and connectivity services to AMH.	19,936
				Cost	
				– Provision of content by AMH to TM Group.	57,499
				TOTAL	**83,494**

CORPORATE INTEGRITY

Our corporate governance is supported by ethical behaviour of all TM representatives, from our Board of Directors to Employees as well as our Business Partners.

With Enterprise, Ethics & Integrity Unit ("EEIU") taking the lead in implementing the initiatives, we continuously inculcate, in all TM representatives a work culture that embraces integrity as a way of life.

Key Initiatives in 2016:

Aimed at strengthening and institutionalising anti-corruption mechanisms and promoting ethical practices, initiatives were put in place focusing on three main areas namely improving internal policies and processes, creating ownership and accountability and educating the people.

1

TM Integrity Day

TM Integrity Day 2016 was one of the most successful Integrity @ Heart Programme with approximately 1000 TM employees (including the Management Team) attended the event held at TM Convention Centre. The event was graced with the presence of TM Chairman who delivered a speech in the "Up Close & Personal with TM Chairman" session and launched the revised Code of Business Ethics, Ethics and Integrity e-Learning and Declaration of Assets and Interests. Prominent speakers such as Dr. Md. Akbal Abdullah and Miss Low Ngai Yuen delivered their special address on issues related to integrity who later joined other panelists such as Tuan Haji Mohd Jaafar Abd Majid and Encik Hazimi Kassim in the Integrity Chat Session.

2

Revised Code of Business Ethics

The new Code of Business Ethics is a comprehensive guidance to the standards of behaviour expected of all TM employees and solutions to any business ethical issues that they may encounter in conducting business. It introduces provisions on prohibition of receiving and giving gifts, entertainment and corporate hospitality. It also enhances the provision on TM's whistleblowing policy that is complimented with case handling process for illegal, unethical and improper business conduct in TM. The provision on TM's dealing with competition was strengthened with a clause on compliance to the Competition Act 2010 is incorporated.

3

Revised Integrity Pact

Enforced ever since 2012, Integrity Pact is a signed commitment created to solicit greater cooperation from all TM representatives in our fight against corruption. In embracing the spirit of life and business made easier, the Integrity Pact was revised in 2016 by introducing some significant changes such as reciprocal undertaking with both TM and Business Partners as the signatories and one-time execution of the Integrity Pledge by the Business Partners and procurement committee members.

4

Annual Declaration of Assets and Interests ("DOA")

All TM employees are mandated to annually declare their assets and interests including the interests that their family may have in TM in any form, either directly or indirectly. The declaration is undertaken via the Online Declaration of Assets and Interest System and is expected to create more transparent and accountable workforce.

5

Ethics and Integrity e-Learning

Recognising that everyone plays a role in practicing good governance and eradicating corruption, the Ethics and Integrity e-Learning was implemented in 2016 with focus given on educating employees at executive level on the contents of the revised Code of Business Ethics and Anti-Corruption Guide in a user-friendly and easy-to-understand environment.

6

AMANAH Module

"AMANAH" is the abbreviation of "A – Amalan kita, M – Masa, A – Anda, N – Natijah, A – Allah and H – Hamba", a module developed by Group Human Capital Management as part of the initiatives undertaken by Integrity Fellows nationwide. The module is infused with some spiritual element with the objective of instilling "AMANAH" as a culture that TM employees should practise in every sphere of life.

7

Integrity Movers

Integrity Movers is a continuation of Integrity Fellows Programme with a number of 45 employees selected as ambassadors who are not only expected to demonstrate high standards of ethical behaviour but also shouldered with the responsibility of reinforcing the Kristal Value of "Uncompromising Integrity" on the identified audience. They were earlier trained in an intensified six-day training to equip themselves with the necessary skills through the Neuro-Linguistic Programme.

8

Reaching Out Programmes

To continuously raise awareness on good governance practices and prevention of corruption in TM, a series of reaching out programmes were conducted covering 6 regions and involving more than 5,500 employees. The reaching out programmes were also joined by employees at management level who delivered the strong tone from the top management in relation to TM's position on integrity.

Going Forward

We look forward to further enhancing our integrity and anti-corruption framework and establishing a good and trust-worthy governance structure through periodic review of internal policies and processes and creating accountable and transparent workforce via continuous engagement programmes and trainings with effective modules.

CHAPTER

8

FINANCIAL PERFORMANCE AND STATEMENTS

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FINANCIAL CALENDAR

24 FEBRUARY 2016

Announcement of the audited consolidated results and declaration of second interim single-tier dividend of 12.1 sen per share for the financial year ended 31 December 2015.

10 MARCH 2016

Date of entitlement of the second interim single-tier dividend of 12.1 sen per share for the financial year ended 31 December 2015.

24 MARCH 2016

Date of payment of the second interim single-tier dividend of 12.1 sen per share for the financial year ended 31 December 2015.

4 APRIL 2016

Issuance of the 31st AGM Notice, 2015 Annual Report and 2015 Sustainability Report.

13 APRIL 2016

Issuance of the Extraordinary General Meeting (EGM) Notice and Circular to Shareholders.

28 APRIL 2016

31st AGM and EGM of the Company.

25 MAY 2016

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2016.

30 AUGUST 2016

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2016.

20 SEPTEMBER 2016

Date of entitlement of the 1st interim single-tier dividend of 9.3 sen per share for the financial year ended 31 December 2016.

7 OCTOBER 2016

Date of payment of the 1st interim single-tier dividend of 9.3 sen per share for the financial year ended 31 December 2016.

25 NOVEMBER 2016

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2016.

22 FEBRUARY 2017

Announcement of the audited consolidated results for the financial year ended 31 December 2016.

9 MARCH 2017

Date of entitlement of the second interim single-tier dividend of 12.2 sen per share for the financial year ended 31 December 2016.

24 MARCH 2017

Date of payment of the second interim single-tier dividend of 12.2 sen per share for the financial year ended 31 December 2016.

4 APRIL 2017

Issuance of the 32nd AGM Notice, Integrated Annual Report 2016, Sustainability Report 2016 and Circular to Shareholders.

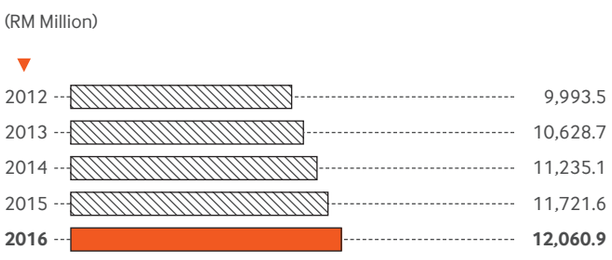
26 APRIL 2017

32nd AGM of the Company.

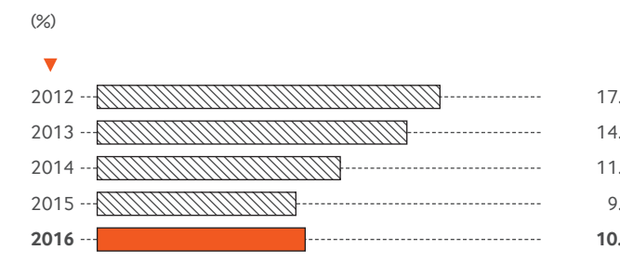
GROUP FINANCIAL HIGHLIGHTS

In RM Million	2012	2013	2014	2015	2016
OPERATING RESULTS					
1. Operating revenue	9,993.5	10,628.7	11,235.1	11,721.6	**12,060.9**
2. Profit before taxation and zakat	1,069.6	1,046.0	1,105.5	911.8	**918.5**
3. Profit for the financial year	1,305.9	1,047.8	842.5	591.8	**613.4**
4. Profit attributable to equity holders of the Company	1,263.7	1,012.2	831.8	700.3	**776.0**
KEY DATA OF FINANCIAL POSITION					
1. Total shareholders' equity	6,894.8	7,136.7	7,571.1	7,780.6	**7,692.3**
2. Total assets	22,195.9	21,146.5	22,623.2	24,413.1	**25,001.6**
3. Total borrowings	7,140.4	6,455.2	6,448.4	7,583.7	**8,363.3**
SHARE INFORMATION					
1. Per share					
Earnings (basic)	35.3 sen	28.3 sen	22.9 sen	18.7 sen	**20.6 sen**
Gross dividend	22.0 sen	26.1 sen	22.9 sen	21.4 sen	**21.5 sen**
Net assets	192.7 sen	199.5 sen	203.6 sen	207.0 sen	**204.7 sen**
2. Share price information					
High	RM6.40	RM6.00	RM7.57	RM7.79	**RM6.90**
Low	RM4.71	RM5.05	RM5.28	RM6.00	**RM5.81**
FINANCIAL RATIOS					
1. Return on shareholders' equity	17.7%	14.4%	11.3%	9.1%	**10.0%**
2. Return on total assets	5.9%	5.0%	3.7%	2.4%	**2.5%**
3. Debt equity ratio	1.0	0.9	0.9	1.0	**1.1**
4. Dividend cover	1.6	1.1	1.0	0.9	**1.0**

OPERATING REVENUE



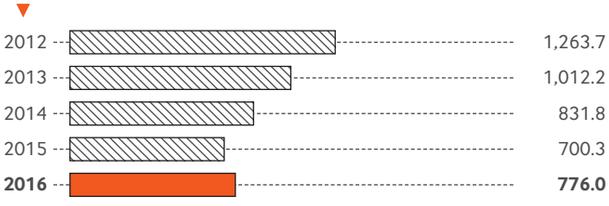
RETURN ON SHAREHOLDERS' EQUITY



GROUP FINANCIAL HIGHLIGHTS

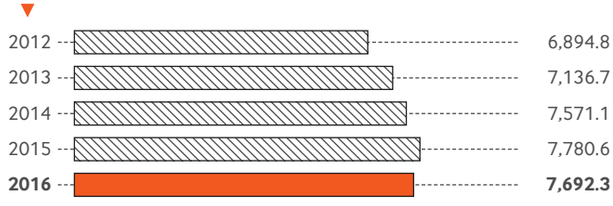
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(RM Million)



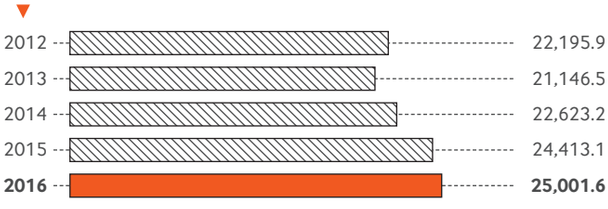
TOTAL SHAREHOLDERS' EQUITY

(RM Million)



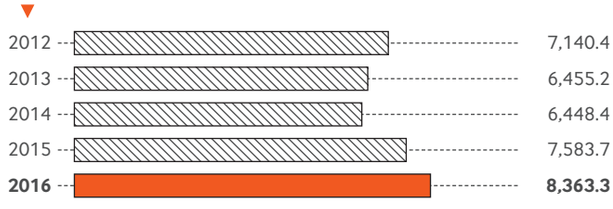
TOTAL ASSETS

(RM Million)



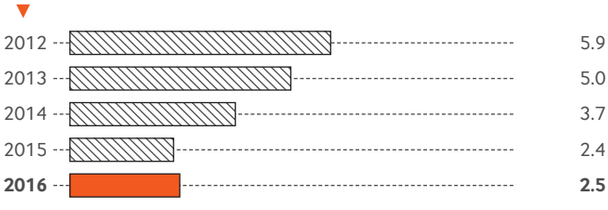
TOTAL BORROWINGS

(RM Million)

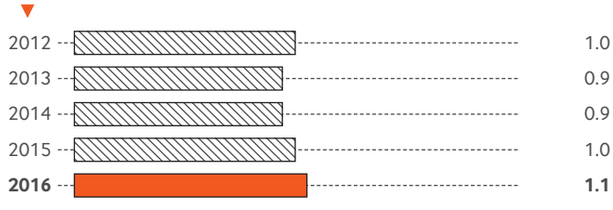


RETURN ON TOTAL ASSETS

(%)



DEBT EQUITY RATIO



INVESTOR RELATIONS

COMMUNICATING WITH OUR SHAREHOLDERS

In line with our ambitions to make both life and business easier, we are committed to communicating our strategies and activities clearly to all our shareholders.

Shareholder base

22,434*

Institutional/Retail Shareholders

** as at 28 February 2017*

Substantial Shareholders

Khazanah National Berhad
Employees Provident Fund
Amanahraya Trustees Berhad

55.17%

Foreign Shareholdings

12.34%

How we've communicated with our shareholders throughout the year

We maintained an active dialogue with our shareholders throughout the year through a planned programme of investor relations activities. We also respond to daily queries from investors and analysts through our Investor Relations team and maintain a portal on TM's corporate website, www.tm.com.my/investor, which serves as an excellent communication platform and source of information for investors and the general public. Additionally, the portal contains the Group's annual reports, financial results, investor presentations, capital structure information, press releases and disclosures to Bursa Securities, and is updated in a comprehensive and timely manner.

What our shareholders have asked us this year

We regularly reach out to our Stakeholders and encourage dialogue on various subject matters. In 2016, on top of the regular financial performance and strategy related questions, investors also enquired on news relating to spectrum reallocation by MCMC, the Budget 2017 announcement relating to broadband pricing as well as updates on webe. Below are some of the commonly asked questions.

General/Financial

- What are TM's biggest challenges and opportunities at the moment?
- What is TM's outlook with the implementation of the broadband price reductions announced by the Prime Minister? When can we expect clarity on the 2019 broadband pricing overhang?
- What will be your revenue drivers over the near to mid-term?
- What is the outlook for fixed broadband?
- What is TM's content strategy?
- With the high capex intensity planned over the mid-term as well as the challenges ahead, will this affect TM's dividend payout level?
- Based on TM's headline KPI's we can assume that there is margin pressure – what can you do to reduce this pressure, and how long do you expect this to persist?
- How do you define "Convergence"?
- What are the key risks for TM in the near to mid-term?
- What caused the weakness in TM's share price in 2016?



Our Annual General Meeting and investor engagements

Our annual general meeting is attended by our Board and Executive Committee members and is open to all our shareholders to attend. A presentation of the year's highlights and financial results are given before the Chairman deals with the formal business of the meeting. All shareholders present can question the Board during the meeting. We hold meetings with institutional investors, individual shareholder groups, financial analysts and rating agencies to discuss our business performance and strategy. These are attended by the appropriate mix of Directors and senior management, including our Chairman, Group Chief Executive Officer, Group Chief Financial Officer, senior leaders and the Investor Relations team.

Ensuring compliance with best practices, all communication with the capital market is governed by our Investor Relations Policy and Guidelines and is line with Bursa Malaysia's Corporate Disclosure Guide 2011.

Our Investor Relations Calendar

Set below is a calendar of our investor conferences and non-deal roadshows throughout the year:

Date	Location
January 2016	Singapore
	Kuala Lumpur
March 2016	London
	Singapore
April 2016	Kuala Lumpur
May 2016	London
June 2016	Kuala Lumpur
September 2016	Stamford CN, New York City, Boston MA
	Hong Kong
October 2016	Taipei

Below are our senior management engagement sessions in 2016:

Date	Event
January 2016	Engagement with EVP Global Wholesale
June 2016	Engagement with EVP New Media
October 2016	Engagement with CEO of Webe Digital Sdn Bhd
November 2016	Engagement with EVP TM Enterprise
	Engagement with EVP and GM Global Wholesale

Analyst briefings (via teleconference) held in 2016:

Date	Event
24 February 2016	FY2015 TM Group Results
25 May 2016	1Q2016 TM Group Results
30 August 2016	1H2016 TM Group Results
24 October 2016	Broadband Improvement Plan 2017
25 November 2016	3Q2016 TM Group Results

DIVIDEND POLICY

We reiterate our dividend commitment as stated in our dividend policy statement:

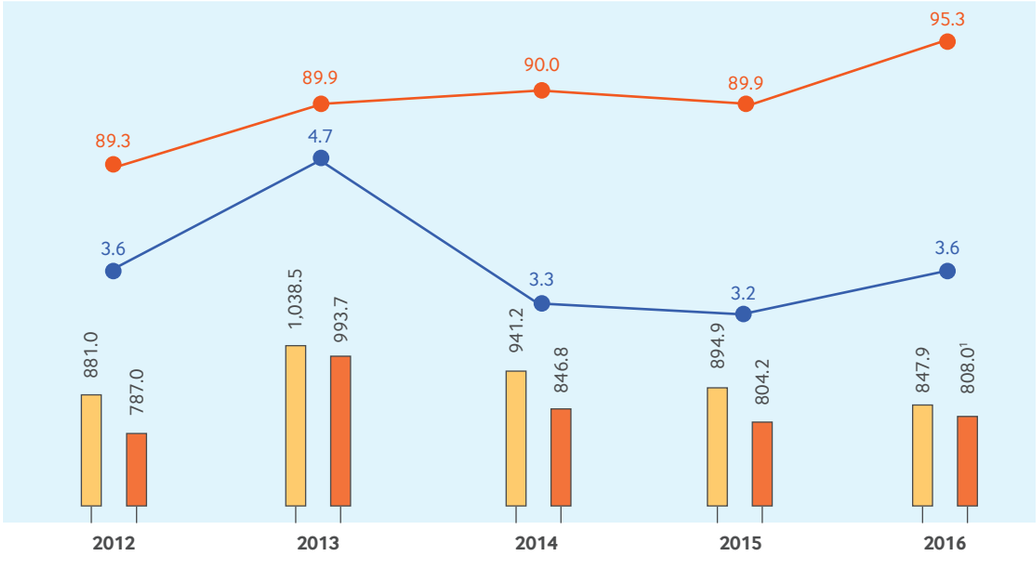
"In determining the dividend payout ratio in respect of any financial year after the Proposed Demerger, our Company intends to adopt a progressive dividend policy which enables us to provide stable and sustainable dividends to our shareholders while maintaining an efficient capital structure and ensuring sufficiency of funding for future growth.

Our Company intends to distribute yearly dividends of RM700 million or up to 90.0% of our normalised PATAMI, whichever is higher.

Dividends will be paid only if approved by our Board out of funds available for such distribution. The actual amount and timing of dividend payments will depend upon our level of cash and retained earnings, results of operations, business prospects, monetisation of non-core assets, projected levels of capital expenditure and other investment plans, current and expected obligations and such other matters as our Board may deem relevant."

SHAREHOLDER RETURNS (2012-2016)

Dividend Payout Policy of RM700 million or up to 90.0% of Normalised PATAMI whichever is higher



1 *2016 1st Interim Dividend of 9.3 sen per share and 2nd Interim Dividend of 12.2 sen per share*

2 *Net Dividend Yield based on closing price at year end*

3 *Excludes Capital Distributions/Repayment*

TM CREDIT RATING

TM continues to exhibit strong fundamentals and a sound balance sheet. This is evident from the credit ratings accorded by both local and international rating agencies, as indicated below:

Rating Agency of Malaysia	AAA
Moody's Investors Service	A3 (with a baseline credit assessment of "a3")
Standard & Poor's	A- (with a standalone credit profile of "a-")
Fitch	A- (outlook stable)

We are dedicated to maintaining our investment grade credit ratings and will continue with our prudent approach to financial and capital management and positive engagements with the rating agencies in order for them to have transparent and fair access to our key information.

Local Currency Debt

	TMISIS B
Coupon	4.870%
Maturity Date	28 Dec 2018
Principal (RM)	925,000,000

Note:
TMISIS is an abbreviation for TM Islamic Stapled Income Securities

	IMTN 001	IMTN 002	IMTN 003	IMTN 004	IMTN 005	IMTN 006	IMTN 007
Coupon	4.50%	4.20%	4.20%	4.00%	3.95%	3.95%	3.93%
Maturity Date	25 Jun 2021	13 Sep 2021	10 Dec 2021	13 May 2022	19 Dec 2022	28 Apr 2023	23 Jun 2023
Principal (RM)	300,000,000	300,000,000	200,000,000	250,000,000	300,000,000	400,000,000	250,000,000

	IMTN 008	IMTN 009	IMTN 010	IMTN 011	IMTN 012	IMTN 013	IMTN 014
Coupon	4.30%	4.82%	4.738%	4.55%	4.55%	4.23%	4.88%
Maturity Date	18 Dec 2020	21 Mar 2024	27 Jun 2024	7 Oct 2024	20 Dec 2024	10 Jun 2022	28 Nov 2025
Principal (RM)	200,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000

Note:
(i) ICP is an abbreviation for Islamic Commercial Paper and IMTN is an abbreviation for Islamic Medium Term Note
(ii) IMTN 001 to IMTN 007 were issued under the ICP/IMTN programme of up to RM2.0 billion
(iii) IMTN 008 to IMTN 014 were issued under ICP/IMTN programme of up to RM3.0 billion

Foreign Currency Debt

	Yankee Bond	JPY Term Loan	USD Term Loan
Coupon	7.875%	0.91375%	3mLibor + 0.91%
Maturity Date	1 Aug 2025	20 Nov 2017	30 Oct 2020
Principal (USD)	300,000,000	7,800,000,000	100,000,000

Note:
(i) The JPY term loan was swapped to RM exposure with an interest rate of 3.62%
(ii) The USD term loan was swapped to RM exposure with an average interest rate of 4.01%

	EMTN 001	EMTN 002	EMTN 003
Currency	USD	USD	USD
Coupon	3.70%	1mLibor + 1.35%	3.422%
Maturity Date	25 Feb 2026	19 Aug 2023	15 Nov 2026
Principal(RM)	50,000,000	50,000,000	75,000,000

Note:
(i) EMTN is an abbreviation for Euro Medium Term Note.
(ii) EMTN 001 to EMTN 003 were issued under the multi currency EMTN programme of up to USD750.0 million, which is Islamic.

TRANSPARENCY

We continue to maintain a high level of transparency in our financial reporting, and are equally stringent in our corporate governance. Our operations are guided by the Malaysian Code on Corporate Governance, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) as well as international best practices.

RECOGNITION

TM continued to receive recognition in 2016, most notably:

Alpha Southeast Asia's Institutional Investor - Corporate Awards 2016 (Malaysia)
- Most Organised Investor Relations
- Strongest Adherence to Corporate Governance
- Most Consistent Dividend Policy
- Best CFO in Malaysia - Datuk Bazlan Osman

National Center for Sustainable Reporting (NCSR)'s Sustainability Reporting Awards 2016
- Commendation for Best Practice in Sustainability Reporting in Malaysia

Malaysia-Asean Corporate Governance Transparency Index, Findings & Recognition (MSWG) 2016
- Excellence Award for Top CG and Performance (Overall Category)
- Excellence Award for Long-Term Value Creation
- Merit Award for CG Disclosures
- Industry Excellence (Telecommunications & Media)
- Merit Award for Board Diversity
- Merit Award for Best AGM (Overall Category)

FEEDBACK

TM highly values feedback from the investing community, as it allows us to keep improving our relationship with this stakeholder group. To further enhance our Investor Relations function, we continuously seek constructive ideas through ongoing engagement with stakeholders as well as provide an avenue through which they may communicate with the team at investor@tm.com.my.

STOCK PERFORMANCE

We have been listed on Bursa Malaysia since 1990. In 2016, we recorded a total shares turnover of RM8,576 million with 1,290 million shares traded as compared to a total turnover of RM11,228 million with 1,630 million shares traded in 2015.

SHARE PRICE & VOLUME TRADED

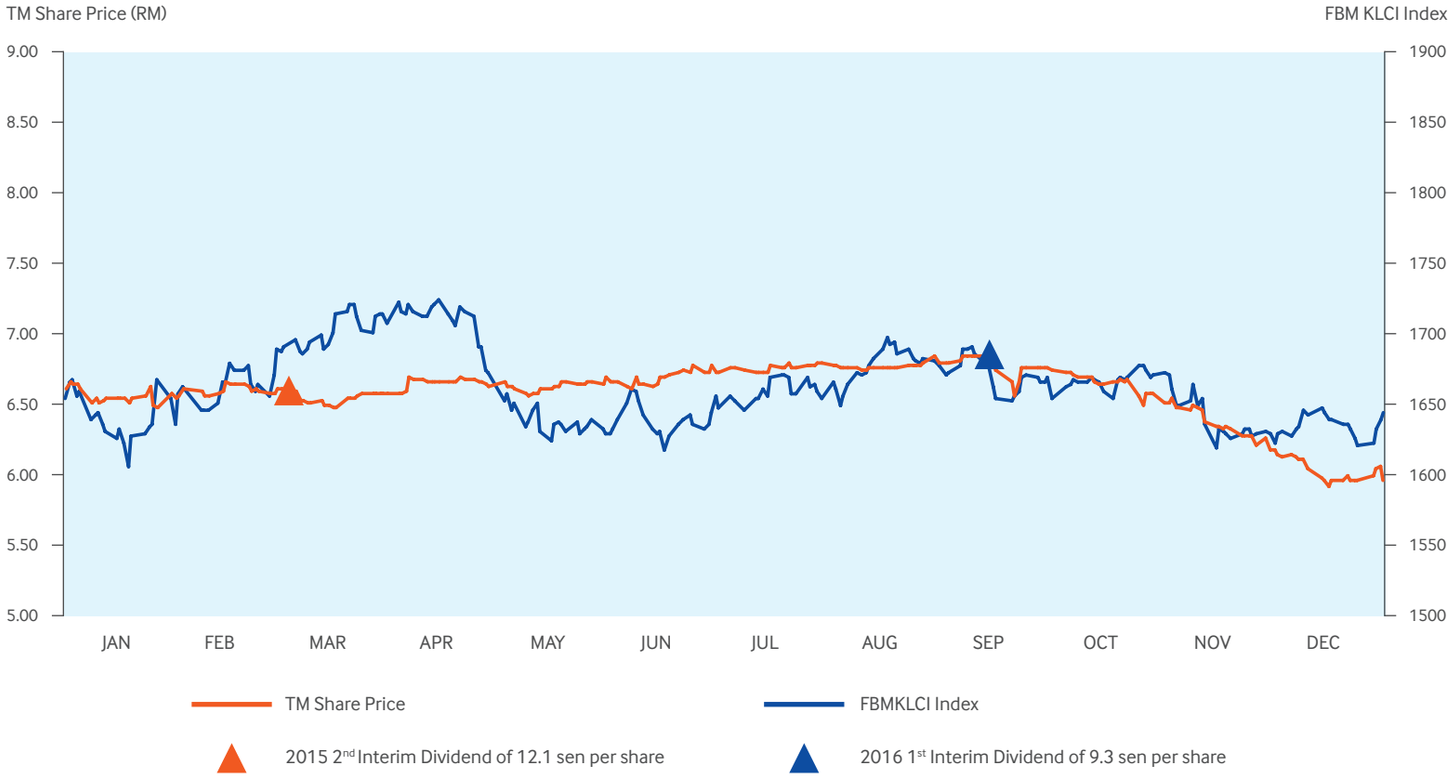
2016 Monthly Trading Volume & Highest-Lowest Share Price



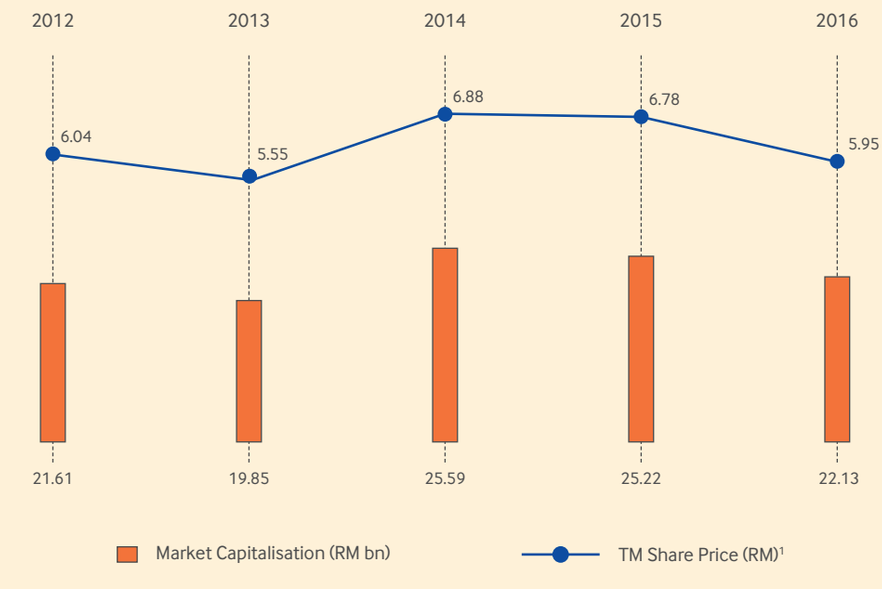
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume ('000)	115,610	82,993	125,506	121,473	85,796	99,981	124,291	120,200	128,489	126,478	94,683	67,233
Highest (RM)	6.74	6.80	6.70	6.78	6.75	6.87	6.85	6.90	6.90	6.83	6.60	6.24
Lowest (RM)	6.44	6.50	6.47	6.54	6.43	6.56	6.70	6.73	6.47	6.41	6.13	5.81

STOCK PERFORMANCE

TM SHARE PRICE VS. FBM KLCI INDEX 2016

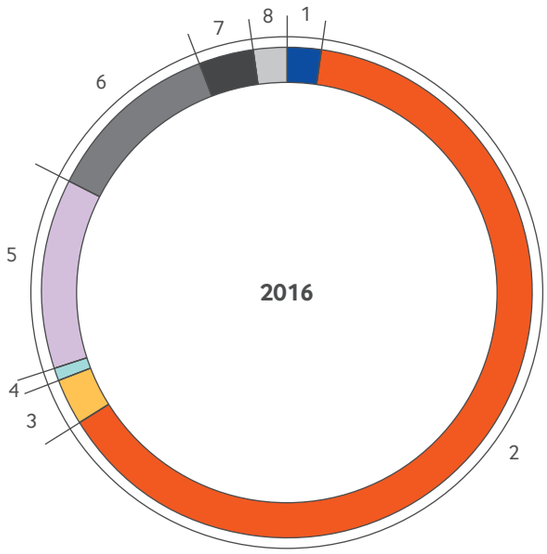


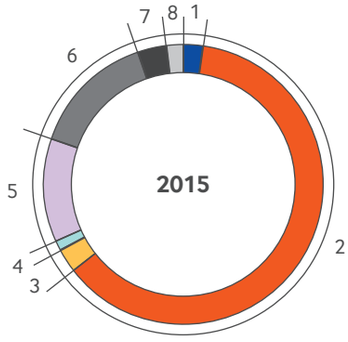
MARKET CAPITALISATION/SHARE PRICE



[1] *Closing share price at year end*

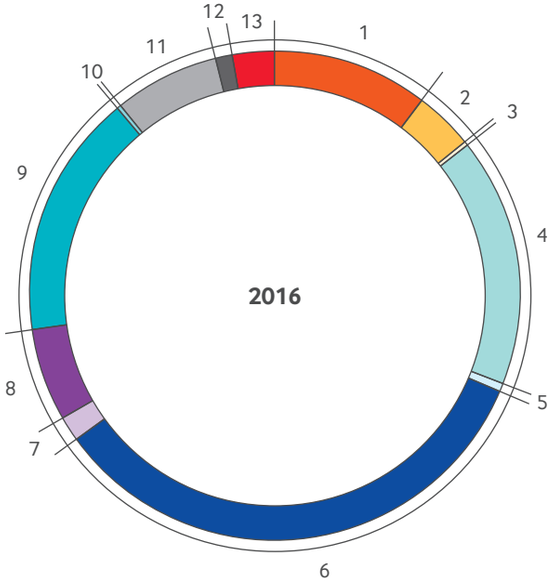
SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION & SEGMENTAL ANALYSIS

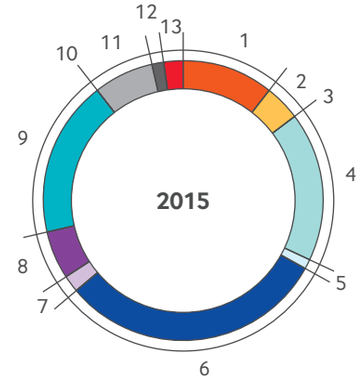




		2016	2015
Intangible assets	1	**2.3%**	2.5%
Property, plant and equipment	2	**64.0%**	62.2%
Available-for-sale investments	3	**2.9%**	2.8%
Inventories	4	**0.8%**	0.9%
Trade and other receivables	5	**12.6%**	12.1%
Cash and bank balances	6	**11.7%**	14.4%
Other non-current receivables	7	**3.5%**	3.2%
Other assets	8	**2.2%**	1.9%

TOTAL ASSETS





		2016	2015
Share capital	1	**10.5%**	10.8%
Share premium	2	**3.9%**	4.0%
Other reserves	3	**(0.2%)**	0.1%
Retained profits	4	**16.6%**	17.1%
Non-controlling interests	5	**0.6%**	1.1%
Borrowings	6	**33.5%**	31.0%
Customer deposits	7	**1.8%**	1.9%
Deferred tax liabilities	8	**6.0%**	5.6%
Trade and other payables	9	**16.4%**	18.0%
Taxation and zakat	10	**0.2%**	0.1%
Deferred income	11	**6.8%**	6.8%
Derivative financial instruments	12	**1.2%**	1.3%
Advance rental billings	13	**2.7%**	2.2%

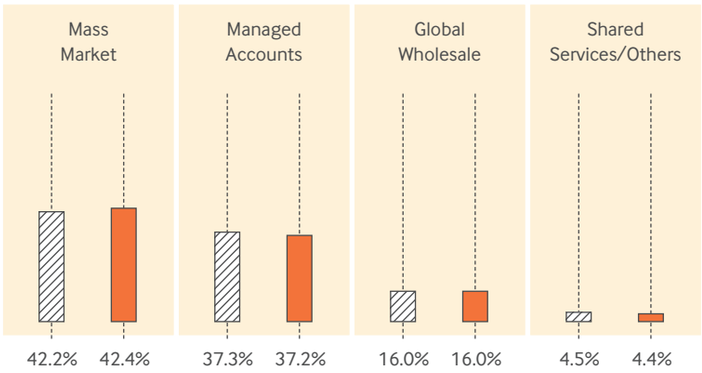
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION & SEGMENTAL ANALYSIS

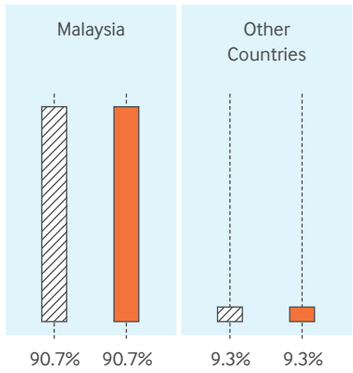
SEGMENT OPERATING REVENUE

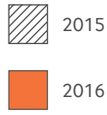
for the financial year ended 31 December

By Business



By Geographical Location

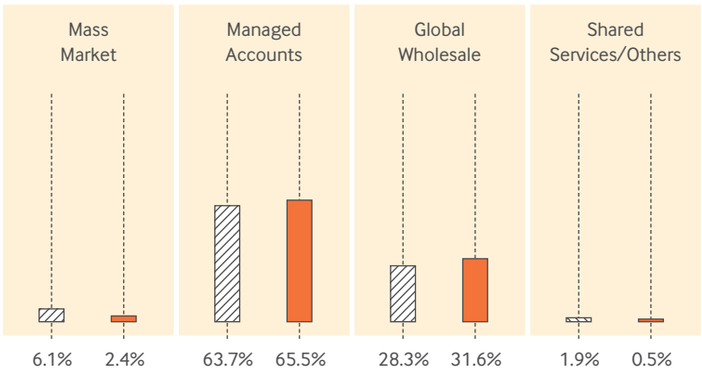




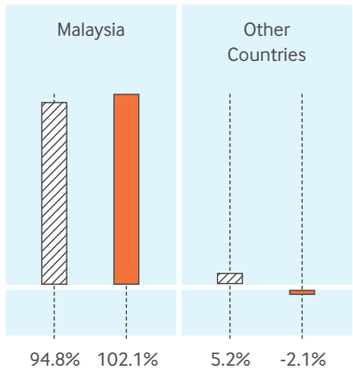
SEGMENT RESULTS

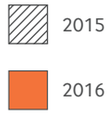
for the financial year ended 31 December

By Business



By Geographical Location

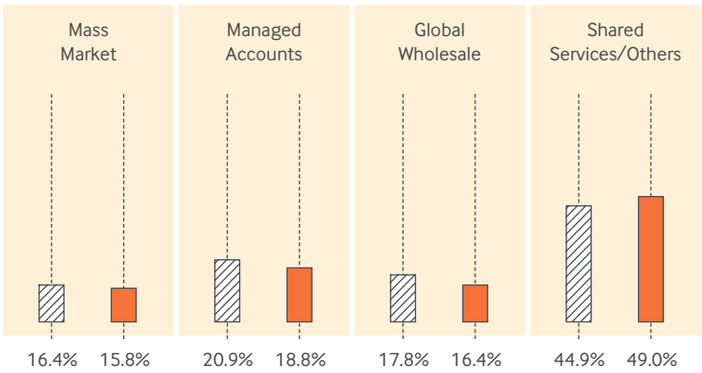




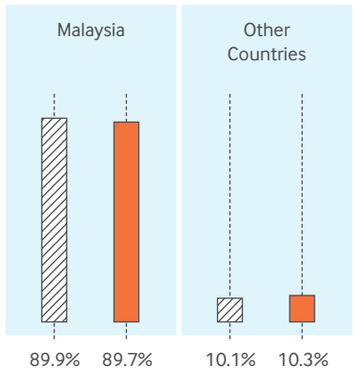
SEGMENT ASSETS

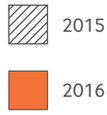
as at 31 December

By Business



By Geographical Location





GROUP QUARTERLY FINANCIAL PERFORMANCE

2016

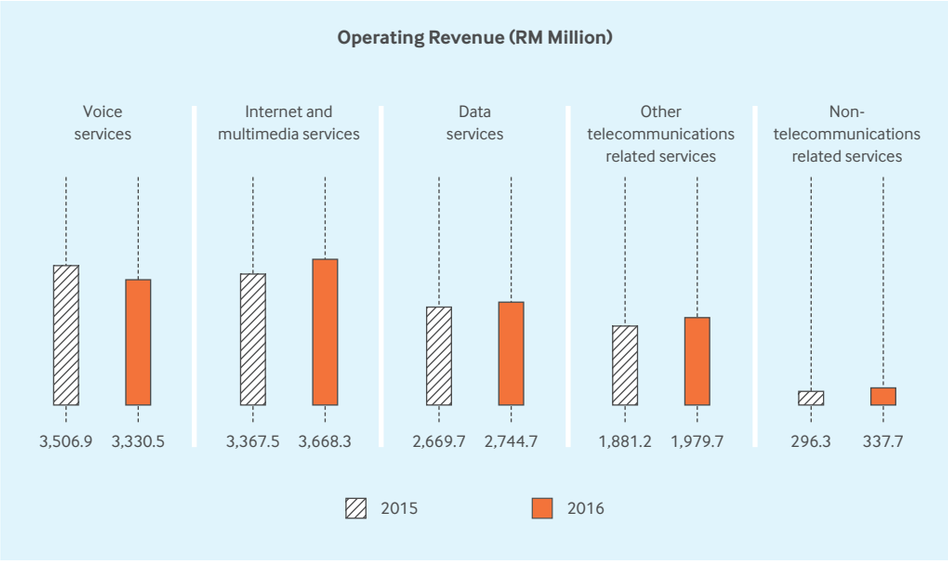
In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2016
Operating revenue	2,855.4	3,045.4	2,923.1	3,237.0	**12,060.9**
Operating profit before finance cost	330.4	280.0	304.0	286.8	**1,201.2**
Profit before taxation and zakat	393.2	195.9	218.8	110.6	**918.5**
Profit attributable to equity holders of the Company	322.4	139.5	159.8	154.3	**776.0**
Basic earnings per share (sen)	8.6	3.7	4.2	4.1	**20.6**
Dividend per share (sen)	-	9.3	-	12.2	**21.5**

2015

In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2015
Operating revenue	2,774.1	2,840.6	2,922.5	3,184.4	11,721.6
Operating profit before finance cost	242.8	304.7	448.5	234.5	1,230.5
Profit before taxation and zakat	172.1	256.1	259.0	224.6	911.8
Profit attributable to equity holders of the Company	128.9	212.1	166.8	192.5	700.3
Basic earnings per share (sen)	3.5	5.7	4.4	5.1	18.7
Dividend per share (sen)	–	9.3	–	12.1	21.4

GROUP FINANCIAL REVIEW

Financial capital



OPERATING REVENUE

TM Group revenue crossed the RM12.0 billion mark in 2016, grew by 2.9% from RM11,721.6 million in 2015 to RM12,060.9 million driven by higher revenue from the non-voice services namely Internet and multimedia, other telecommunication related services, data and non-telecommunication related services, which now collectively represents 72.4% of the Group's revenue.

Internet and multimedia services

As Malaysia's Convergence Champion, the Group's broadband customer base grew by 1.3% to 2.37 million customers. This was driven by UniFi which continues to see a strong 13.1% year-on-year growth in customer base, with more than 949,000 customers as at December 2016, of which 79.0% of them were on the speed of 10Mbps and above. The strong take up of higher value packages from the all new UniFi Advance and Pro plans and higher buys of content, as well as traction in upselling resulted in a strong ARPU trend. Combined, these factors have contributed to the healthy 8.9% growth in Internet and multimedia services from RM3,367.5 million in 2015 to RM3,668.3 million in 2016. In line with this, Internet and multimedia services contributed 30.4% to the Group's operating revenue, as compared to 28.7% in the previous financial year.

Other telecommunications related services

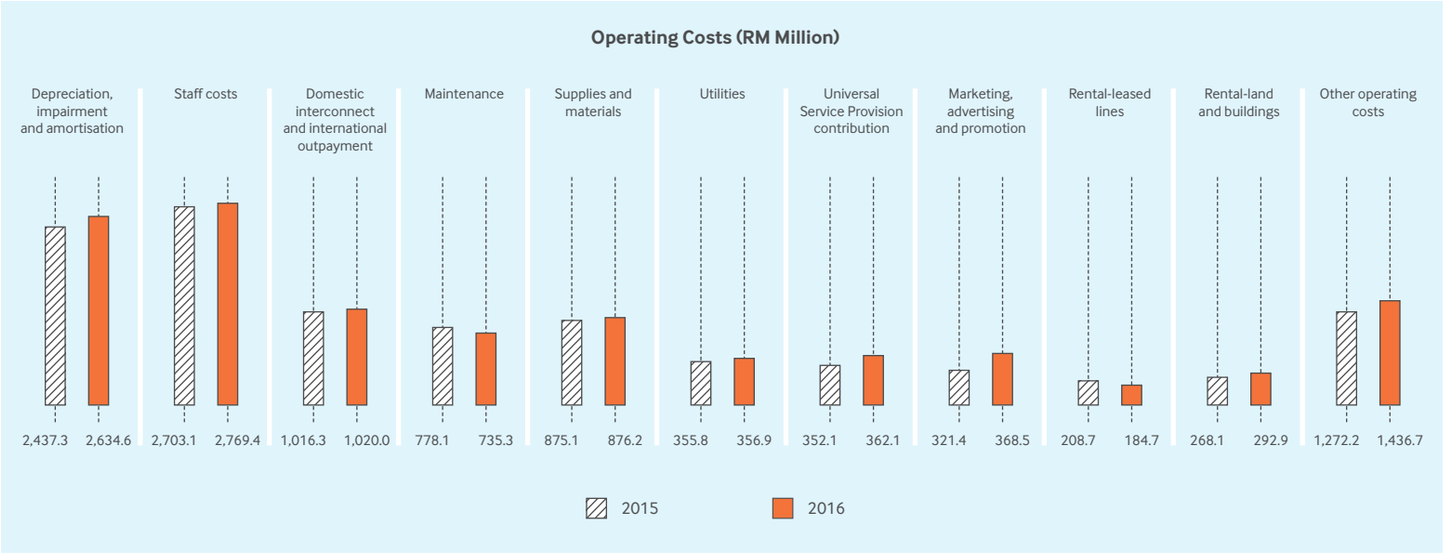
Despite challenging economic conditions, the Group successfully increased its revenue from other telecommunications related services by 5.2%, amounting to RM1,979.7 million for 2016 compared to RM1,881.2 million in 2015. Revenue from this segment is derived primarily from customer projects, maintenance, broadcasting, managed Information and Communications Technology (ICT), business process outsourcing and enhanced value-added telecommunications services. The increase was primarily due to stable growth in customer project revenue at the back of continuing realisation of grant revenue from Public Private Partnership (PPP) projects with the Government whilst VADS Berhad Group contributed higher Business Process Outsourcing (BPO) revenue. The contribution from other telecommunications related services to the Group's operating revenue increased slightly to 16.4% from 16.0% in the previous financial year.

Data services

Data services which mainly comprise leased, Ethernet, IPVPN and IP services, increased by 2.8% in the current financial year to RM2,744.7 million compared to RM2,669.7 million in 2015. Servicing the Managed Accounts and Global Wholesale clusters, the increase was contributed by higher leased, Ethernet and data services revenue, both domestic and global as well as sales of international Indefeasible Right of Use (IRU) capacity. Consistent with the previous financial year, data services contributed 22.8% of the Group's operating revenue in 2016.

Non-telecommunications related services

With RM337.7 million revenue in 2016, non-telecommunications related services contributed 2.8% of the Group's operating revenue in 2016, slightly higher than the 2.5% contribution in 2015. The slight increase from this revenue segment which comprise services from subsidiaries focusing on education, printing and publication of directories, property development and trading in customer premise equipment, was mainly due to revenue recognition on share of Gross Development Value (GDV) from a joint land development. There were also higher revenue recorded by the education and tourism clusters contributed by subsidiaries like Universiti Telekom Sdn Bhd and Menara Kuala Lumpur Sdn Bhd.



OPERATING COSTS

The Group's operating costs increased by 4.2% from RM10,588.2 million in 2015 to RM11,037.3 million in 2016 with increase mainly from depreciation and write-off of WiMAX assets in view of the Group's roll out of our Long Term Evolution (LTE) network as part of our plan to deliver on Convergence. Direct and other operating costs are also among the main contributors of the increase as explained below.

Depreciation, impairment and amortisation

This group of expenditure consisting of depreciation, impairment and write-off of property, plant and equipment (PPE), as well as amortisation of intangible assets, increased by 8.1% from RM2,437.3 million in 2015 to RM2,634.6 million in 2016. The increase was mainly contributed by the increase at webe with impact from RM195.2 million accelerated depreciation and write-off of WiMAX and other assets in line with the gradual roll-out of the Group's LTE network in place of the WiMAX network thus enabling the successful commercial launch of webe in September 2016, marking the Group's entrance into the mobility space. Depreciation also increased with a larger property, plant and equipment base of the Group with assetisation of sites under the High Speed Broadband 2 (HSBB 2) and Sub Urban Broadband (SUBB) projects further expanding the reach out of our digital broadband footprint across the nation. As a proportion of the Group's overall revenue, depreciation, impairment and amortisation was at 21.8% in 2016 as compared to 20.8% in 2015. Against the Group's total cost, depreciation and amortisation is 23.9% in 2016 compared to 23.0% in 2015.

Staff costs

Staff costs for the Group increased by 2.5% from RM2,703.1 million in 2015 to RM2,769.4 million in 2016 with impact of annual increment. Staff cost contributed 25.1% of the overall Group's operating costs in 2016 compared to 25.5% in 2015.

Domestic interconnect and international outpayment

At RM1,020.0 million, the Group's domestic interconnect and international outpayment was relatively level with a marginal 0.4% increase from the RM1,016.3 million recorded in 2015 despite increase in domestic interconnect costs as well as cost of Indefeasible Rights of Use (IRU) and international capacity together with impact from foreign currency translation on international outpayments. Domestic interconnect and international outpayment in 2016 reduced to 9.2% of the Group's total cost compared to 9.6% in 2015.

Supplies and materials

Supplies and materials, being 7.9% of the Group's total cost in 2016, increased marginally by only 0.1% to RM876.2 million in 2016 from RM875.1 million in 2015. Consisting of material costs incurred for customer projects, customer equipment costs and cable costs among others, the year-on-year increase was mainly from increase in equipment and material components of customer projects in 2016 in line with increase in revenue from other telecommunication related services.

Maintenance

The result of continuing effectiveness of cost control measures reported from the previous financial year which resulted from more comprehensive maintenance contracts negotiated with business partners continues to have positive impact to the Group. The Group's overall maintenance cost decreased 5.5% during the year to RM735.3 million in 2016 from RM778.1 million in 2015. The net cost reduction was realised despite additional site maintenance cost as the Group rolls out new LTE sites nationwide.

OTHER OPERATING INCOME

Other operating income increased by 5.4% to RM130.4 million in 2016 from RM123.7 million in 2015 due to higher dividend income during 2016 from the Group's equity investments.

Other Gains/(Losses)

Other gains in 2016 largely comprise of RM31.8 million favourable carrying value movement over the Group's obligation to purchase back shares of a subsidiary from a Non-controlling Interest, arising from a dilution of the Non-controlling Interest's effective shareholding in the subsidiary during the year. Favourable fair value movement was also recorded on another call option on shares held by another Non-controlling Interest.

NET FINANCE COST

The Group's net finance cost decreased by 9.1% from RM343.4 million to RM312.1 million in the current financial year mainly from lower unrealised foreign exchange losses on re-translation of borrowings as explained below.

Finance cost

Finance cost for the Group increased by 17.7% from RM323.4 million in 2015 to RM380.7 million in 2016 following the full year impact in 2016 of the RM600.0 million Islamic Medium Term Notes (IMTN) issued across the previous financial year coupled with additional impact of the interest on the USD175.0 million Euro Medium Term Note (EMTN) Sukuk issued in three separate tranches by the Group during 2016. The EMTN Sukuk were issued mainly to fund the Group's capital expenditure as well as business operating requirements.

Finance income

Finance income decreased by 5.5% to RM155.3 million from RM164.4 million in 2015 contributed by lower interest income from deposits with relatively lower yield during the year and net reduction in average cash holding in view of the Group's increased capital expenditure spending during the year.

Foreign exchange on translation of borrowings

Despite an increase in the Group's unhedged US Dollar borrowings balance during the year in view of the issuance of the USD175.0 million EMTN Sukuk across 2016 and amidst continued weakening of the Malaysian Ringgit at the end of the financial year against major currencies such as the US Dollar, the Group recorded a lower foreign exchange loss on borrowings of RM86.7 million in 2016 compared to RM184.4 million in 2015.

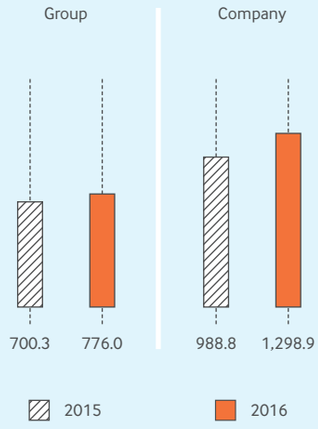
TAXATION EXPENSE

At RM299.0 million, the net taxation charge for 2016 was lower than the RM314.3 million taxation charge in 2015 despite a higher profit before taxation as mentioned below. This was mainly due to the tax incentives in the form of investment tax allowances recognised by the Group in 2016 on qualifying expenditures relating to high speed broadband infrastructures assetised during the current and preceding financial year for which approval was recently granted to the Group. The effective tax rate for the Group in 2016 remains higher than the statutory tax rate in view of deferred tax assets/credits relating to the operational losses of Webe Digital Sdn Bhd (webe) which has yet to be recognised by the Group. This is deferred to a future point when the Group is more reasonably certain of the operational profits to be contributed by webe against which the deferred tax credits can eventually be utilised.

PROFITABILITY

The Group's profit before taxation and zakat was 0.7% higher at RM918.5 million in 2016 compared to the RM911.8 million in 2015 due to other gains and lower foreign exchange losses on Group borrowings in 2016. Consequently, profit attributable to equity holders (PATAMI) also increased 10.8% from RM700.3 million in 2015 to RM776.0 million, further to the higher profit before tax as well as tax incentives recognised in 2016 as mentioned above.

Profit Attributable to Equity Holders of the Company (RM Million)



TOTAL ASSETS

Total assets of the Group increased 2.4% to RM25,001.6 million, from RM24,413.1 million as at the end of the preceding financial year. Increase in property, plant and equipment (PPE) and trade and other receivables offsets the reduction in cash and bank balances as well as inventories.

Trade and other receivables

The 7.2% increase in trade and other receivables was mainly from the increase in other receivables with increase in trade balances being relatively lower by 0.2% despite the 2.9% increase in revenue year-on-year. This is reflective of the improved effectiveness of the Group's credit management policies and debt recovery trend that was evident through the significant reduction in impairment charges on trade and other receivables in 2016 compared to 2015.

Cash and bank balances

The Group's cash and bank balances remains healthy at RM2,926.0 million. The reduction from the RM3,511.6 million at the end of the previous financial year corresponds with the increase in the Group's PPE as described below, reflective of 2016 being a year of intensive capital investment for the Group with investments in the LTE network together with expansion of high speed broadband infrastructure through HSBB 2 and SUBB. Maintaining the Group's annual dividend payments to shareholders (RM804.2 million paid during 2016), net cash outflows used in investing activities of the Group in 2016 was at RM3,259.5 million, higher than the healthy RM2,848.6 million net inflows from operations.

Inventories

Reduction in inventories from RM236.8 million to RM207.1 million at the end of 2016 was in view of sales of international capacity held for resale by the Group's global business namely international submarine cables partially offset by increase in work-in-progress deliverables relating to the Group's telecommunication related services and customer projects.

Property, plant and equipment (PPE)

At RM16,010.6 million, the Group's PPE increased 5.4% from RM15,186.9 million as at the end of 2015. The increase was partially due to higher asset additions and capital expenditure through significant network expansion projects that would enable us to deliver Convergence namely LTE roll-out, HSBB 2, SUBB and Sistem Kabel Rakyat 1 Malaysia (SKR1M) that would provide high speed broadband connectivity between East and West Malaysia. These new investments were offset by accelerated depreciations of WiMAX asset in making way for LTE roll-out and write-offs of certain other assets.

TOTAL LIABILITIES

The Group's total liabilities as at the end of 2016 was RM17,169.1 million, a 4.9% increase from RM16,374.4 million at the end of the previous financial year, primarily due to higher borrowings which were partially offset by lower trade and other payables.

Borrowings

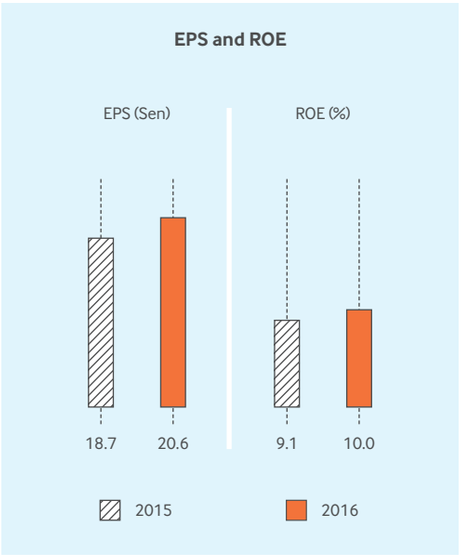
Borrowings increased by 10.3% from RM7,583.7 million to RM8,363.3 million recorded at the end of 2016 financial year mainly due to the issuance of 3 tranches of Multi Currency Euro Medium Term Notes Sukuks by the Group totalling up to USD175.0 million (RM735.4 million) through Tulip Maple Berhad, a subsidiary of the Group, with the main purpose of financing the Group's USD denominated capital expenditures. There were also significant increase from foreign exchange revaluation as an impact from weakening RM against USD and JPY.

Trade and other payables

Total trade and other payables reduced by 6.5% from RM4,392.2 million to RM4,106.7 million at end 2016 mainly due to reduction in trade payable and accruals and amount payable for Universal Service Provision, an amount contributed by all telecommunication licensees to Malaysian Communications and Multimedia Commission (MCMC) remitted upon MCMC's established provisions and procedures.

SHAREHOLDERS' EQUITY

The Group maintains a strong RM7,692.3 million shareholders' equity with significant movement during the year comprising mainly of the RM776.0 million profit from the financial year attributable to shareholders against RM804.2 million dividends paid out to shareholders during 2016.



Earnings per share (EPS) and return on shareholders' equity (ROE)

In line with the higher profit attributable to the equity holders of the Company, the basic EPS for 2016 increased to 20.6 sen as compared to 18.7 sen in 2015. Consistently, ROE increased from 9.1% in 2015 to 10.0% in 2016.

Dividends

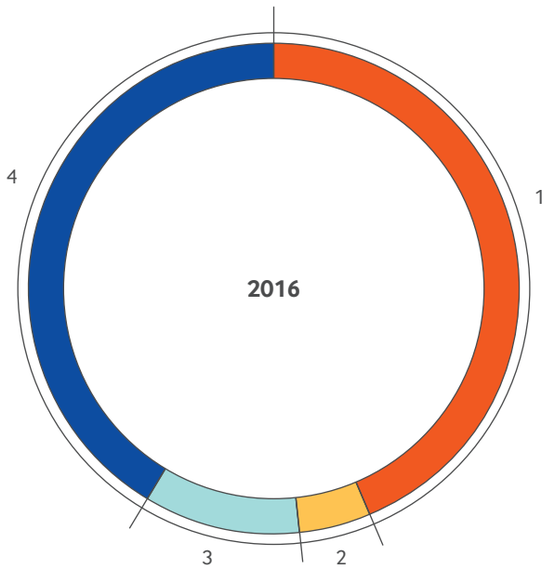
To demonstrate the Group's commitment to grow TM's value creation through sustainable return on capital, on 22 February 2017, the Board of Directors declared a second interim single-tier cash dividend of 12.2 sen per share amounting to RM458.5 million payable on 24 March 2017. No further final dividend will be recommended. Together with the first interim single-tier dividend of 9.3 sen per share, the total dividend payout in respect of the financial year ended 31 December 2016 would be RM808.0 million or 21.5 sen per share, in line with the Company's dividend payout policy of RM700.0 million or up to 90.0% of normalised profit attributable to equity holders, whichever is higher.

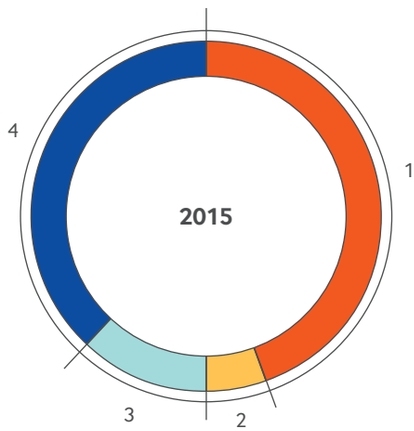
STATEMENT OF VALUE ADDED

Value added is a measure of wealth created. The following statement shows the Group's value added for 2015 and 2016 and its distribution by way of payments to employees, government/approved agencies and shareholders, with the balance retained in the Group for reinvestment and future growth.

	2015 RM Million	2016 RM Million
VALUE ADDED		
Revenue	11,721.6	**12,060.9**
Purchase of goods and services	(5,447.8)	**(5,633.3)**
Value added by the Group	6,273.8	**6,427.6**
Other operating income (net)	123.7	**130.4**
Other (losses)/gains (net)	(26.6)	**47.2**
Finance income	164.4	**155.3**
Finance cost	(323.4)	**(380.7)**
Foreign exchange loss on borrowings	(184.4)	**(86.7)**
Share of results of associates	24.7	**29.4**
Value added available for distribution	6,052.2	**6,322.5**
DISTRIBUTION		
To Employees		
Employment cost	2,703.1	**2,769.4**
To Government/Approved Agencies		
Taxation and Zakat	320.0	**305.1**
To Shareholders		
Dividends	847.9	**804.2**
Non-controlling interests	(108.5)	**(162.6)**
Retained for reinvestment and future growth		
Depreciation, impairment and amortisation	2,437.3	**2,634.6**
Net reduction in retained profits	(147.6)	**(28.2)**
Total distributed	6,052.2	**6,322.5**

DISTRIBUTION OF VALUE ADDED





		2016	2015
Employees – Employment cost	1	**43.8%**	44.7%
Government/Approved Agencies – Taxation and zakat	2	**4.8%**	5.3%
Shareholders – Dividends and non-controlling interests	3	**10.2%**	12.2%
Retained for reinvestment and future growth – Depreciation, impairment, amortisation and retained profits	4	**41.2%**	37.8%

STATEMENT OF RESPONSIBILITY BY DIRECTORS

IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors are required by the Companies Act, 1965 (CA 1965) to prepare the financial statements for each financial year in accordance with applicable Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards, the requirements of the CA 1965 and the Main Market Listing Requirements. The Directors are responsible to ensure that the financial statements give a true and fair view of the financial position of the Group and the Company at the end of the financial year, and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- adopted appropriate and relevant accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable approved accounting standards have been followed; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility 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, enabling them to ensure that the financial statements comply with the CA 1965.

The Directors also have the overall responsibilities to take such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and for the establishment, implementation and maintenance of appropriate accounting and internal control systems for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors have pleasure in submitting their integrated annual report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 51 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

RESULTS

The results of the operations of the Group and the Company for the financial year were as follows:

	The Group RM Million	The Company RM Million
Profit for the financial year attributable to:		
- equity holders of the Company	776.0	1,298.9
- non-controlling interests	(162.6)	-
Profit for the financial year	613.4	1,298.9

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.

DIVIDENDS

Since the end of the previous financial year, dividends paid, declared or proposed on ordinary shares by the Company were as follows:

		The Company RM Million
(a)	In respect of the financial year ended 31 December 2015, a second interim single-tier cash dividend (2nd Interim Dividend) of 12.1 sen per share was paid on 24 March 2016	**454.7**
(b)	In respect of the financial year ended 31 December 2016, an initial interim single-tier cash dividend (1st Interim Dividend) of 9.3 sen per share was paid on 7 October 2016	**349.5**

On 28 April 2016, the Shareholders approved the renewal of authority for Directors of the Company to allot and issue new ordinary shares of RM0.70 each in the Company (TM Shares) in accordance to the Dividend Reinvestment Scheme (DRS) (as disclosed in the note 13(c) to the financial statements) at the Thirty-first Annual General Meeting (AGM) until the conclusion of the next AGM.

The DRS was not made applicable to the abovesaid 2nd and 1st Interim Dividends.

On 22 February 2017, the Board of Directors declared a second interim single-tier cash dividend of 12.2 sen per share for the financial year ended 31 December 2016. The dividend will be paid on 24 March 2017 to shareholders whose names appear in the Register of Members and Record of Depositors on 9 March 2017. The Board of Directors is not recommending payment of any final dividend in respect of the financial year ended 31 December 2016.

SHARE CAPITAL

The Company will be seeking shareholders' approval at the forthcoming Thirty-second (32nd) AGM for the renewal of the authority for the Directors of the Company to allot and issue new TM Shares and the approval of Bursa Malaysia Securities Berhad for the listing and quotation of the new TM Shares.

SHARE CAPITAL (continued)

Shares issued pursuant to DRS

No new shares were issued pursuant to the DRS during the financial year as the DRS was not made applicable to any dividends appropriated during the financial year.

LONG TERM INCENTIVE PLAN (LTIP)

On 29 September 2016, the Company implemented a LTIP for a period of 10 years, having obtained shareholders' approval at an Extraordinary General Meeting (EGM) on 28 April 2016 and all other subsequent required approvals. The EGM also approved the By-Laws governing the LTIP.

The main features of the LTIP and details of granting during the financial year are set out in note 14 of the notes to the financial statements.

MULTI-CURRENCY EURO MEDIUM TERM NOTES (EMTN) SUKUK PROGRAMME

During the financial year, the Company through its wholly-owned subsidiary, Tulip Maple Berhad issued EMTN under the sukuk programme approved by the Securities Commission Malaysia on 3 March 2015, with details as follows.

Date of Issue	Nominal Value	Maturity Date
25 February 2016	USD50.0 million	25 February 2026
19 August 2016	USD50.0 million	21 August 2023
15 November 2016	USD75.0 million	15 November 2026

Details of the EMTN programme are as disclosed in note 17(g) of the financial statements.

The proceeds from the issuance of the EMTN are used by the Company to meet its capital expenditure and business operating requirements.

MOVEMENTS ON RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps to:

(a) ascertain that actions had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) ensure that any current assets which were unlikely to be realised at their book value 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 which:

(a) would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent or the values attributed to current assets in the financial statements of the Group and the Company misleading; and

(b) have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

In the interval between the end of the financial year and the date of this report:

(a) no items, transactions or other events of material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of the operations of the Group and the Company for the financial year in which this report is made; and

(b) no charge has arisen on the assets of any Company in the Group which secures the liability of any other person nor has any contingent liability arisen in any Company in the Group.

No contingent or other liability of any Company in the Group has become enforceable or is likely to become enforceable within the period of 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 or the Company to meet their obligations when they fall due.

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.

DIRECTORS

The Directors in office since the date of the last report are as follows:

Directors	Alternate Directors
Tan Sri Dato' Seri Dr Sulaiman Mahbob	
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	
Datuk Bazlan Osman	
Dato' Sri Dr Mohmad Isa Hussain	Asri Hamidin @ Hamidon
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil
Dato' Ibrahim Marsidi	
Datuk Zalekha Hassan	
Davide Giacomo Federico Benello @ David Benello	
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	
Gee Siew Yoong	
Balasingham A. Namasiwayam *[Appointed on 28 April 2016]*	
Tunku Afwida Tunku Dato' A.Malek *[Appointed on 28 April 2016]*	
Dato' Ir Abdul Rahim Abu Bakar *[Retired on 28 April 2016]*	
Dato' Danapalan T.P. Vinggrasalam *[Retired on 28 April 2016]*	

Pursuant to Article 98(2) of the Company's Articles of Association (AA), Mr Balasingham A. Namasiwayam and Tunku Afwida Tunku Dato' A.Malek, who were appointed Directors of the Company during the year, shall retire at the forthcoming 32nd AGM of the Company and being eligible, offer themselves for re-election.

In accordance with Article 103 of the Company's AA, the following Directors shall retire by rotation from the Board at the forthcoming 32nd AGM of the Company and being eligible, offer themselves for re-election:

(i) Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor;
(ii) Gee Siew Yoong; and
(iii) Tan Sri Dato' Seri Dr Sulaiman Mahbob.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTEREST

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 in the Company are as follows:

	Number of ordinary shares of RM0.70 each			
Interest in the Company	Balance at 1.1.2016/Date of Appointment	Bought	Sold	Balance at 31.12.2016
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	**9,607***	**-**	**-**	**9,607***
Datuk Bazlan Osman	**2,134**	**-**	**-**	**2,134**
Balasingham A. Namasiwayam	**16,013**	**-**	**-**	**16,013**

Note:
* Including deemed interest held by spouse, which as at 31.12.16 amounts to 4,270 shares

In accordance with the Register of Directors' Shareholdings, none of the other Directors who held office at the end of the financial year has any direct or indirect interests in the shares in the Company and its related corporations during the financial year. None of the Directors who held office at the end of the financial year have been granted any units under the LTIP of the Group and the Company as described in note 14 of the notes to the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in note 6(b) 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 and any benefit that may deem to have been received by certain Directors.

Neither during nor at the end of the financial year was the Company or any of its related corporations, a party to any arrangement with the object(s) of enabling the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 22 February 2017.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
Director

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA
Director

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2016 RM	2015 RM	2016 RM	2015 RM
OPERATING REVENUE	5	**12,060.9**	11,721.6	**10,747.1**	10,285.3
OPERATING COSTS					
- depreciation, impairment and amortisation	6(a)	**(2,634.6)**	(2,437.3)	**(2,067.1)**	(2,026.9)
- other operating costs	6(b)	**(8,402.7)**	(8,150.9)	**(7,169.4)**	(7,077.8)
OTHER OPERATING INCOME (net)	7	**130.4**	123.7	**390.5**	409.1
OTHER GAINS /(LOSSES) (net)	8	**47.2**	(26.6)	**1.1**	(0.3)
OPERATING PROFIT BEFORE FINANCE COST		**1,201.2**	1,230.5	**1,902.2**	1,589.4
FINANCE INCOME		**155.3**	164.4	**129.9**	136.3
FINANCE COST		**(380.7)**	(323.4)	**(367.5)**	(312.7)
FOREIGN EXCHANGE LOSS ON BORROWINGS		**(86.7)**	(184.4)	**(88.6)**	(159.1)
NET FINANCE COST	9	**(312.1)**	(343.4)	**(326.2)**	(335.5)
ASSOCIATES					
- share of results (net of tax)	27	**29.4**	24.7	**-**	-
PROFIT BEFORE TAXATION AND ZAKAT		**918.5**	911.8	**1,576.0**	1,253.9
TAXATION AND ZAKAT	10	**(305.1)**	(320.0)	**(277.1)**	(265.1)
PROFIT FOR THE FINANCIAL YEAR		**613.4**	591.8	**1,298.9**	988.8
ATTRIBUTABLE TO:					
- equity holders of the Company		**776.0**	700.3	**1,298.9**	988.8
- non-controlling interests		**(162.6)**	(108.5)	**-**	-
PROFIT FOR THE FINANCIAL YEAR		**613.4**	591.8	**1,298.9**	988.8
EARNINGS PER SHARE (sen)					
- basic/diluted	11	**20.6**	18.7		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

Independent Auditors' Report - Pages 331 to 336.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2016 RM	2015 RM	2016 RM	2015 RM
PROFIT FOR THE FINANCIAL YEAR		**613.4**	591.8	**1,298.9**	988.8
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to income statement:					
- increase in fair value of available-for-sale investments	28	**13.0**	34.7	**13.0**	34.7
- increase in fair value of available-for-sale receivables	29	**#**	#	**#**	#
- reclassification adjustments relating to available-for-sale investments disposed	8	**(1.6)**	(2.3)	**(1.6)**	(2.3)
- cash flow hedge					
- increase in fair value of cash flow hedge	19	**55.1**	241.6	**55.1**	241.6
- reclassification to foreign exchange loss on borrowings	9	**(59.6)**	(209.9)	**(59.6)**	(209.9)
- fair value hedge					
- increase in fair value		**5.2**	-	**5.2**	-
- currency translation differences					
- subsidiaries		**10.5**	22.1	**-**	-
- associate		**0.7**	1.7	**-**	-
Other comprehensive income for the financial year		**23.3**	87.9	**12.1**	64.1
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**636.7**	679.7	**1,311.0**	1,052.9
ATTRIBUTABLE TO:					
- equity holders of the Company		**799.3**	788.2	**1,311.0**	1,052.9
- non-controlling interests		**(162.6)**	(108.5)	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**636.7**	679.7	**1,311.0**	1,052.9

Amount less than RM0.1 million

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

Independent Auditors' Report - Pages 331 to 336.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2016 RM	2015 RM	2016 RM	2015 RM
SHARE CAPITAL	13	**2,630.6**	2,630.6	**2,630.6**	2,630.6
SHARE PREMIUM		**964.9**	964.9	**964.9**	964.9
OTHER RESERVES	15	**(43.1)**	17.0	**271.0**	257.0
RETAINED PROFITS	16	**4,139.9**	4,168.1	**3,793.9**	3,299.2
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**7,692.3**	7,780.6	**7,660.4**	7,151.7
NON-CONTROLLING INTERESTS		**140.2**	258.1	**-**	-
TOTAL EQUITY		**7,832.5**	8,038.7	**7,660.4**	7,151.7
Borrowings	17	**7,662.6**	7,175.4	**6,309.1**	6,299.3
Payable to subsidiaries	18	**-**	-	**1,229.3**	706.3
Derivative financial instruments	19	**301.9**	321.9	**-**	16.7
Deferred tax liabilities	20	**1,514.8**	1,367.6	**1,445.4**	1,269.4
Deferred income	21	**1,711.4**	1,661.7	**1,694.0**	1,661.7
Trade and other payables	37	**3.7**	25.2	**3.7**	25.2
DEFERRED AND NON-CURRENT LIABILITIES		**11,194.4**	10,551.8	**10,681.5**	9,978.6
		19,026.9	18,590.5	**18,341.9**	17,130.3
Property, plant and equipment	22	**16,010.6**	15,186.9	**13,945.1**	13,138.5
Investment property	23	**-**	-	**110.1**	112.4
Intangible assets	24	**563.6**	607.8	**-**	-
Subsidiaries	25	**-**	-	**1,742.1**	1,741.6
Loans and advances to subsidiaries	26	**-**	-	**1,349.3**	914.3
Associates	27	**45.8**	26.3	**-**	-
Available-for-sale investments	28	**196.5**	155.9	**196.4**	155.8
Available-for-sale receivables	29	**4.8**	6.0	**4.8**	6.0
Other non-current receivables	30	**870.7**	786.3	**484.3**	397.2
Derivative financial instruments	19	**391.5**	334.9	**369.0**	327.1
Deferred tax assets	20	**30.6**	11.5	**-**	-
NON-CURRENT ASSETS		**18,114.1**	17,115.6	**18,201.1**	16,792.9

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Inventories	31	**207.1**	236.8	**90.9**	142.5
Non-current assets held for sale	32	**19.0**	20.3	**19.0**	20.3
Customer acquisition costs	33	**53.2**	59.1	**53.2**	59.1
Trade and other receivables	34	**3,158.2**	2,947.1	**2,723.1**	2,333.1
Derivative financial instruments	19	**-**	0.4	**-**	-
Available-for-sale investments	28	**518.0**	515.6	**518.0**	515.6
Financial assets at fair value through profit or loss	35	**6.0**	6.6	**6.0**	6.6
Cash and bank balances	36	**2,926.0**	3,511.6	**2,167.3**	2,580.0
CURRENT ASSETS		**6,887.5**	7,297.5	**5,577.5**	5,657.2
Trade and other payables	37	**4,103.0**	4,367.0	**3,661.5**	4,181.9
Customer deposits	38	**443.1**	467.6	**442.5**	466.8
Advance rental billings		**667.4**	545.0	**634.6**	477.6
Borrowings	17	**700.7**	408.3	**331.1**	152.8
Payable to subsidiaries	18	**-**	-	**299.4**	-
Taxation and zakat		**60.5**	34.7	**67.6**	40.7
CURRENT LIABILITIES		**5,974.7**	5,822.6	**5,436.7**	5,319.8
NET CURRENT ASSETS		**912.8**	1,474.9	**140.8**	337.4
		19,026.9	18,590.5	**18,341.9**	17,130.3

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company										
		Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares										
		Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2016		2,630.6	964.9	90.2	95.2	-	71.6	(267.6)	27.6	4,168.1	258.1	8,038.7
Profit/(loss) for the financial year		-	-	-	-	-	-	-	-	776.0	(162.6)	613.4
Other comprehensive income												
Items that may be reclassified subsequently to income statement:												
- increase in fair value of available-for-sale investments	28	-	-	13.0	-	-	-	-	-	-	-	13.0
- increase in fair value of available-for-sale receivables	29	-	-	#	-	-	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	8	-	-	(1.6)	-	-	-	-	-	-	-	(1.6)
- cash flow hedge												
- increase in fair value of cash flow hedge	19	-	-	-	55.1	-	-	-	-	-	-	55.1
- reclassification to foreign exchange loss on borrowings	9	-	-	-	(59.6)	-	-	-	-	-	-	(59.6)
- fair value hedge												
- increase in fair value of fair value hedge		-	-	-	5.2	-	-	-	-	-	-	5.2
- currency translation differences												
- subsidiaries		-	-	-	-	-	-	-	10.5	-	-	10.5
- associate		-	-	-	-	-	-	-	0.7	-	-	0.7
Total comprehensive income/(loss) for the financial year		-	-	11.4	0.7	-	-	-	11.2	776.0	(162.6)	636.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company: Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares: Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
Transactions with owners:												
Second interim dividend paid for the financial year ended 31 December 2015	12	-	-	-	-	-	-	-	-	(454.7)	-	(454.7)
First interim dividend paid for the financial year ended 31 December 2016	12	-	-	-	-	-	-	-	-	(349.5)	-	(349.5)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(41.6)	(41.6)
Transaction with non-controlling interest	51(a)	-	-	-	-	-	-	(85.3)	-	-	85.3	-
Long Term Incentive Plan (LTIP):												
- ordinary shares granted	14, 15	-	-	-	-	1.9	-	-	-	-	-	1.9
Capital contribution by non-controlling interest	41	-	-	-	-	-	-	-	-	-	1.0	1.0
Total transactions with owners		-	-	-	-	1.9	-	(85.3)	-	(804.2)	44.7	(842.9)
At 31 December 2016		**2,630.6**	**964.9**	**101.6**	**95.9**	**1.9**	**71.6**	**(352.9)**	**38.8**	**4,139.9**	**140.2**	**7,832.5**

Amount less than RM0.1 million

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 13(a) to the financial statements for details of the terms and rights attached to the Special Share.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company										
		Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares										
		Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2015		2,603.6	722.7	57.8	63.5	-	71.6	(267.6)	3.8	4,315.7	388.8	7,959.9
Profit/(loss) for the financial year		-	-	-	-	-	-	-	-	700.3	(108.5)	591.8
Other comprehensive income												
Items that may be reclassified subsequently to income statement:												
- increase in fair value of available-for-sale investments	28	-	-	34.7	-	-	-	-	-	-	-	34.7
- increase in fair value of available-for-sale receivables	29	-	-	#	-	-	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	8	-	-	(2.3)	-	-	-	-	-	-	-	(2.3)
- cash flow hedge												
- increase in fair value of cash flow hedge	19	-	-	-	241.6	-	-	-	-	-	-	241.6
- reclassification to foreign exchange loss on borrowings	9	-	-	-	(209.9)	-	-	-	-	-	-	(209.9)
- currency translation differences												
- subsidiaries		-	-	-	-	-	-	-	22.1	-	-	22.1
- associate		-	-	-	-	-	-	-	1.7	-	-	1.7
Total comprehensive income/(loss) for the financial year		-	-	32.4	31.7	-	-	-	23.8	700.3	(108.5)	679.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company										
		Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares										
		Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
Transactions with owners:												
Shares issued pursuant to Dividend Reinvestment Scheme (DRS)	13(c)	27.0	242.2	-	-	-	-	-	-	-	-	269.2
Final dividend paid for the financial year ended 31 December 2014	12	-	-	-	-	-	-	-	-	(498.4)	-	(498.4)
Interim dividend paid for the financial year ended 31 December 2015	12	-	-	-	-	-	-	-	-	(349.5)	-	(349.5)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(31.2)	(31.2)
Capital contribution by non-controlling interest	41	-	-	-	-	-	-	-	-	-	7.3	7.3
Equity portion of Convertible Medium Term Notes subscribed by non-controlling interest	41, 17(f)	-	-	-	-	-	-	-	-	-	1.7	1.7
Total transactions with owners		27.0	242.2	-	-	-	-	-	-	(847.9)	(22.2)	(600.9)
At 31 December 2015		2,630.6	964.9	90.2	95.2	-	71.6	(267.6)	27.6	4,168.1	258.1	8,038.7

Amount less than RM0.1 million

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 13(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

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COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares Share Capital RM	Non-distributable Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2016		2,630.6	964.9	90.2	95.2	-	71.6	3,299.2	7,151.7
Profit for the financial year		-	-	-	-	-	-	1,298.9	1,298.9
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- increase in fair value of available-for-sale investments	28	-	-	13.0	-	-	-	-	13.0
- increase in fair value of available-for-sale receivables	29	-	-	#	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	8	-	-	(1.6)	-	-	-	-	(1.6)
- cash flow hedge									
- increase in fair value of cash flow hedge	19	-	-	-	55.1	-	-	-	55.1
- reclassification to foreign exchange loss on borrowings	9	-	-	-	(59.6)	-	-	-	(59.6)
- fair value hedge									
- increase in fair value of fair value hedge		-	-	-	5.2	-	-	-	5.2
Total comprehensive income for the financial year		-	-	11.4	0.7	-	-	1,298.9	1,311.0
Transactions with owners:									
Long Term Incentive Plan (LTIP):									
- ordinary shares granted	14, 15	-	-	-	-	1.9	-	-	1.9
Second interim dividend paid for the financial year ended 31 December 2015	12	-	-	-	-	-	-	(454.7)	(454.7)
First interim dividend paid for the financial year ended 31 December 2016	12	-	-	-	-	-	-	(349.5)	(349.5)
Total transactions with owners		-	-	-	-	1.9	-	(804.2)	(802.3)
At 31 December 2016		2,630.6	964.9	101.6	95.9	1.9	71.6	3,793.9	7,660.4

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares Share Capital RM	Non-distributable Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2015		2,603.6	722.7	57.8	63.5	-	71.6	3,158.3	6,677.5
Profit for the financial year		-	-	-	-	-	-	988.8	988.8
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- increase in fair value of available-for-sale investments	28	-	-	34.7	-	-	-	-	34.7
- increase in fair value of available-for-sale receivables	29	-	-	#	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	8	-	-	(2.3)	-	-	-	-	(2.3)
- cash flow hedge									
- increase in fair value of cash flow hedge	19	-	-	-	241.6	-	-	-	241.6
- reclassification to foreign exchange loss on borrowings	9	-	-	-	(209.9)	-	-	-	(209.9)
Total comprehensive income for the financial year		-	-	32.4	31.7	-	-	988.8	1,052.9
Transactions with owners:									
Shares issued pursuant to DRS	13(c)	27.0	242.2	-	-	-	-	-	269.2
Final dividend paid for the financial year ended 31 December 2014	12	-	-	-	-	-	-	(498.4)	(498.4)
Interim dividend paid for the financial year ended 31 December 2015	12	-	-	-	-	-	-	(349.5)	(349.5)
Total transactions with owners		27.0	242.2	-	-	-	-	(847.9)	(578.7)
At 31 December 2015		2,630.6	964.9	90.2	95.2	-	71.6	3,299.2	7,151.7

Amount less than RM0.1 million

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 13(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Company Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

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STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES	39	**2,848.6**	2,942.0	**2,493.8**	2,896.3
CASH FLOWS USED IN INVESTING ACTIVITIES	40	**(3,259.5)**	(2,549.9)	**(2,977.5)**	(2,693.1)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	41	**(206.8)**	142.5	**44.8**	16.3
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(617.7)**	534.6	**(438.9)**	219.5
EFFECT OF EXCHANGE RATE CHANGES		**32.1**	1.2	**26.2**	12.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**3,510.8**	2,975.0	**2,580.0**	2,347.8
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	**2,925.2**	3,510.8	**2,167.3**	2,580.0

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 51 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

Telekom Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur. The principal office and place of business of the Company is Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements, and have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of Preparation of the Financial Statements

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

The financial statements have been prepared under the historical cost convention except as disclosed in the Significant Accounting Policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 to the financial statements.

(i) Amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2016

The amendments to published standards issued by Malaysian Accounting Standards Board (MASB) that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2016, are as follows:

Amendments to MFRS 5, 7, 119 and 134	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 – 2014 Cycle"
Amendments to MFRS 10, 12 and 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(i) Amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2016 (continued)

The amendments to published standards issued by Malaysian Accounting Standards Board (MASB) that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2016, are as follows: (continued)

- Amendments to MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" introduce specific guidance in MFRS 5 for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution is discontinued.

- Amendments to MFRS 7 "Financial Instruments: Disclosures" provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7 and clarify the applicability of Disclosure–Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

- Amendments to MFRS 10, MFRS 12 and MFRS 128 on Investment Entities: Applying the Consolidation Exception addresses issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards, clarifying the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that relate to the parent's investment activities, application of the equity method by a non-investment entity investor to an investment entity investee and the disclosures required.

- Amendments to MFRS 11 "Joint Arrangements" on Accounting for Acquisitions of Interests in Joint Operations clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3 Business Combinations, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses. The amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not remeasured if the joint operator retains joint control.

- Amendments to MFRS 101 "Presentation of Financial Statements" on Disclosure Initiative aim to improve the effectiveness of disclosures and are designed to encourage companies to apply professional judgment in determining the information to be disclosed in the financial statements.

- Amendments to MFRS 116 and MFRS 138 on Clarification of Acceptable Methods of Depreciation and Amortisation provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. MFRS 116 prohibits revenue-based depreciation because revenue does not, as a matter of principle, reflect the way in which an item of property, plant and equipment is used or consumed. The amendments to MFRS 138 introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate except in limited circumstances.

- Amendments to MFRS 119 clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. The amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level.

- Amendments to MFRS 127 "Separate Financial Statements" on Equity Method in Separate Financial Statements allow a parent and investors to use the equity method in its separate financial statement to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

- Amendments to MFRS 134 "Interim Financial Reporting" clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' as used in MFRS 134. The amendment requires such disclosures to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(i) Amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2016 (continued)

The adoption of the above applicable amendments to published standards has not given rise to any material impact on the financial statements of the Group and the Company.

(ii) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company

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

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 12	Disclosure of Interests in Other Entities
Amendments to MFRS 107	Statement of Cash Flows - Disclosure Initiative
Amendments to MFRS 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018

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

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases

Effective for annual periods to be announced by MASB

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards, IC Interpretation and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- Amendments to MFRS 2 "Share-based Payment" provides specific guidance on how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share based payments, share-based payment transactions with net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

- MFRS 9 "Financial Instruments (as issued by International Accounting Standard Board (IASB) in July 2014)" replaces the guidance in MFRS 139 that relates to the classification and measurement of financial instruments. MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in OCI, with only dividend income from the investment to be recognised in profit or loss. MFRS 9 introduces a new expected credit loss model that replaces the incurred loss impairment model used in MFRS 139.

  For financial liabilities, there were no changes to classification and measurement except for liabilities designated at inception to be measured at FVTPL. For these, the portion of fair value changes caused by changes in an entity's own credit risk shall be recognised in OCI rather than in profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

- Amendments to MFRS 10 and MFRS 128 on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture address an acknowledged inconsistency between the requirements in MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investment in Associates and Joint Ventures". Full gain or loss should be recognised on the loss of control of a business, whether the business is housed in a subsidiary or not. At the same time, the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 "Business Combinations" to an associate or joint venture should only be recognised to the extent of unrelated investors' interests in the associate or joint venture.

- The amendments on MFRS 12 on Disclosure of Interests in Other Entities clarifies the applicability of this Standard to an entity's interest in other entities which are classified as held for sale or discontinued operations.

- MFRS 15 "Revenue from Contracts with Customers" is a new Standard aimed to improve financial reporting of revenue and comparability whilst providing better clarity on revenue recognition on areas where existing requirements unintentionally created diversity in practice. MFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. It also includes clarification on how certain principles should be applied in identifying whether performance obligations are distinct, determining whether an entity is principal or an agent and assessing whether revenue from a license of intellectual property is recognised over time or at a point in time. MFRS 15 replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards, IC Interpretation and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- MFRS 16 "Leases" is a new Standard that will supersede MFRS 117 "Leases" and related IC interpretations effective for financial period beginning 1 January 2019. MFRS 16 eliminates the distinction between finance and operating leases for lessees. It requires a lessee to recognise a "right-to-use" of the underlying assets and a lease liability reflecting future lease payments for most leases. The "right-to-use" is depreciated in accordance with the principles in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense to be recognised in income statement. This effectively means all leases are reflected on the balance sheet for lessees. For lessors, MFRS 16 retains most of the requirements in MFRS 117 and lessors continue to classify all leases as either operating or finance lease and account for them differently.

- The Disclosure Initiative amendments on MFRS 107 "Statement of Cash Flows" are intended to clarify MFRS 107 to improve information provided to users of financial statements about an entity's financing activities. Disclosures that enable users to evaluate changes in liabilities arising from financing activities shall be provided including changes from financing cash flows, arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values.

- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses" clarify how to account for deferred tax assets related to debt instruments measured at fair value as well as requirements on recognition of deferred tax assets on unrealised losses to address diversity in practice prior to this.

- Amendments to MFRS 128 "Investment in Associates and Joint Ventures" clarifies that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates and joint-ventures at fair value in accordance with the Standard.

- Amendments to MFRS 140 "Investment Property" provide guidance on transfers to or from investment properties, and that a property under construction or development that was previously classified as inventory could be transferred to investment property only when there is evidence of a change in use.

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" addresses which exchange rate to use in reporting foreign currency transaction that involve advance consideration paid or received.

The adoption of the above applicable new standards, IC Interpretation and amendments to published standards are not expected to have a material impact on the financial statements of the Group and the Company except for MFRS 9, MFRS 15 and MFRS 16. The Group has yet to assess the full impact of MFRS 9, MFRS 15 and MFRS 16. The Group has commenced the project to implement MFRS 15 group-wide including the assessment of the impact of adopting the new revenue standard. At the time of preparing this financial statements, the impact from the adoption of this standard has yet to be fully quantified.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the entity),
- Exposure, or rights, to variable returns from its involvement with the entity, and
- The ability to use its power over the entity to affect its returns.

When the Group has less than a majority of the voting or similar rights of an entity, the Group considers all relevant facts and circumstances in assessing whether it has power over that entity, including:

- The contractual arrangement with the other vote holders of the entity
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are consolidated using the acquisition method of accounting except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006, which were accounted for using the merger method.

The Group has taken advantage of the exemption provided by MFRS 1 to not restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Accordingly, business combinations entered into prior to transition date have not been restated.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in the Consolidated Income Statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the Consolidated Income Statement (refer to Significant Accounting Policies note 2(f)(i) on Goodwill).

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

Intra-group transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary and is recognised in the Consolidated Income Statement.

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Income Statements, and its share of post-acquisition movements in reserves is recognised within other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

The results of associates are taken from the most recent unaudited financial statements of the associates concerned, made up to dates not more than 3 months prior to the end of the financial year of the Group.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses are recognised in the Consolidated Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

When the Group increases its stake in an existing investment and the investment becomes an associate for the first time, goodwill is calculated at each stage of the acquisition. The Group does not revalue its previously owned share of net assets to fair value. Any existing available-for-sale reserve is reversed in other comprehensive income, restating the investment to cost. A share of profits (after dividends) together with a share of any equity movements relating to the previously held interest are accounted for in other comprehensive income.

The gain or loss on disposal of an associate is the difference between the net disposal proceeds and the Group's share of the associate's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that associate which were previously recognised in other comprehensive income, and is recognised in the Consolidated Income Statement.

(iv) Changes in Ownership Interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the Consolidated Income Statement. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost less accumulated impairment losses in the separate financial statements of the Company. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets). Impairment losses are charged to the Income Statement.

On disposal of investments in subsidiaries and associates, the difference between the net disposal proceeds and the carrying amounts of the investments are recognised in the Income Statement.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Certain freehold land are carried at fair value, being their deemed cost in accordance with the exemption provided by MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" as at 1 January 2011, the date of transition to MFRS.

(i) Cost

Cost of telecommunications network comprises expenditure up to and including the last distribution point before the customers' premises and includes contractors' charges, materials, direct labour and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Significant Accounting Policies note 2(q)(ii) on borrowing costs).

Subsequent cost is included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment (continued)

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease is amortised in equal instalments over the period of the respective lease. Long term leasehold land has an unexpired lease period of 50 years and above. Other property, plant and equipment are depreciated on a straight line basis to write-off the cost of the assets to their residual values over their estimated useful lives in years as summarised below:

Telecommunications network	3 - 30
Movable plant and equipment	5 - 8
Computer support systems	3 - 8
Buildings	5 - 40

Capital work-in-progress are stated at cost and are not depreciated. Upon completion, capital work-in-progress are transferred to categories of property, plant and equipment depending on the nature of the assets. Capital work-in-progress includes servicing equipment, materials and spares. Depreciation on property, plant and equipment under construction commences when the property, plant and equipment are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each reporting date.

(iii) Impairment

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write-down is made if the carrying value exceeds the recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

(iv) Gains or Losses on Disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the related asset and are included in other operating income in the Income Statement.

(v) Asset Exchange Transaction

Property, plant and equipment may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair values unless

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Group cannot immediately derecognise the assets given up. If the acquired item is not reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(vi) Repairs and Maintenance

Repairs and maintenance are charged to the Income Statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. This cost is depreciated over the remaining useful life of the related asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment Properties

Investment properties, principally comprising land and office buildings, are held for long term rental yields or for capital appreciation or for both, and are not occupied by the Group or the Company.

Investment properties are carried at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write-off the cost of the investment properties to their residual values over their estimated useful lives in years as summarised below:

Leasehold land	over the period of the respective leases
Buildings	5 - 40

Freehold land is not depreciated as it has an infinite life.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected, then it shall be derecognised (eliminated from the Statement of Financial Position). Gain or loss on disposal is determined by comparing the net disposal proceeds with the carrying amount and are included in the Income Statement.

(f) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition. Goodwill on acquisition occurring on or after 1 January 2002 in respect of a subsidiary is included in the Consolidated Statement of Financial Position as an intangible asset. Goodwill on acquisitions that occurred prior to 1 January 2002 was written off against reserves in the year of acquisition.

As part of the transition to MFRS, the Group elected not to restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous Financial Reporting Standards framework as at the date of transition.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the Consolidated Income Statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Intangible Assets (continued)

(ii) Software

Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Amortisation is calculated using straight line method at 20% per annum subject to impairment.

(iii) Programme Rights

Programme rights comprise rights licensed from third parties with the primary intention to broadcast in the normal course of operating cycle. The rights are stated at cost less accumulated amortisation and accumulated impairment losses (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

The Group amortises programme rights on a straight line basis over the license period or estimated useful life if shorter, from the date of first transmission, to match the costs of consumption with the estimated benefits to be received. Amortisation is included in the Income Statement.

(iv) Telecommunication Spectrum

Telecommunication spectrum acquired in a business combination is recognised at fair value at the acquisition date, with an indefinite useful life as there is a presumption of renewal at negligible cost. It is subjected for impairment review on an annual basis or whenever adverse events or changes in circumstances indicate that impairment may have occurred.

(v) Customer Base

Customer base acquired in a business combination is recognised at fair value at the acquisition date. It is expected to have a finite useful life and carried at cost less accumulated amortisation calculated using the straight-line method over the estimated useful life of three years. The expected useful life principally reflects the Group's view of the average economic life of the customer base, assessed by reference to customer churn rates.

(g) Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful life, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

The impairment loss is charged to the Income Statement. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Assets

Financial assets are classified in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Quoted equity securities (within current assets), determined on an aggregate portfolio basis, are classified as financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to the Income Statement.

Changes in the fair values of financial assets at fair value through profit or loss are recognised in the Income Statement in the period in which the changes arise.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise non-current receivables, trade and other receivables and cash and bank balances in the Statement of Financial Position.

Loans and receivables are measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

(iii) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

Fixed income securities (within current assets) and certain non-current equity investments are classified as available-for-sale investments, whilst convertible education loans (within non-current assets) are classified as available-for-sale receivables. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

Changes in the fair values of available-for-sale investments are recognised in other comprehensive income. Whereas, changes in the fair value of available-for-sale receivables classified as non-current assets can be analysed by way of changes arising from conversion of the receivables to scholarship and other fair value changes. Changes arising from the conversion are recognised in the Income Statement, whereas, other fair value changes are recognised in other comprehensive income. Interests on available-for-sale receivables calculated using the effective interest method are recognised in the Income Statement.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Assets (continued)

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(v) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented on the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(i) Impairment of Financial Assets

(i) Assets Carried at Amortised Cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the customer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the customers will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

    - adverse changes in the payment status of customers in the portfolio; and
    - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Income Statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of Financial Assets (continued)

(ii) Assets Classified as Available-for-sale

In the case of equity and fixed income securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, the following criteria are also considered as indicators of impairment:

- significant financial difficulty of the issuer or obligor;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired.

If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the Income Statement, is reversed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement. Impairment losses recognised in the Income Statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through the Income Statement.

(j) Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the Income Statement at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the Income Statement within 'other gains or losses – net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the Income Statement within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the Income Statement over the period to maturity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Derivative Financial Instruments and Hedging Activities (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within 'other gains or losses – net'.

Amounts accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects the Income Statement. The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'.

When a hedging instrument matures, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the Income Statement.

(k) Embedded Derivatives

Derivatives embedded in other financial instruments or contracts are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself held-for-trading or designated as fair value to profit or loss. The embedded derivatives separated from the host are carried at fair value to profit or loss with changes in the fair value recognised in the Income Statement.

(l) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined on a weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and applicable variable selling expenses. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

(m) Non-current Assets Held for Sale

Non-current assets are classified as held for sale when their carrying amounts are to be recovered principally through sale transaction and the sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Any subsequent write-down of the assets to fair value less cost to sell are recognised as impairment losses and are charged to the Income Statement.

(n) Customer Acquisition Costs

Customer acquisition costs are incurred in activating new customers pursuant to a contract. Customer acquisition costs are capitalised and amortised over the contract period. In the event that a customer terminates the service within the contract period, any unamortised customer acquisition costs are written off to the Income Statement immediately.

(o) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of 3 months or less. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share Capital

(i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is debited directly to equity.

(ii) Share Issue Costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(iii) Dividend to Shareholders of the Company

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

Dividend in specie of shares distributed to the Company's shareholders is recorded at the carrying value of net asset distributed. The distribution is recorded as a movement in equity.

(q) Financial Liabilities

Trade and other payables, customer deposits and borrowings are classified as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

(ii) Bonds, Notes, Debentures and Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Interests, dividends, gains and losses relating to a financial instrument, or a component part, classified as a liability are reported within finance cost in the Income Statement. Foreign exchange gains or losses arising from translation of foreign currency borrowings are reported within 'finance cost' in the Income Statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial Liabilities (continued)

(ii) Bonds, Notes, Debentures and Borrowings (continued)

Borrowing cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other borrowing costs are charged to the Income Statement.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(iii) Put Option Liability Over Shares Held By Non-Controlling Interest

A contract that contains an obligation for the Group to deliver cash or other financial asset in exchange for its own (or its subsidiary's) equity shares is a financial liability. This liability is recorded irrespective of whether the contract meets the definition of an equity instrument. The financial liability is recognised at the present value of the redemption amount of the option, when it is exercised.

The initial redemption liability is recognised as Other Reserve in equity as a reduction of the Group's equity if the risk and rewards of ownership remain with the non-controlling interest or a reduction of non-controlling interest's equity if the risks and rewards of ownership transfer to the Group. Subsequently, the put option is remeasured at fair value as a result of changes in the expected liability with any resulting gain or loss recognised in the Income Statement. In the event that the option expires unexercised, the put option liability is de-recognised with a corresponding adjustment to equity.

(r) Leases

(i) Finance Leases

Leases of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the leases at the lower of the present value of the minimum lease payments and the fair value of the leased assets. The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the reduction of the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Income Statement.

Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease terms.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the Income Statement over the financial period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to the Income Statement on a straight line basis over the estimated useful lives of the related assets.

(t) Income Taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries or associates on distributions of retained profits to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the future, against which the deductible temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised.

Deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group's share of income taxes of associates are included in the Group's share of results of associates.

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118.

(w) Revenue Recognition

Operating revenue comprises the fair value of the consideration received or receivables for the sale of products and rendering of services net of returns, duties, sales discounts and goods and services tax, after eliminating sales within the Group. Operating revenue is recognised or accrued at the time of the provision of products or services, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Advance rental billing comprises mainly billing in advance for data services, which is amortised on a straight line basis according to contractual terms.

Dividend income from investment in subsidiaries, associates and equity investments is recognised within 'other operating income (net)' when a right to receive payment is established.

Finance income includes income from deposits with licensed banks, other financial institutions, other deposits, available-for-sale receivables and staff loans, and is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the Income Statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value. These include limited medical benefits provided up to a certain age for eligible ex-employees under certain optional retirement scheme.

(iv) Share-based Compensation

- **Equity-settled Share-based Compensation**

  The fair value of the employee services received in exchange for the grant of shares to employees of the Company are recognised as an expense in the Income Statements over the vesting period of the grant (or each respective grants in the event of multiple grants) with a corresponding increase in equity.

  For shares granted to the employees of subsidiaries, the fair value of the grant is recognised as a cost to investment in the subsidiaries over the vesting period with a corresponding adjustment to equity.

- **Cash-settled Share-based Compensation**

  The fair value of the employee services received in exchange for the cash payment by the Group or the Company to employees in lieu of shares of the Company are recognised at the fair value of the liability incurred, as expense in the Income Statements over the vesting period of the grant (or each respective grants in the event of multiple grants).

For both Share-based Compensations, the total amount to be expensed over the respective vesting periods is determined by reference to the fair value of the shares granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of shares that are expected to vest. At each reporting date, the Group revises its estimates of the number of shares that are expected to vest. It recognises the impact of the revision of original estimates of the grant liability, if any, in the Income Statement with a corresponding adjustment to share option reserve in equity.

The fair value of shares granted to employees of subsidiaries are allocated to the subsidiaries.

When the shares granted are vested and issued, the fair value is credited to share capital (nominal value) and share premium with corresponding debit to reserves and cash received (if any).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the Income Statement within 'net finance cost'. All other foreign exchange gains and losses are presented in the Income Statement within 'operating costs'.

(iii) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the reporting date;
- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the rates prevailing on the date of the transactions); and
- all resulting exchange differences are recognised as a separate component in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is disposed off or sold, such exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on disposal.

(z) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions.

Further disclosures on Segment Reporting are set out in note 45 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are mentioned below.

(a) Estimated Useful Lives of Property, Plant and Equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage, changes in technology, latest findings in research and development, updated practices to enhance performance of certain network assets and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A change in the estimated useful lives of property, plant and equipment would change the recorded depreciation and the carrying amount of property, plant and equipment.

(b) Impairment of Property, Plant and Equipment, Intangible Assets (other than goodwill) and Investment in Subsidiaries

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

(c) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 24 to the financial statements.

(d) Impairment of Trade Receivables

The Group assesses at each reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated periodically based on a review of the current status of existing receivables and historical collection trends to reflect the actual and anticipated experience.

(e) Useful Lives of Intangibles Assets Acquired through Business Combination

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. The basis for determining the useful lives for the intangible assets acquired through business combination are as follows:

- Telecommunication spectrum estimated useful life is estimated to have an indefinite useful life with the presumption that any renewal are at negligible cost and the Group is expected to continue utilising the spectrum in providing its telecommunication services indefinitely.

- The estimated useful life of the acquired customer base principally reflects the Group's view of the average economic life of the customer base and is assessed by reference to customer churn rates.

3. CRITICAL ACCOUNTING ESTIMATES (continued)

Critical Accounting Estimates and Assumptions (continued)

(f) Taxation

(i) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

(ii) Deferred Tax Assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves judgment regarding future taxable profits of a particular entity in which the deferred tax asset has been recognised.

Estimating the future taxable profits involved significant assumptions, especially in respect of demand on existing and new services, competition and regulatory changes that may impact the pricing of services. These assumptions were derived based on past performance and adjusted for non-recurring circumstances.

(g) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on Directors' view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Details of the legal proceedings in which the Group is involved as at 31 December 2016 is disclosed in note 50 to the financial statements.

(h) Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group exercises its judgment in selecting a variety of valuation methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair value of derivatives is the present value of their future cash flows. The Group estimated the fair values at the reporting date, of certain available-for-sale financial assets that are not traded in an active market by using the net tangible assets and the discounted cash flow methods. In estimating the fair value of put and call options on shares of a subsidiary, the Group has used valuation models in projecting expected share prices utilising comparable discount and growth rates reflective of market conditions specific to relevant industry existing at the end of the reporting period. Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The summary of financial instruments by category is disclosed in note 46 to the financial statements. The valuation of such financial instruments is further discussed in note 47 to the financial statements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Factor

The main risks arising from the Group's financial assets and liabilities are market risk (comprises foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Group has established risk management policies, guidelines and procedures in order to manage its exposure to these financial risks. Hedging strategies are determined in light of commercial commitments to mitigate the relevant risks exposures. Derivative financial instruments are used to hedge the underlying commercial exposures and are not held for speculative purposes.

(i) Market Risk

- Foreign Exchange Risk

The Group's foreign exchange risk refers to adverse exchange rate movements on foreign currency positions originating from trade receivables and payables, deposits and borrowings denominated in foreign currencies, and from retained profits in overseas subsidiaries, where the functional currencies are not in Ringgit Malaysia.

The Group's objective is to mitigate foreign exchange exposure to an acceptable level against pre-determined limits and impact to the Income Statement. The Group monitors its foreign currency denominated assets and liabilities and uses various hedging instruments such as forward contracts, Cross Currency Interest Rate Swaps (CCIRS) contracts and option structures as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flows requirement. The Group's policy requires all transactions for hedging foreign currency exchange risk exposure be executed within the parameters approved by the Board of Directors.

The foreign exchange risk of the Group arises predominantly from borrowings denominated in foreign currencies, mainly the US Dollar and Japanese Yen. During the financial year, in addition to the existing US Dollar and Japanese Yen forward and CCIRS contracts, the Group entered into additional forward contracts to hedge US Dollar purchases in order to reduce foreign currency exposures. After hedging of the US Dollar and Japanese Yen borrowings, the foreign currency borrowings composition is reduced to 20.1% (2015: 13.1%) of the Group's total borrowings as at 31 December 2016.

Based on the borrowings position as at 31 December 2016, if the Ringgit Malaysia had weakened/strengthened by 5.0% against the US Dollar and Japanese Yen with all other variables held constant, the post-tax profit for the financial year for the Group would have been lower/higher by approximately RM129.0 million and RM15.0 million (before hedging) respectively and RM84.1 million and RM nil million (after hedging) respectively as a result of foreign exchange losses or gains on translation of US Dollar and Japanese Yen denominated borrowings.

- Price Risk

The Group is exposed to equity and fixed income securities price risk arising from investments as reflected on the Statement of Financial Position, classified either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. The quoted equity securities portfolio has decreased to RM6.0 million as at 31 December 2016 from RM6.6 million at the end of 2015 due to decline in market value for the existing portfolio.

Based on the quoted equity securities portfolio as at 31 December 2016, if Bursa Malaysia equity index move by 5.0%, with all other variables remain constant, post-tax profit for the financial year would have been impacted by approximately RM0.3 million. Post-tax profit for the financial year would increase or decrease as a result of gains/losses on equity securities classified as fair value through profit or loss.

Other components of equity would increase/decrease as a result of gains/losses on equity and fixed income securities classified as available-for-sale.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Interest Rate Risk

The Group has cash and short term deposits and fixed income securities that are exposed to interest rate movement. The Group manages its interest rate risk on cash and short term deposits through allocation in suitable tenure. While on fixed income securities, the Group applies suitable duration and basis point valuation analysis impact to manage its interest rate risk.

The Group's investments in money market and fixed income securities as at 31 December 2016 were RM1,647.3 million (2015: RM2,359.4 million) and RM518.0 million (2015: RM515.6 million) respectively. For an increase of 25 basis points in the Overnight Policy Rate (OPR) by Bank Negara Malaysia and assuming the overall yield curve also increases by the same percentage, the finance income from the money market portfolio would correspondingly move by approximately RM4.1 million while the net asset value of the fixed income portfolio would inversely move by approximately RM6.9 million.

The Group's debts include revolving credits, borrowings, bonds, notes and debentures. The Group's objective is to manage the interest rate risk to an acceptable level of exposure on the finance cost. The Group reviews its composition of fixed and floating rate debt based on assessment of its existing exposure and desirable interest rate profile acceptable to the Group. Hedging instruments such as interest rate swaps are used to manage these risks.

The Group's policy requires all transactions for hedging interest rate risk exposure be executed within the parameters approved by the Board of Directors.

The Group has entered into a few interest rate swap transactions with creditworthy financial institutions. Based on the hedging position as at 31 December 2016, if there were to be a hike in the OPR by 25 basis points, the finance cost would be higher by approximately RM0.6 million.

As at 31 December 2016, the Group's interest rate profile, after hedging, was at 100% fixed interest rate (2015: 93:7 fixed-to-floating).

The interest rate exposure is mitigated, to some extent, by the offsetting effect between assets and liabilities.

(ii) Credit Risk

Financial assets that are primarily exposed to credit risks are receivables, cash and bank balances, marketable securities and financial instruments used in hedging activities.

Due to the nature of the Group's business, customers are mainly segregated according to business segments. The Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed through the application of stringent credit control assessment and approval, credit limit and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers to be held as collaterals.

The Group places its cash and cash equivalents with various creditworthy financial institutions. The Group's policy limits the concentration of credit exposure to any single financial institution based on its net tangible asset position and/or credit rating, which is subject to annual review.

The Group has appointed several fixed income and commercial papers fund managers to manage its investment portfolios. In managing the portfolios' credit risks, the investment parameter was established to restrict all fund managers to only invest in securities that carry at least A3/P1 credit ratings or equivalent. This is in accordance with the Group's Treasury Investment Policies and Guidelines. In the current financial year, the Group's investment portfolios were predominantly securities carrying AA/P1 credit ratings or above, as shown in note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial Risk Factor (continued)

(ii) Credit Risk (continued)

All hedging instruments are executed with creditworthy financial institutions with a view to limiting the credit risk exposure of the Group. The Group, however, is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but does not expect any counterparties to fail to meet their obligations.

In complying with the risk management policies, all counterparties are required to maintain certain credit rating as defined by the international and local rating agencies.

(iii) Liquidity Risk

Group Treasury maintains cash and cash equivalents at a level that is deemed appropriate by the management to finance the Group's operations. It also actively monitors and controls liquidity risk exposures and funding needs across legal entities within the Group, business lines and currencies, taking into account legal, regulatory and operational limitations via a centralised Treasury operation.

Due to the dynamic nature of the underlying business, the Group also aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

Cash flow forecasts are performed in the operating entities of the Group on a rolling basis and are aggregated by Group Treasury to ensure sufficient cash is available to meet operational needs while maintaining adequate headroom on its undrawn committed credit facilities at all times. As at 31 December 2016, the Group held deposits with financial institutions of RM1,647.3 million (2015: RM2,359.4 million) and cash and bank balances of RM1,278.7 million (2015: RM1,152.2 million) that are expected to be readily available to meet any payment obligation when it falls due.

Refinancing risk is managed by limiting the amount of borrowings that mature within any specific period and by having appropriate strategies in place to manage refinancing needs as they arise. The Group has available funding with the establishment of the new Islamic Commercial Papers programme, Islamic Medium Term Notes and Multi-Currency Euro Medium Term Notes programmes with remaining combined limit of up to RM3.6 billion in nominal value to meet capital expenditure and business operating requirements. The analysis of the maturity profile of the Group's and the Company's financial liabilities are shown in note 48 to the financial statements.

There has been no significant change in the Group's financial risk management objectives and policies as well as its financial risk exposure in the current financial year as compared to the preceding financial year.

(b) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide long term return to shareholders and benefits for other stakeholders. The Group's capital management framework comprises of a dividend policy and strives to maintain an optimal capital structure that will improve its capital efficiency.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to the shareholders or may return capital to shareholders vis-à-vis its debt-to-equity ratio (gearing level). In 2014, the Group introduced a Dividend Reinvestment Scheme (DRS) whereby its shareholders have the option to either receive cash dividends or reinvest the dividends in new ordinary shares of the Company. Depending on the level of subscription of DRS, the Group would be able to enlarge its share capital base as well as strengthen its capital position through the DRS whenever applicable.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Capital Risk Management (continued)

The gearing ratios as at 31 December were as follows:

	The Group	
	2016	2015
Borrowings (RM million) (note 17)	**8,363.3**	7,583.7
Total Shareholders' Equity (RM million)	**7,692.3**	7,780.6
Debt-to-equity Ratio	**1.1**	1.0

The Group also monitors its gearing level in comparison to its peers within the industry while maintaining the desired level of credit rating. During 2016, the Group's credit rating remained unchanged at AAA by RAM, A- by S&P and A3 by Moody's.

Furthermore, the Group complies with Bursa Malaysia Securities Berhad Main Market Listing Requirement to maintain a consolidated shareholders' equity of more than 25 percent of the issued and paid up capital and maintain such shareholders' equity at not less than RM40.0 million.

5. OPERATING REVENUE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Voice services	**3,330.5**	3,506.9	**3,326.4**	3,501.0
Internet and multimedia services	**3,668.3**	3,367.5	**3,555.0**	3,169.4
Data services	**2,744.7**	2,669.7	**2,465.0**	2,372.3
Other telecommunications related services	**1,979.7**	1,881.2	**1,400.7**	1,242.6
Non-telecommunications related services	**337.7**	296.3	**-**	-
TOTAL OPERATING REVENUE	**12,060.9**	11,721.6	**10,747.1**	10,285.3

6(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Depreciation of property, plant and equipment (PPE) (note 22)	**2,512.0**	2,329.6	**2,020.5**	1,988.7
Depreciation of investment property (note 23)	**-**	-	**2.3**	2.3
Impairment of PPE (note 22 (d))	**14.0**	31.9	**-**	-
Impairment reversal of non-current assets held for sale (note 32(a))	**-**	(6.3)	**-**	(6.3)
Write-off/retirement of PPE (note 22)	**71.7**	44.5	**44.3**	42.2
Amortisation of intangible assets (note 24)	**36.9**	37.6	**-**	-
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**2,634.6**	2,437.3	**2,067.1**	2,026.9

NOTES TO THE FINANCIAL STATEMENTS
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6(b) OTHER OPERATING COSTS

	The Group		The Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Agency commissions and charges	**76.0**	73.1	**88.1**	88.6
Domestic interconnect and international outpayment	**1,020.0**	1,016.3	**1,083.4**	1,080.3
Impairment of trade and other receivables (net of debt recoveries)	**40.7**	165.6	**32.2**	157.1
Impairment for investment in subsidiaries	**-**	-	**-**	2.8
Maintenance	**735.3**	778.1	**717.9**	772.4
Marketing, advertising and promotion	**368.5**	321.4	**370.6**	333.4
Net gain on foreign exchange on settlements and placements				
- realised	**(16.0)**	(42.7)	**(11.6)**	(47.7)
- unrealised	**(45.5)**	(95.4)	**(57.0)**	(96.8)
Outsourcing costs	**52.8**	58.2	**288.2**	309.4
Rental - equipment	**51.1**	45.7	**80.5**	90.7
Rental - land and buildings	**292.9**	268.1	**158.7**	164.3
Rental - leased lines	**184.7**	208.7	**-**	-
Rental - others	**49.2**	29.1	**33.5**	14.3
Research and development	**8.5**	10.7	**59.6**	70.4
Staff costs	**2,769.4**	2,703.1	**2,048.1**	1,979.6
Staff costs capitalised into PPE	**(128.4)**	(115.5)	**(121.7)**	(115.5)
Supplies and materials	**876.2**	875.1	**533.2**	503.2
Transportation and travelling	**68.9**	68.4	**49.4**	50.7
Universal Service Provision contribution	**362.1**	352.1	**333.9**	325.6
Utilities	**356.9**	355.8	**295.6**	296.3
Others	**1,279.4**	1,075.0	**1,186.8**	1,098.7
TOTAL OTHER OPERATING COSTS	**8,402.7**	8,150.9	**7,169.4**	7,077.8

6(b) OTHER OPERATING COSTS (continued)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Staff costs include:				
- salaries, allowances, overtime and bonus	**2,139.3**	2,078.8	**1,556.1**	1,492.3
- contribution to Employees Provident Fund (EPF)	**321.8**	314.1	**238.3**	227.2
- termination benefit	**76.7**	77.4	**70.3**	72.2
- other staff benefits	**217.5**	224.9	**169.9**	180.7
- Long Term Incentive Plan	**1.9**	-	**1.4**	-
- remuneration of Executive Directors of the Company				
- salaries, allowances and bonus	**7.6**	3.7	**7.6**	3.7
- contribution to EPF	**1.1**	0.8	**1.1**	0.8
- remuneration of Non-Executive Directors of the Company				
- fees	**2.6**	2.6	**2.0**	2.0
- allowances and bonus	**0.9**	0.8	**0.9**	0.7
Others include:				
- statutory audit fees				
- PricewaterhouseCoopers Malaysia	**2.8**	2.9	**1.6**	1.7
- member firms of PricewaterhouseCoopers International Limited	**0.2**	0.2	**-**	-
- audit related fees	**1.1**	0.7	**0.7**	0.6
- tax and other non-audit services	**1.7**	0.9	**1.7**	0.3

Estimated money value of benefits of Directors amounted to RM622,381 (2015: RM721,388) for the Group and the Company.

In ensuring independence of the external auditors, the Board Audit Committee has policies governing the engagement of the external auditors for non-audit services and the related approval process that has to be adhered before any such non-audit services commence. Non-audit services can be offered by the external auditors if there are efficiencies and value-added benefits to the Group.

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7. OTHER OPERATING INCOME (net)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income from subsidiaries	**-**	-	**179.0**	224.5
Dividend income from equity securities - quoted	**1.1**	1.2	**1.1**	1.2
- unquoted	**15.7**	5.9	**15.7**	5.9
Income from sales of scraps	**17.7**	13.8	**17.6**	13.8
Income from subsidiaries - interest	**-**	-	**51.2**	20.6
- others	**-**	-	**0.7**	3.3
Insurance claims	**7.2**	6.2	**6.8**	6.1
Loss on disposal of staff loans	**(0.6)**	(0.6)	**(0.6)**	(0.6)
Profit on disposal of PPE	**2.5**	2.4	**2.7**	2.8
Profit on disposal of non-current asset held for sale	**0.3**	0.1	**0.3**	0.1
Penalty on breach of contract	**3.8**	6.7	**3.6**	6.7
Rental income from land and buildings	**45.9**	43.9	**69.7**	70.6
Rental income from vehicles	**-**	-	**0.4**	0.6
Revenue from training and related activities	**1.8**	1.6	**3.6**	3.2
Others	**35.0**	42.5	**38.7**	50.3
TOTAL OTHER OPERATING INCOME (net)	**130.4**	123.7	**390.5**	409.1

8. OTHER GAINS/(LOSSES) (net)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fair value movement of financial assets at fair value through profit or loss				
- equity securities quoted on the Bursa Malaysia Securities Berhad	**(0.5)**	(2.6)	**(0.5)**	(2.6)
- call option on shares held by non-controlling interest	**14.7**	(1.3)	**-**	-
- forward foreign currency contract on purchases	**(0.4)**	0.4	**-**	-
Fair value movement of put option liability over shares of a subsidiary (note 47(a))	**31.8**	(25.4)	**-**	-
Available-for-sale investments				
- reclassification from fair value reserves	**1.6**	2.3	**1.6**	2.3
TOTAL OTHER GAINS/(LOSSES) (net)	**47.2**	(26.6)	**1.1**	(0.3)

9. NET FINANCE COST

The Group	2016				2015			
	Foreign RM	Domestic RM	Islamic Principles RM	Total RM	Foreign RM	Domestic RM	Islamic Principles RM	Total RM
Finance income from								
- short term bank deposits	**1.0**	**45.6**	**62.7**	**109.3**	0.2	56.8	64.9	121.9
- other deposits	**-**	**11.4**	**2.6**	**14.0**	-	9.2	2.5	11.7
- Redeemable Exchangeable Medium Term Notes (note 30)	**-**	**15.8**	**-**	**15.8**	-	11.1	-	11.1
- staff loans	**-**	**0.3**	**8.7**	**9.0**	-	1.0	4.9	5.9
- accretion of finance income	**-**	**6.6**	**-**	**6.6**	-	12.3	-	12.3
- available-for-sale receivables	**-**	**0.6**	**-**	**0.6**	-	1.5	-	1.5
TOTAL FINANCE INCOME	**1.0**	**80.3**	**74.0**	**155.3**	0.2	91.9	72.3	164.4
Finance cost on								
- borrowings	**(118.4)**	**(10.8)**	**(0.4)**	**(129.6)**	(124.6)	(15.9)	-	(140.5)
- TM Islamic Stapled Income Securities (note 17(b))	**-**	**-**	**(44.9)**	**(44.9)**	-	-	(44.9)	(44.9)
- fair value gain on interest rate swaps								
- realised (note 17(c))	**-**	**-**	**1.9**	**1.9**	-	-	1.8	1.8
- Islamic Medium Term Notes (note 17(d))	**-**	**-**	**(187.8)**	**(187.8)**	-	-	(156.8)	(156.8)
- accretion of finance cost (note 17(e) and 37(b))	**-**	**(5.0)**	**-**	**(5.0)**	-	(6.7)	-	(6.7)
- finance lease (note 17(h))	**-**	**(3.4)**	**-**	**(3.4)**	-	(2.7)	-	(2.7)
- unwinding of discount on put option over shares of a subsidiary (note 47(a))	**-**	**(28.5)**	**-**	**(28.5)**	-	(9.7)	-	(9.7)
- amortisation of interest subsidy on staff loan	**-**	**-**	**(2.7)**	**(2.7)**	-	-	(1.0)	(1.0)
Borrowing costs capitalised	**0.3**	**4.3**	**14.7**	**19.3**	2.8	6.3	28.0	37.1
TOTAL FINANCE COST	**(118.1)**	**(43.4)**	**(219.2)**	**(380.7)**	(121.8)	(28.7)	(172.9)	(323.4)
Foreign exchange gain/(loss) on borrowings								
- realised	**2.1**	**-**	**-**	**2.1**	(7.8)	-	-	(7.8)
- unrealised	**(148.4)**	**-**	**-**	**(148.4)**	(386.5)	-	-	(386.5)
- reclassification from hedging reserve	**59.6**	**-**	**-**	**59.6**	209.9	-	-	209.9
TOTAL FOREIGN EXCHANGE LOSS ON BORROWINGS	**(86.7)**	**-**	**-**	**(86.7)**	(184.4)	-	-	(184.4)
NET FINANCE COST	**(203.8)**	**36.9**	**(145.2)**	**(312.1)**	(306.0)	63.2	(100.6)	(343.4)

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9. NET FINANCE COST (continued)

The Company	2016				2015			
	Foreign RM	Domestic RM	Islamic Principles RM	Total RM	Foreign RM	Domestic RM	Islamic Principles RM	Total RM
Finance income from								
- short term bank deposits	**0.9**	**44.4**	**61.6**	**106.9**	0.1	54.4	63.5	118.0
- other deposits	**-**	**11.4**	**2.0**	**13.4**	-	9.1	1.8	10.9
- staff loans	**-**	**0.3**	**8.7**	**9.0**	-	1.0	4.9	5.9
- available-for-sale receivables	**-**	**0.6**	**-**	**0.6**	-	1.5	-	1.5
TOTAL FINANCE INCOME	**0.9**	**56.7**	**72.3**	**129.9**	0.1	66.0	70.2	136.3
Finance cost on								
- borrowings	**(116.4)**	**-**	**-**	**(116.4)**	(114.6)	-	-	(114.6)
- TM Islamic Stapled Income Securities (note 17(b))	**-**	**-**	**(44.9)**	**(44.9)**	-	-	(44.9)	(44.9)
- fair value gain on interest rate swaps - realised (note 17(c))	**-**	**-**	**1.9**	**1.9**	-	-	1.8	1.8
- Islamic Medium Term Notes (note 17(d))	**-**	**-**	**(187.8)**	**(187.8)**	-	-	(156.8)	(156.8)
- accretion of finance cost (note 17(e) and 37(b))	**-**	**(5.0)**	**-**	**(5.0)**	-	(6.7)	-	(6.7)
- finance lease (note 17(h))	**-**	**(3.0)**	**-**	**(3.0)**	-	(2.7)	-	(2.7)
- Inter-Company Fund Optimisation (note 43(a) and (b))	**-**	**(27.3)**	**(1.6)**	**(28.9)**	-	(23.4)	(1.5)	(24.9)
- amortisation of interest subsidy on staff loan	**-**	**-**	**(2.7)**	**(2.7)**	-	-	(1.0)	(1.0)
Borrowing costs capitalised	**0.3**	**4.3**	**14.7**	**19.3**	2.8	6.3	28.0	37.1
TOTAL FINANCE COST	**(116.1)**	**(31.0)**	**(220.4)**	**(367.5)**	(111.8)	(26.5)	(174.4)	(312.7)
Foreign exchange (loss)/gain on borrowings								
- realised	**(0.2)**	**-**	**-**	**(0.2)**	#	-	-	#
- unrealised	**(148.0)**	**-**	**-**	**(148.0)**	(369.0)	-	-	(369.0)
- reclassification from hedging reserve	**59.6**	**-**	**-**	**59.6**	209.9	-	-	209.9
TOTAL FOREIGN EXCHANGE LOSS ON BORROWINGS	**(88.6)**	**-**	**-**	**(88.6)**	(159.1)	-	-	(159.1)
NET FINANCE COST	**(203.8)**	**25.7**	**(148.1)**	**(326.2)**	(270.8)	39.5	(104.2)	(335.5)

Amount less than RM0.1 million

10. TAXATION AND ZAKAT

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**176.9**	212.3	**104.9**	139.4
Prior year	**(7.3)**	(13.5)	**(7.8)**	(11.4)
Deferred Tax (net)	**129.0**	113.6	**176.0**	134.5
	298.6	312.4	**273.1**	262.5
Overseas				
Income Tax				
Current year	**1.7**	2.0	**-**	-
Prior year	**(0.6)**	(0.1)	**-**	-
Deferred Tax (net)	**(0.7)**	#	**-**	-
	0.4	1.9	**-**	-
TOTAL TAXATION	**299.0**	314.3	**273.1**	262.5
Zakat	**6.1**	5.7	**4.0**	2.6
TAXATION AND ZAKAT	**305.1**	320.0	**277.1**	265.1
Current taxation				
Current year	**178.6**	214.3	**104.9**	139.4
Over accrual in prior years (net)	**(7.9)**	(13.6)	**(7.8)**	(11.4)
Deferred taxation				
Origination and reversal of temporary differences	**214.4**	105.1	**241.4**	126.7
Tax incentive	**(65.4)**	-	**(65.4)**	-
Change in tax rate	**-**	8.5	**-**	7.8
Benefit from previously unrecognised capital allowances	**(20.7)**	-	**-**	-
	299.0	314.3	**273.1**	262.5

Amount less than RM0.1 million

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10. TAXATION AND ZAKAT (continued)

The relationship between taxation and profit before taxation and zakat can be explained by the numerical reconciliation between taxation expense and the product of accounting profit multiplied by the Malaysian tax rate as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit Before Taxation and Zakat	**918.5**	911.8	**1,576.0**	1,253.9
Taxation calculated at the applicable Malaysian taxation rate of 24.0% (2015: 25.0%)	**220.4**	228.0	**378.2**	313.5
Tax effects of:				
- share of results of associates	**(7.1)**	(6.2)	**-**	-
- different taxation rates in other countries	**0.1**	0.2	**-**	-
- expenses not deductible for taxation purposes	**175.2**	201.1	**108.4**	174.3
- income not subject to taxation	**(94.1)**	(161.9)	**(124.3)**	(203.4)
- tax incentive	**(65.4)**	-	**(65.4)**	-
- expenses allowed for double deduction	**(16.0)**	(18.3)	**(16.0)**	(18.3)
- previously unrecognised capital allowances	**(20.7)**	(9.3)	**-**	-
- changes in tax rate	**-**	11.1	**-**	7.8
- current year tax losses not recognised	**114.5**	83.2	**-**	-
- over accrual of income tax (net)	**(7.9)**	(13.6)	**(7.8)**	(11.4)
TOTAL TAXATION	**299.0**	314.3	**273.1**	262.5

11. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group was calculated by dividing the net profit attributable to equity holders by the weighted average number of issued and paid-up ordinary shares of the Company in issue during the financial year.

	The Group	
	2016 RM	2015 RM
Profit attributable to equity holders of the Company (RM million)	**776.0**	700.3
Weighted average number of ordinary shares (million)	**3,757.9**	3,740.2
Basic earnings per share (sen) attributable to equity holders of the Company	**20.6**	18.7

11. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

Diluted earnings per share for the current financial year was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of issued and paid-up ordinary shares adjusted for conversion of all dilutive potential ordinary shares granted to employees under a Long Term Incentive Plan (LTIP) (note 14 to the financial statements) which is an employee share scheme which will vest subject to certain performance conditions being met.

	The Group	
	2016 RM	2015 RM
Profit attributable to equity holders of the Company (RM million)	**776.0**	700.3
Weighted average number of ordinary shares (million)	**3,757.9**	3,740.2
Adjustment for dilutive effect of LTIP (million)	**#**	-
Weighted average number of ordinary shares (million)	**3,757.9**	3,740.2
Diluted earnings per share (sen) attributable to equity holders of the Company	**20.6**	18.7

Amount less than RM0.1 million

12. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

	2016		2015	
The Company	Dividend per share Sen	Amount of single-tier dividend RM	Dividend per share Sen	Amount of single-tier dividend RM
Final dividend in respect of the financial year ended 31 December 2014	**-**	**-**	13.4	498.4
1st interim dividend paid in respect of the financial year ended 31 December 2015	**-**	**-**	9.3	349.5
2nd interim dividend paid in respect of the financial year ended 31 December 2015	**12.1**	**454.7**	-	-
1st interim dividend paid in respect of the financial year ended 31 December 2016	**9.3**	**349.5**	-	-
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**21.4**	**804.2**	22.7	847.9

The Dividend Reinvestment Scheme (DRS) as explained in note 13(c) to the financial statements was made applicable to only the entire Final Dividend of the financial year ended 31 December 2014 where the entire Electable Portion of the Final Dividend could be elected to be reinvested in new ordinary shares of RM0.70 each in the Company (TM Shares) in accordance to the DRS. The DRS was not made applicable to any dividends appropriated to date by the Company subsequent to that.

The Board of Directors has declared a second interim single-tier cash dividend of 12.2 sen per share for the financial year ended 31 December 2016. The dividend will be paid on 24 March 2017 to shareholders whose names appear in the Register of Members and Record of Depositors on 9 March 2017.

The Board of Directors is not recommending the payment of any final dividend in respect of the financial year ended 31 December 2016. The total dividends for the current financial year ended 31 December 2016 is 21.5 sen per ordinary share (2015: 21.4 sen).

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13. SHARE CAPITAL

The Company	2016 Number of shares	2016 RM	2015 Number of shares	2015 RM
Authorised:				
Ordinary shares of RM0.70 each	**5,040.0**	**3,528.0**	5,040.0	3,528.0
Special Share of RM1.00 (sub-note (a))	**#**	**#**	#	#
2,000 Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
1,000 Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
TOTAL AUTHORISED SHARE CAPITAL	**5,040.0**	**3,528.0**	5,040.0	3,528.0
Issued and fully paid:				
Ordinary shares of RM0.70 each				
At 1 January	**3,758.0**	**2,630.6**	3,719.4	2,603.6
Shares issued under Dividend Reinvestment Scheme (sub-note (c))	**-**	**-**	38.6	27.0
At 31 December	**3,758.0**	**2,630.6**	3,758.0	2,630.6
Special Share of RM1.00 (sub-note (a)) At 1 January and 31 December	**#**	**#**	#	#
Class D Non-Convertible Redeemable Preference Shares of RM1.00 (sub-note (b)) At 1 January and 31 December	**#**	**#**	#	#
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,758.0**	**2,630.6**	3,758.0	2,630.6

Amount less than RM0.1 million

(a) Special Rights Redeemable Preference Share (Special Share)

The Special Share of RM1.00 is held by the Special Shareholder, Minister of Finance, a body corporate established under the Minister of Finance (Incorporation) Act 1957 (MOF). MOF's holding would enable the Government through the Minister of Finance to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policy. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notice of meetings but does not carry any right to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

Certain matters, in particular, the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, the dissolution of the Company, any substantial acquisitions and disposal of assets, amalgamation, merger and takeover, require the prior consent of the Special Shareholder.

The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time. In a distribution of capital in a winding up of the Company, the Special Shareholder is entitled to the repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other members. The Special Share does not confer any right to participate in the capital or profits of the Company.

(b) Non-Convertible Redeemable Preference Shares (NCRPS)

These comprise 2,000 Class C NCRPS of RM1.00 each and 1,000 Class D NCRPS of RM1.00 each. On 20 July 2007, the Company issued 2,000 Class C NCRPS (TM NCRPS C) and 925 Class D NCRPS (TM NCRPS D) at a premium of RM999.00 each over the par value of RM1.00 each. TM NCRPS C and TM NCRPS D rank pari passu amongst themselves but below the Special Share and ahead of the ordinary shares of the Company in distribution of capital in the event of the winding up or liquidation of the Company. TM NCRPS C and TM NCRPS D have been classified as liabilities. On 30 December 2013, the Company had redeemed TM NCRPS C upon its maturity.

The details of TM NCRPS C and TM NCRPS D are set out in note 17(b)(I) to the financial statements.

13. SHARE CAPITAL (continued)

(c) Dividend Reinvestment Scheme (DRS)

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

The DRS received the approval from the Bursa Malaysia Securities Berhad via its letter dated 7 April 2014 and the Shareholders' approval at the Company's Extraordinary General Meeting on 8 May 2014.

Whenever the DRS is made applicable to any dividend distributed, shareholders have the following options to reinvest their cash dividend in New TM Shares (Option to Reinvest):

- to elect to participate by reinvesting in whole or in part the portion of such dividend to which the Option to Reinvest applies (Electable Portion), at the issue price for New TM Shares.

  In the event that only part of the Electable Portion is reinvested, the Shareholders shall receive the remaining portion of the dividend in cash; or

- to elect not to participate in the Option to Reinvest and thereby receive the entire dividend in cash.

On 26 February 2015, the Company announced a final dividend in respect of financial year ended 31 December 2014 of 13.4 sen per share (Final Dividend) for approval in the 30th Annual General Meeting (AGM) of the Company. The Directors determined that the DRS (as approved in the Company's Extraordinary General Meeting on 8 May 2014) would be applicable to the entire Final Dividend for the financial year ended 31 December 2014. Pursuant to the approval, 38,565,824 New TM Shares were issued on 18 June 2015 at an issue price of RM6.98 per New TM Shares. This translates to 54.0% rate of acceptance of shareholders to reinvest in their cash dividend in New TM Shares.

The DRS was not made applicable to any of the dividends distributed subsequent to the above i.e. all dividends distributed for the financial year ended 31 December 2015 and 2016.

14. EMPLOYEE SHARE SCHEME - LONG TERM INCENTIVE PLAN (LTIP)

On 28 April 2016, shareholders of the Company approved the LTIP and the Grants of Shares of the Company to eligible employees of the Group and Company at an Extraordinary General Meeting. The LTIP is a scheme under which shares may be issued by the Company to employees for no cash consideration.

The LTIP comprises a Restricted Share (RS) Grant and Performance Share (PS) Grant where for clarification purposes, the main differences in the features of the RS Grant and the PS Grant are the eligibility of the Eligible Employees in terms of their job grades in the Group, the performance metrics to be met which will be determined prior to the grant being made in writing to the Eligible Employees and the vesting periods of the Grant to the Eligible Employees. The Company's Board of Directors have established a sub-committee comprising a certain members of the Board to administer the LTIP in accordance with the by-laws governing the LTIP (LTIP Committee).

Features of LTIP

(i) Eligibility

All employees other than a non-executive or independent Directors of the Company, who has entered into a full-time or fixed-term employment with, and is on the payroll of the Group or Company are eligible to participate in the scheme (Eligible Employees) subject to fulfilling any other eligibility criteria which may be determined by the LTIP Committee at its sole discretion from time to time. Eligible Employees may elect not to participate in the scheme.

(ii) Maximum number of new ordinary shares of the Company under the LTIP

Under the LTIP, the total number of ordinary shares of the Company which may be made available under the LTIP shall not exceed in aggregate ten percent (10%) of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) (Maximum Shares) at any point in time over the duration of the LTIP.

14. EMPLOYEE SHARE SCHEME - LONG TERM INCENTIVE PLAN (LTIP) (continued)

Features of LTIP (continued)

(iii) 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 By-Laws in relation to the LTIP shall be at the absolute discretion of the LTIP Committee) after taking into consideration amongst other factors, the performance, his/her potential for future development and contribution to the success and development of the Group and such other criteria as the LTIP Committee may deem relevant.

Further, not more than 10% of the Company's new ordinary shares available under the LTIP 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.

The LTIP Committee shall have sole and absolute discretion in determining whether the shares of the Company available for vesting under the Proposed LTIP are to be granted to the Eligible Employees or any group or groups of Eligible Employees via:

(a) one single Grant (as the case may be) at a time determined by the LTIP Committee; or

(b) several Grants (as the case may be) where the vesting of the Company's Shares comprised in those Grants are staggered or made in several tranches at such times and on terms determined by the LTIP Committee.

In the event the LTIP Committee decides that the Grant or vesting of any number of shares of the Company under LTIP is to be staggered, the number of shares to be granted in each Grant and the timing for the vesting of the same shall be decided by the LTIP Committee at its sole and absolute discretion. Each Grant shall be separate and independent from the others.

(iv) Duration of the LTIP

The LTIP shall continue to be in force for a period of ten (10) years commencing from the effective date of implementation of the Proposed LTIP, being the date on which full compliance with the relevant requirements under the By-Laws and the Listing Requirements in relation to the Proposed LTIP, have been obtained and/or met.

On the expiry of the LTIP, any Grants which have yet to be vested (whether fully or partially) shall be deemed terminated and be null and void. Notwithstanding anything set out in the By-Laws and subject to compliance with the Bursa Malaysia Listing Requirements in relation to the LTIP, the Group and the Company may terminate the LTIP at any time during its term.

(v) Ranking of the shares issued under the LTIP

The new shares issued under the LTIP shall be subject to the provisions of the memorandum and articles of association of the Company. The new shares, shall, upon issuance and allotment, rank equally in all respects with the then existing shares of the Company, except that they shall not be entitled to any dividend, rights, allotment and/or other distribution, the entitlement date of which is prior to the date on which the new shares are allotted to the Grantees pursuant to the LTIP.

(vi) Restrictions on Transfer

The new shares issued under the LTIP will be subject to such restriction on transfer upon the terms and conditions in accordance with the By-Laws.

The Group and Company implemented the LTIP with effect from 29 September 2016, after having obtained all required approvals and complied with the requirements pertaining to the LTIP. As at the end of the financial year ended 31 December 2016, only the RS has been granted to the relevant Eligible Employees.

14. EMPLOYEE SHARE SCHEME - LONG TERM INCENTIVE PLAN (LTIP) (continued)

Restricted Shares (RS)

Under the RS, selected eligible employees and Executive Directors of the Group and Company will be vested shares of the Company over the duration of the LTIP Period (as determined by the LTIP Committee for each tranche of RS respectively), subject to individual performance metrics being met and the achievement of certain operational measures, including but not limited to a profit after taxation target and/or other financial measure(s) as may be relevant, in accordance with terms and conditions stipulated and determined by the LTIP Committee in its sole and absolute discretion.

In the event the performance metrics are not met over the period set by the LTIP Committee as being applicable to the RS Grantees, the RS Grant will not be vested to them at the end of the said period.

(a) The total number of the RS granted for the Group and the Company, percentage of shares to be vested and the vesting period is as follows:

The Group and Company

			Entitlement over the Company's Shares	
RS	Grant Date	Vesting Date	Number of shares granted	Reference Price per unit (RM)[1]
Grant 1, 2016	1 December 2016	30 April 2019	9,219,500	6.15

[1] Refers to the price at reference date for the purpose of granting the number of shares to the employees.

(b) The movement during the financial year in the number of RS shares of RM0.70 each of the Company, in which the employees of the Group and the Company are entitled to, is as follows:

Attributed to Grantees from the Group:

	Closing Price per unit at Grant Date (RM)	At 1 January 2016	Granted	Adjusted	Vested	Lapse/ Forfeited	At 31 December 2016	Fair Value at Grant Date (RM)
Grant 1, 2016	6.15	-	9,219,500	-	-	-	9,219,500	6.15

Attributed to Grantees from the Company:

	Closing Price per unit at Grant Date (RM)	At 1 January 2016	Granted	Adjusted	Vested	Lapse/ Forfeited	At 31 December 2016	Fair Value at Grant Date (RM)
Grant 1, 2016	6.15	-	6,749,600	-	-	-	6,749,600	6.15

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14. EMPLOYEE SHARE SCHEME - LONG TERM INCENTIVE PLAN (LTIP) (continued)

Restricted Shares (RS) (continued)

(c) The fair value of the RS granted in which MFRS 2 Share-based Payment (MFRS 2) applies, were estimated using the Monte Carlo simulation model. The significant inputs in the model are as follows:

	Entitlement Over the Company's Share
	Reference Price per unit (RM)*
Reference Price	6.15
Grant Date*	1 December 2016
Vesting Date	30 April 2019
Closing Share Price at Grant Date*	6.15
Expected Dividend Yield	0.00%
Risk Free Interest Rates	
(Yield of Malaysian Government Securities)	3.98%
Expected Volatility#	14.27%

* Grant date refers to the date where majority of employees accepted the offer.

Expected volatility rate of the Company's RS is measured over a 628-days period on a daily basis to increase the number of data points and hence increase the credibility of assumption. The volatility period is decided based on the vesting period of the RS.

(d) The amounts recognised in the income statements as disclosed in note 6(b) to the financial statements for all employees arising from the RS are summarised as below:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Restricted Shares	**1.9**	-	**1.4**	-

15. OTHER RESERVES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fair value reserves (note 2(h)(iii))	**101.6**	90.2	**101.6**	90.2
Hedging reserve (note 2(j))	**95.9**	95.2	**95.9**	95.2
Long term incentive plan reserve (note 2(x)(iv))	**1.9**	-	**1.9**	-
Capital redemption reserve	**71.6**	71.6	**71.6**	71.6
Other reserve (note 2(q)(iii) and note 51(a))	**(352.9)**	(267.6)	**-**	-
Currency translation differences arising from translation of:				
- subsidiaries	**36.2**	25.7	**-**	-
- associate	**2.6**	1.9	**-**	-
TOTAL OTHER RESERVES	**(43.1)**	17.0	**271.0**	257.0

16. RETAINED PROFITS

As at 31 December 2016, all of the Company's retained profits of RM3,793.9 million (2015: RM3,299.2 million) is available for tax exempt dividend distribution to shareholders.

17. BORROWINGS

The Group	2016 Weighted Average Rate of Finance	2016 Non-current RM	2016 Current RM	2016 Total RM	2015 Weighted Average Rate of Finance	2015 Non-current RM	2015 Current RM	2015 Total RM
DOMESTIC								
Secured								
Borrowings from financial institutions (sub-note (a))	**5.17%**	**85.5**	**25.9**	**111.4**	4.93%	134.0	119.8	253.8
Finance lease (sub-note (h))	**2.89%**	**4.1**	**3.2**	**7.3**	2.89%	0.1	0.1	0.2
Total Domestic Secured	**5.17%**	**89.6**	**29.1**	**118.7**	4.93%	134.1	119.9	254.0
Unsecured								
Borrowings from financial institutions	**3.61%**	**-**	**161.0**	**161.0**	-	-	-	-
Borrowings under Islamic principles								
- TM Islamic Stapled Income Securities (sub-note (b) and (c))	**4.87%**	**925.0**	**-**	**925.0**	4.87%	925.0	-	925.0
- Fair value of hedged risk (sub-note (c))	**-**	**-**	**-**	**-**	-	1.8	-	1.8
- Islamic Medium Term Notes (sub-note (d))	**4.35%**	**4,000.0**	**-**	**4,000.0**	4.35%	4,000.0	-	4,000.0
Convertible Medium Term Notes (sub-note (f))	**4.88%**	**34.6**	**0.1**	**34.7**	4.88%	35.7	0.1	35.8
Other borrowings (sub-note (e))	**4.71%**	**0.3**	**197.9**	**198.2**	4.71%	46.0	148.0	194.0
Finance lease (sub-note (h))	**5.88%**	**36.9**	**8.3**	**45.2**	6.23%	37.6	4.6	42.2
Total Domestic Unsecured	**4.45%**	**4,996.8**	**367.3**	**5,364.1**	4.47%	5,046.1	152.7	5,198.8
Total Domestic	**4.46%**	**5,086.4**	**396.4**	**5,482.8**	4.50%	5,180.2	272.6	5,452.8
FOREIGN								
Unsecured								
Borrowings from financial institutions	**1.52%**	**447.5**	**304.1**	**751.6**	1.55%	706.3	135.5	841.8
Borrowings under Islamic principles								
- Euro Medium Term Notes (sub-note (g))	**3.14%**	**781.8**	**-**	**781.8**	-	-	-	-
Debentures (sub-note (i))	**7.88%**	**1,344.0**	**-**	**1,344.0**	7.88%	1,286.1	-	1,286.1
Other borrowings	**-**	**2.9**	**0.2**	**3.1**	-	2.8	0.2	3.0
Total Foreign	**4.92%**	**2,576.2**	**304.3**	**2,880.5**	5.37%	1,995.2	135.7	2,130.9
TOTAL BORROWINGS	**4.62%**	**7,662.6**	**700.7**	**8,363.3**	4.74%	7,175.4	408.3	7,583.7

	2016 Domestic RM	2016 Foreign RM	2016 Total RM	2015 Domestic RM	2015 Foreign RM	2015 Total RM
The Group's non-current borrowings are repayable as follows:						
After one year and up to five years	**2,028.9**	**448.2**	**2,477.1**	1,310.1	706.9	2,017.0
After five years and up to ten years	**3,057.5**	**2,126.7**	**5,184.2**	3,867.0	1,286.8	5,153.8
After ten years and up to fifteen years	**-**	**0.9**	**0.9**	3.1	0.8	3.9
After fifteen years	**-**	**0.4**	**0.4**	-	0.7	0.7
	5,086.4	**2,576.2**	**7,662.6**	5,180.2	1,995.2	7,175.4

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17. BORROWINGS (continued)

The Company	2016 Weighted Average Rate of Finance	2016 Non-current RM	2016 Current RM	2016 Total RM	2015 Weighted Average Rate of Finance	2015 Non-current RM	2015 Current RM	2015 Total RM
DOMESTIC								
Unsecured								
Borrowings from financial institutions	**3.64%**	**-**	**125.0**	**125.0**	-	-	-	-
Borrowings under Islamic principles								
- TM Islamic Stapled Income Securities (sub-note (b) and (c))	**4.87%**	**925.0**	**-**	**925.0**	4.87%	925.0	-	925.0
- Fair value of hedged risk (sub-note (c))	**-**	**-**	**-**	**-**	-	1.8	-	1.8
- Islamic Medium Term Notes (sub-note (d))	**4.35%**	**4,000.0**	**-**	**4,000.0**	4.35%	4,000.0	-	4,000.0
Other borrowings (sub-note (e))	**4.71%**	**0.3**	**197.9**	**198.2**	4.71%	46.0	148.0	194.0
Finance lease (sub-note (h))	**5.89%**	**36.9**	**8.0**	**44.9**	6.23%	37.6	4.6	42.2
Total Domestic	**4.45%**	**4,962.2**	**330.9**	**5,293.1**	4.47%	5,010.4	152.6	5,163.0
FOREIGN								
Unsecured								
Debentures (sub-note (i))	**7.88%**	**1,344.0**	**-**	**1,344.0**	7.88%	1,286.1	-	1,286.1
Other borrowings	**-**	**2.9**	**0.2**	**3.1**	-	2.8	0.2	3.0
Total Foreign	**7.87%**	**1,346.9**	**0.2**	**1,347.1**	7.87%	1,288.9	0.2	1,289.1
TOTAL BORROWINGS	**5.15%**	**6,309.1**	**331.1**	**6,640.2**	5.15%	6,299.3	152.8	6,452.1

	2016 Domestic RM	2016 Foreign RM	2016 Total RM	2015 Domestic RM	2015 Foreign RM	2015 Total RM
The Company's non-current borrowings are repayable as follows:						
After one year and up to five years	**1,952.4**	**0.7**	**1,953.1**	1,194.3	0.6	1,194.9
After five years and up to ten years	**3,009.8**	**1,344.9**	**4,354.7**	3,816.1	1,286.8	5,102.9
After ten years and up to fifteen years	**-**	**0.9**	**0.9**	-	0.8	0.8
After fifteen years	**-**	**0.4**	**0.4**	-	0.7	0.7
	4,962.2	**1,346.9**	**6,309.1**	5,010.4	1,288.9	6,299.3

The currency exposure profile of borrowings is as follows:

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Ringgit Malaysia	**5,482.8**	5,452.8	**5,293.1**	5,163.0
US Dollar	**2,578.0**	1,849.5	**1,344.0**	1,286.1
Other currencies	**302.5**	281.4	**3.1**	3.0
	8,363.3	7,583.7	**6,640.2**	6,452.1

17. BORROWINGS (continued)

(a) Secured borrowings of subsidiaries are facilities relating to projects of the subsidiaries and are secured mainly by either assignment of proceeds receivable from projects as well as fixed and floating charge over assets.

(b) On 20 July 2007, the Company had, through itself and its wholly-owned subsidiary, Hijrah Pertama Berhad (HPB), issued the TM Islamic Stapled Income Securities (TM ISIS) consisting of:

(i) (a) RM2.0 million Class C Non-Convertible Redeemable Preference Shares (NCRPS) (TM NCRPS C) consisting of 2,000 Class C NCRPS of RM1.00 each at a premium of RM999.00 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class A of nominal value RM1,998.0 million issued by HPB; and

(ii) (a) RM925,000 Class D NCRPS (TM NCRPS D) consisting of 925 Class D NCRPS of RM1.00 each at a premium of RM999.00 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class B of nominal value RM924,075,000 issued by HPB.

Sukuk Ijarah Class A and B are collectively referred to as 'Sukuk'.

The TM NCRPS (which comprises Class C and Class D NCRPS respectively) are effectively linked to the Sukuk in that the TM NCRPS and the Sukuk are issued simultaneously to the same parties and the periodic distribution obligations under the Sukuk are dependent on the payments made under the TM NCRPS. The outstanding amount of Sukuk are treated as borrowing by the Company as the Sukuk are effectively obligations of the Company.

The TM ISIS are classified as debt instruments and hence are reported as liabilities. Consequently, dividend payable under TM NCRPS and rental payable under Sukuk are reported as finance cost.

On 30 December 2013, the Company repaid the RM2.0 million Class C NCRPS and RM1,998.0 million Class A Sukuk at nominal value.

Salient terms of the above transactions are:

(I) TM NCRPS

The principle features of the TM NCRPS are summarised as follows:

(i) The NCRPS will not be convertible to ordinary shares of the Company.

(ii) The NCRPS are not transferable/tradable and will be held by Primary Subscribers. The NCRPS will be mandatorily redeemed by the Company upon maturity of the Sukuk.

(iii) There will be no voting rights except with regards to the proposal to reduce the capital of the Company, sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NCRPS holders or as provided for in the Companies Act, 1965.

(iv) The NCRPS will not be listed on any of the boards of Bursa Malaysia Securities Berhad.

(v) The NCRPS shall rank pari passu amongst themselves but below the Special Share and ahead of the Company's ordinary shares in a distribution of capital in the event of the winding up or liquidation of the Company.

17. BORROWINGS (continued)

(b) Salient terms of the above transactions are: (continued)

(II) Sukuk Ijarah

The Sukuk are issued in 4 classes and is for the purposes of financing the purchase by HPB of the beneficial ownership of certain assets. The Sukuk comprise the following classes:

(i) Class A Sukuk comprising Class A1 Sukuk and Class A2 Sukuk (collectively referred to as 'Class A Sukuk')

(ii) Class B Sukuk comprising Class B1 Sukuk and Class B2 Sukuk (collectively referred to as 'Class B Sukuk')

The Class A Sukuk and Class B Sukuk shall represent undivided beneficial ownership in the relevant assets and shall constitute direct, unconditional and unsecured trust obligations of HPB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves.

Features of the Sukuk are summarised as follows:

(i) The Sukuk shall constitute trust obligations of HPB in relation to, and represent undivided beneficial ownership in the assets.

(ii) Class A2 Sukuk and Class B2 Sukuk are not transferable/tradable and will be held by Primary Subscribers until maturity of the Sukuk.

(iii) The Sukuk will constitute, inter alia, the obligations of the Company.

(iv) The obligations of the Company in respect of the Sukuk will constitute direct, unconditional and unsecured obligations of the Company and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Company, subject to those preferred by law or the transaction documents.

(v) The Sukuk carry a rating of AAA by RAM Rating Services Berhad at the date of issue.

The respective tenure of the Sukuk are as follows:

Class	Maturity Dates
A1	30 December 2013
A2	30 December 2013
B1	28 December 2018
B2	28 December 2018

During the tenure of the TM ISIS, the Company can elect to either:

(i) Pay gross dividends, comprising net dividend with the respective tax credits to investors and Nominal Rental payable to HPB; or

(ii) Pay full rental to HPB, which in turn distributes the same as periodic distribution to investors who are holding Class A2 Sukuk and Class B2 Sukuk.

Where the Company elects to pay dividend, HPB will only receive Nominal Rental under the lease agreement which it in turn would pay out to investors under Class A2 Sukuk and Class B2 Sukuk as nominal periodic distribution. The nominal periodic distribution rate is 0.01% per annum.

17. BORROWINGS (continued)

(b) Salient terms of the above transactions are: (continued)

(II) Sukuk Ijarah (continued)

Where the Company elects to pay full rental, the Periodic Distribution Rate as in the TM ISIS of Class C NCRPS and Class D NCRPS which is linked to Class A Sukuk and Class B Sukuk is 6.20% and 5.25% per annum respectively, payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset on 31 December 2008 to 4.193% per annum payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset again on 31 December 2013 to 4.87% per annum payable semi-annually in arrears. There will be no resetting of the Periodic Distribution Rate for Class B Sukuk subsequent to 2013 up to the maturity dates of the Sukuk.

Pursuant to Finance Act, 2007, tax credits can no longer be passed on to the investors who are not ordinary shareholders effective from 1 January 2008.

(c) A portion of the security as described in sub-note (b) above, has been hedged with interest rate swaps which are accounted for using hedge accounting. Hence, fair value attributable to the changes in interest rate risk that has been hedged, is included in borrowings. As disclosed in note 19(c)(i) to the financial statements, the hedging matured/was unwound on 30 December 2016.

(d) On 30 August 2013, the Company received approval from the Securities Commission Malaysia for the establishment of an Islamic Commercial Papers (ICP) programme and Islamic Medium Term Notes (IMTN) programme with a total combined limit of up to RM3.0 billion in nominal value, which have respective tenures of 7 and 20 years from the date of first issue. The ICP shall have a tenure of not more than 12 months whilst the IMTN between 1 to 20 years provided that the respective debt securities mature before the expiry of the respective programmes.

Earlier on 5 April 2011, the Company established an ICP and IMTN programme with a combined limit of up to RM2.0 billion in nominal value, which had been fully issued by 2013.

The proceeds from the issuance of the ICP and/or IMTN were used by the Company to meet its capital expenditure and business operating requirements. The IMTN in issue comprise the following:

	The Group and Company	
	2016 RM	2015 RM
IMTN due in 2020 (4.30%)	**200.0**	200.0
IMTN due in 2021 (4.20% - 4.50%)	**800.0**	800.0
IMTN due in 2022 (3.95% - 4.00%)	**850.0**	850.0
IMTN due in 2023 (3.93% - 3.95%)	**650.0**	650.0
IMTN due in 2024 (4.55% - 4.82%)	**1,200.0**	1,200.0
IMTN due in 2025 (4.88%)	**300.0**	300.0
	4,000.0	4,000.0

(e) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company.

(f) Convertible Medium Term Notes (Convertible MTN)

On 15 September 2015, Webe Digital Sdn Bhd (webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd issued RM660.0 million nominal value of the first tranche issuance of a Convertible MTN (First Tranche Convertible MTN). RM622.5 million was subscribed by Mobikom Sdn Bhd, a wholly-owned subsidiary of the Group. The remaining RM37.5 million of the First Tranche Convertible MTN was subscribed by Packet One Sdn Bhd (a wholly-owned subsidiary of Green Packet Berhad) which holds a non-controlling interest in webe. The Convertible MTN which will mature on 15 September 2023 has an annual coupon rate of 1.0%, payable annually, and additional yield at redemption of 4.0% per annum, resulting in a yield to maturity of approximately 4.88% per annum.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. BORROWINGS (continued)

(g) Multi-Currency Euro Medium Term Notes (EMTN) Sukuk programme

On 3 March 2015, the Company through its wholly-owned subsidiary, Tulip Maple Berhad, received approval from the Securities Commission Malaysia for the establishment of a EMTN Sukuk programme of up to USD750.0 million in nominal value (or its equivalent in foreign currencies).

Proceeds from these transactions were utilised to finance the Company's capital expenditure and business operating requirements. The carrying EMTN in issue comprise the following:

	The Group	
	2016 RM	2015 RM
EMTN due in 2026 (3.70%)	**221.3**	-
EMTN due in 2023 (1 month London Inter-Bank Overnight Rate (LIBOR) plus 1.35%)	**224.3**	-
EMTN due in 2026 (3.422%)	**336.2**	-
	781.8	-

(h) Minimum lease payments at the reporting date are as follows:

The Group	2016 RM	2015 RM
Not later than one year	**14.4**	7.2
Later than one year and not later than five years	**37.4**	28.5
Later than five years and not later than ten years	**10.0**	17.1
	61.8	52.8
Future finance charges	**(9.3)**	(10.4)
Present value of finance lease liabilities	**52.5**	42.4
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**11.5**	4.7
Later than one year and not later than five years	**31.5**	21.7
Later than five years and not later than ten years	**9.5**	16.0
	52.5	42.4

The Company	2016 RM	2015 RM
Not later than one year	**10.5**	7.1
Later than one year and not later than five years	**33.0**	28.4
Later than five years and not later than ten years	**10.0**	17.1
	53.5	52.6
Future finance charges	**(8.6)**	(10.4)
Present value of finance lease liabilities	**44.9**	42.2
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**8.0**	4.6
Later than one year and not later than five years	**27.4**	21.6
Later than five years and not later than ten years	**9.5**	16.0
	44.9	42.2

The finance lease refers to an office building of the Company in Melaka and computer support systems of the Group, which are under finance lease arrangements.

17. BORROWINGS (continued)

(i) Debentures consist of the following:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
USD300.0 million 7.875% Debentures due in 2025	**1,344.0**	1,286.1	**1,344.0**	1,286.1

None of the Debentures was redeemed, purchased or cancelled during the current financial year.

18. PAYABLE TO SUBSIDIARIES

(a) On 20 November 2012, the Company's wholly-owned subsidiary, TM Global Incorporated (TM Global), a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, obtained a 5-year JPY7.8 billion loan from a financial institution which will mature on 20 November 2017. The loan carries a fixed JPY interest rate of 0.91375% per annum payable semi-annually on 20 May and 20 November of each financial year. The loan was utilised to repay the two Islamic Commercial Papers issued by the Company of RM150.0 million each which matured on 21 November 2012. The loan is unconditionally and irrevocably guaranteed by the Company.

On 12 November 2013, TM Global obtained a 7-year USD100.0 million loan from another financial institution which will mature on 30 October 2020. The loan carries a floating USD interest rate of 3 months London Inter-Bank Offer Rate (LIBOR) plus 0.91% per annum payable quarterly on 12 February, May, August and November of each financial year including 30 October 2020. The loan is unconditionally and irrevocably guaranteed by the Company.

(b) On 3 March 2015, the Company's wholly-owned subsidiary, Tulip Maple Berhad (Tulip Maple), received approval from the Securities Commission Malaysia for the establishment of a Multi-Currency Euro Medium Term Notes (EMTN) Sukuk Programme of up to USD750.0 million in nominal value (or its equivalent in foreign currencies).

On 25 February 2016, Tulip Maple issued a 10-year USD50.0 million Sukuk due on 25 February 2026. The Sukuk carries a periodic distribution rate of 3.7% per annum payable semi-annually in arrears on 25 August and 25 February of each financial year commencing August 2016.

On 19 August 2016, Tulip Maple issued a 7-year USD50.0 million Sukuk due on 21 August 2023. The Sukuk carries a periodic distribution rate of 1 month LIBOR plus 1.35% per annum payable monthly in arrears on the 19th of every month commencing September 2016.

On 15 November 2016, Tulip Maple issued a 10-year USD75.0 million Sukuk due on 15 November 2026. The Sukuk carries a periodic distribution rate of 3.422% per annum payable semi-annually in arrears on 15 May and 15 November of each financial year commencing May 2017.

Proceeds from these transactions were utilised to finance the Company's capital expenditure and business operating requirements.

The term loans and Sukuk are reflected as borrowings of the Group (note 17 to the financial statements).

NOTES TO THE FINANCIAL STATEMENTS
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19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Group	Contract or notional amount RM	Fair value		Fair value changes during the financial year RM
		Assets RM	Liabilities RM	
2016				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b)(i) and (ii))				
- matured during the financial year	**19.3**	**-**	**-**	**(0.4)**
Call option on shares held by non-controlling interest				
- more than 3 years (sub-note (f)(ii))	**87.1**	**22.5**	**-**	**14.7^**
Put option liability over shares held by non-controlling interest				
- more than 3 years (sub-note (f)(i) and note 47(a))	**-**	**-**	**301.9**	**31.8^**
Derivatives accounted for under hedge accounting				
Interest rate swaps - fair value hedge (sub-note (i))				
- less than 1 year (sub-note (c)(i))	**500.0**	**-**	**-**	**(1.8)**
- more than 3 years (sub-note (c)(ii))	**224.3**	**5.3**	**-**	**5.3**
Cross currency interest rate swaps - cash flow hedge (sub-note (i))				
- less than 1 year (sub-note (d))	**298.9**	**1.0**	**-**	**17.7**
- more than 3 years (sub-note (a) and (e))	**627.3**	**362.7**	**-**	**37.4**
TOTAL	**1,756.9**	**391.5**	**301.9**	**104.7**
2015				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b)(i) and (ii))				
- less than 1 year	19.3	0.4	-	0.4
Call option on shares held by non-controlling interest				
- more than 3 years (sub-note (f)(ii))	87.1	7.8	-	(1.2)
Put option liability over shares held by non-controlling interest				
- more than 3 years (sub-note (f)(i) and note 47(a))	-	-	305.2	(25.4)
Derivatives accounted for under hedge accounting				
Interest rate swaps - fair value hedge (sub-note (i))				
- less than 1 year (sub-note (c)(i))	500.0	1.8	-	(1.8)
Cross currency interest rate swaps - cash flow hedge (sub-note (i))				
- 1 year to 3 years (sub-note (d))	298.9	-	16.7	51.0
- more than 3 years (sub-note (a) and (e))	627.3	325.3	-	190.6
TOTAL	1,532.6	335.3	321.9	213.6

^ Fair value changes during the financial year included fair value movement arising from a dilution of non-controlling interests' effective shareholding of a subsidiary (note 51(a) to the financial statements).

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

The Company	Contract or notional amount RM	Fair value		Fair value changes during the financial year RM
		Assets RM	Liabilities RM	
2016				
Derivatives accounted for under hedge accounting				
Interest rate swaps - fair value hedge (sub-note (i))				
- matured during the financial year (sub-note (c)(i))	**500.0**	**-**	**-**	**(1.8)**
- more than 3 years (sub-note (c)(ii))	**224.3**	**5.3**	**-**	**5.3**
Cross currency interest rate swaps - cash flow hedge (sub-note (ii))				
- less than 1 year (sub-note (d))	**298.9**	**1.0**	**-**	**17.7**
- more than 3 years (sub-note (a) and (e))	**627.3**	**362.7**	**-**	**37.4**
TOTAL	**1,650.5**	**369.0**	**-**	**58.6**
2015				
Derivatives accounted for under hedge accounting				
Interest rate swaps - fair value hedge (sub-note (i))				
- less than 1 year (sub-note (c))	500.0	1.8	-	(1.8)
Cross currency interest rate swaps - cash flow hedge (sub-note (ii))				
- 1 year to 3 years (sub-note (d))	298.9	-	16.7	51.0
- more than 3 years (sub-note (a) and (e))	627.3	325.3	-	190.6
TOTAL	1,426.2	327.1	16.7	239.8

(i) The cumulative gains or losses on the hedged items attributable to the hedged risk is disclosed in note 17 to the financial statements or taken to reserve.

(ii) Hedge accounting has been applied for these cash flow hedges where the underlying hedged items are as follows:

(a) the hedged portion of the recurring semi-annual coupon payment and final settlement of the USD300.0 million 7.875% Debentures due in 2025.

(b) semi-annual interest payment and final settlement of the JPY7.8 billion loan due in 2017.

(c) quarterly interest payment and final settlement of the USD100.0 million loan due in 2020.

There is no ineffectiveness to be recorded from fair value and cash flow hedges accounted for under hedge accounting.

Fair values of financial derivative instruments are the present values of their future cash flows. Favourable fair value indicates amount receivable by the Group and the Company if the contracts are terminated or vice versa. The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination.

The maximum exposure to credit risk at the reporting date is the carrying amount of the derivative assets as presented on the Statements of Financial Position.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company:

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts

Underlying Liability
USD300.0 million 7.875% Debentures due in 2025

In 1995, the Company issued USD300.0 million 7.875% Debentures due in 2025.

Hedging Instruments

On 17 October 2011, the Company entered into a CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM154.0 million.

On 2 December 2011, the Company entered into another CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM156.5 million.

The CCIRS contracts effectively convert part of the USD liability into RM liability.

(b) Forward Foreign Currency Contracts

(i) Underlying Liability
USD4.8 million purchase contract due in December 2015, January and February 2016

Hedging Instruments

On 1 September 2015, Webe Digital Sdn Bhd (webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd) entered into three (3) forward foreign currency contracts (contract value of USD0.7 million, USD1.4 million and USD2.7 million) which matured on 14 December 2015, 13 January 2016 and 12 February 2016 respectively. Upon maturity of these forward foreign currency contracts in 2016, webe received RM21.0 million from the counterparties in return for payment of USD4.8 million.

(ii) Underlying Liability
USD0.5 million purchase contract due in January and February 2016

Hedging Instruments

On 4 December 2015, webe entered into two (2) forward foreign currency contracts (contract value of USD0.1 million and USD0.4 million) which matured on 8 January 2016 and 12 February 2016 respectively. On maturity, webe received a total of RM2.1 million from the counterparties in return for payment of USD0.5 million in total.

(c) Interest Rate Swap (IRS) Contract

(i) Underlying Liability
RM925.0 million 4.87% TM Islamic Stapled Income Securities (TM ISIS) due in 2018

In 2007, the Company issued RM925.0 million 5.25% TM ISIS due in 2018. The coupon was reset to 4.193% per annum payable semi-annually in arrears on 31 December 2008 and was reset again on 31 December 2013 to 4.87% per annum.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(c) Interest Rate Swap (IRS) Contract (continued)

(i) Underlying Liability (continued)
RM925.0 million 4.87% TM Islamic Stapled Income Securities (TM ISIS) due in 2018 (continued)

Hedging Instrument

On 2 November 2009, the Company entered into an IRS agreement with a notional principal of RM500.0 million that entitles it to receive interest at a fixed rate of 4.193% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR minus 0.035% per annum. On 31 December 2013, in tandem with the reset of the underlying liability's coupon to 4.87% per annum, the Company is obliged to pay interest at a floating rate of 6 months KLIBOR plus 0.642% instead. The swap matured on 30 December 2016.

(ii) Underlying Liability
USD50.0 million 1 month LIBOR plus 1.35% Islamic Euro Medium Term Notes (EMTN) due in 2023

In 2016, the Company, through its wholly-owned subsidiary, Tulip Maple Berhad issued USD50.0 million Sukuk due in 2023.

Hedging Instrument

On 19 August 2016, the Company entered into an IRS agreement with a notional amount of USD50.0 million that entitles it to receive interest semi-annually at a monthly accrued floating rate of 1 month LIBOR plus 1.35% per annum. The Company is obliged to pay interest at a fixed rate of 2.85% per annum. The swap will mature on 21 August 2023.

(d) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability
JPY7.8 billion 0.91375% Loan due in 2017

In 2012, the Company, through its wholly-owned subsidiary, TM Global Incorporated, obtained a 5-year JPY7.8 billion loan from a financial institution.

Hedging Instrument

On 20 November 2012, the Company entered into a CCIRS agreement with a notional amount of JPY7.8 billion that entitles it to receive interest at a fixed rate of 0.91375% per annum on JPY notional amount and obliges it to pay interest at a fixed rate of 3.62% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 20 November 2017. On the maturity date, the Company would receive the JPY notional amount and pay the counterparty an equivalent RM amount of RM298.9 million.

The CCIRS contracts effectively convert the JPY liability into RM liability.

(e) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability
USD100.0 million 3 months LIBOR plus 0.91% Loan due in 2020

In 2013, the Company, through its wholly-owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from a financial institution.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(e) Cross Currency Interest Rate Swap (CCIRS) Contract (continued)

Underlying Liability (continued)
USD100.0 million 3 months LIBOR plus 0.91% Loan due in 2020 (continued)

Hedging Instrument

On 12 November 2013, the Company entered into two CCIRS agreements with notional amount of USD70.0 million and USD30.0 million respectively. The former CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.02% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The latter CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.00% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The swaps will mature on 30 October 2020. On the maturity date, the Company would receive the USD notional amount and pay the counterparties an equivalent combined RM amount of RM316.8 million.

The CCIRS contracts effectively convert the USD liability into RM liability.

(f) Call and Put Options on Shares of a Subsidiary of the Group

On 27 March 2014, the Group announced that its wholly-owned subsidiary, Mobikom Sdn Bhd (Mobikom) had entered into a conditional investment agreement with the following parties in relation to, amongst others, the subscription by Mobikom of new ordinary shares of RM1.00 each in webe (webe shares) for a total consideration of RM350.0 million (Share Subscription) (Investment Agreement):

(a) Packet One Sdn Bhd (Packet One), a wholly-owned subsidiary of Green Packet Berhad (Green Packet);
(b) SK Telecom Co. Ltd (SKT);
(c) Green Packet;
(d) Telekom Malaysia Berhad (the Company); and
(e) Webe Digital Sdn Bhd (webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd)

The Investment Agreement amongst others includes certain granting of call and put options between Mobikom with Packet One and SKT respectively over shares of webe, as follows:

(i) Put Option liability over shares held by non-controlling interest

The Group through Mobikom has granted Packet One Sdn Bhd (Packet One) an option to sell, which would require Mobikom to buy, all shares in the capital of webe registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of webe at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if webe shares are not publicly traded, the fully distributed market or equity value at which the webe shares would trade on a recognised stock exchange.

This instrument represents the present value of the Group's liability to purchase its own equity. Fair value movements from changes in expected future liability is recognised as other gains and losses in the Income Statement whilst unwinding of discount of expected future outflow is recognised as finance cost.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(f) Call and Put Options on Shares of a Subsidiary of the Group (continued)

(ii) Call Option on shares held by non-controlling interest

SKT has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of webe registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation ceases to own at least 10% of the issued share capital of webe and will automatically lapse upon the earlier of:

(i) two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;

(ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or

(iii) any initial public offering implemented by webe.

The exercise price is at a price equal to Mobikom's per share subscription price during the completion of the acquisition of webe by the Group on 30 September 2014.

Other than the above, there were other derivatives arising from the Group's investment in webe but for which exercise prices are at fair market value of the shares in webe at the time when the options are to be exercised and as such, the fair value of these options are nil.

20. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are presented on the Statements of Financial Position:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Subject to income tax:				
Deferred tax assets	**30.6**	11.5	**-**	-
Deferred tax liabilities	**1,514.8**	1,367.6	**1,445.4**	1,269.4
TOTAL DEFERRED TAX	**1,484.2**	1,356.1	**1,445.4**	1,269.4
At 1 January	**1,356.1**	1,243.2	**1,269.4**	1,135.0
Current year (credited)/charged to the Income Statement arising from:				
- property, plant and equipment	**(92.2)**	(66.2)	**(63.8)**	(78.9)
- tax incentive	**146.0**	265.3	**146.0**	265.3
- provisions and others	**74.5**	(85.6)	**93.8**	(52.0)
	128.3	113.5	**176.0**	134.4
- currency translation differences	**(0.2)**	(0.6)	**-**	-
At 31 December	**1,484.2**	1,356.1	**1,445.4**	1,269.4

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20. DEFERRED TAX (continued)

Breakdown of cumulative balances by each type of temporary difference:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
(a) Deferred tax assets				
Property, plant and equipment	**104.1**	9.6	**-**	-
Tax incentive	**368.9**	514.9	**368.9**	514.9
Tax losses	**0.4**	8.5	**-**	-
Provisions and others	**512.6**	559.3	**449.3**	519.8
	986.0	1,092.3	**818.2**	1,034.7
Offsetting	**(955.4)**	(1,080.8)	**(818.2)**	(1,034.7)
Total deferred tax assets after offsetting	**30.6**	11.5	**-**	-
(b) Deferred tax liabilities				
Property, plant and equipment	**2,404.1**	2,401.8	**2,203.0**	2,266.8
Intangible assets	**2.5**	5.7	**-**	-
Provisions and others	**63.6**	40.9	**60.6**	37.3
	2,470.2	2,448.4	**2,263.6**	2,304.1
Offsetting	**(955.4)**	(1,080.8)	**(818.2)**	(1,034.7)
Total deferred tax liabilities after offsetting	**1,514.8**	1,367.6	**1,445.4**	1,269.4

The Company was granted approval under Section 127(3A) of the Income Tax Act, 1967 for income tax exemption in the form of the following Investment Allowance (IA):

(i) 60% on qualifying high speed broadband assets acquired within a period of 5 years commencing 16 September 2008 to 15 September 2013 to be set off against a maximun of 70% of statutory income for each year of assessment.

(ii) 60% on qualifying high speed broadband assets acquired within a period of 5 years commencing 1 January 2015 to 31 December 2019 to be set off against a maximun of 70% of statutory income for each year of assessment. (Approval was granted post the financial year ended 31 December 2016 and accordingly, the relevant tax credits have been recognised in the financial year ended 31 December 2016 for qualifying expenditures capitalised during the current and preceeding financial year).

Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

The deferred tax assets on unutilised IA have been recognised on the basis of the Company's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

20. DEFERRED TAX (continued)

The unutilised tax losses and unabsorbed capital/other tax allowances of subsidiaries for which no deferred tax asset has been recognised on the Statement of Financial Position are as follows:

	The Group	
	2016 RM	2015 RM
Unutilised tax losses	**1,312.3**	933.2
Unabsorbed capital/other tax allowances	**2,026.5**	2,014.7
	3,338.8	2,947.9

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

21. DEFERRED INCOME

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	**1,661.7**	1,823.1	**1,661.7**	1,823.1
Additions	**307.7**	192.4	**283.4**	192.4
Credited to the Income Statement	**(258.0)**	(353.8)	**(251.1)**	(353.8)
At 31 December	**1,711.4**	1,661.7	**1,694.0**	1,661.7

Deferred income includes government funding for Universal Service Provision (USP), High Speed Broadband (HSBB) and Broadband to the General Population (BBGP) project which is amortised on a straight line basis over the estimated useful lives of the related assets.

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22. PROPERTY, PLANT AND EQUIPMENT

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems (sub-note (e)) RM	Land (sub-note (f)) RM	Buildings (sub-note (e)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2016	**9,634.9**	**418.1**	**751.1**	**827.2**	**1,883.7**	**1,671.9**	**15,186.9**
Additions (sub-note (a))	**322.4**	**104.8**	**23.6**	**-**	**12.6**	**3,110.6**	**3,574.0**
Assetisation	**1,810.6**	**130.0**	**241.2**	**0.3**	**124.2**	**(2,306.3)**	**-**
Disposals	**(2.5)**	**(3.6)**	**(0.5)**	**-**	**(0.1)**	**-**	**(6.7)**
Charged to Income Statement	**-**	**-**	**-**	**-**	**-**	**(148.7)**	**(148.7)**
Write-off (note 6(a))	**(42.4)**	**(24.8)**	**1.8**	**-**	**(1.8)**	**(4.5)**	**(71.7)**
Depreciation (note 6(a) and sub-note (c))	**(1,792.8)**	**(214.7)**	**(361.0)**	**(1.0)**	**(140.9)**	**(1.6)**	**(2,512.0)**
Impairment (note 6(a) and sub-note (d))	**-**	**(0.2)**	**-**	**-**	**-**	**(13.8)**	**(14.0)**
Currency translation differences	**0.2**	**1.0**	**0.1**	**-**	**1.5**	**-**	**2.8**
Reclassification	**13.2**	**(21.7)**	**(12.8)**	**-**	**21.3**	**-**	**-**
At 31 December 2016	**9,943.6**	**388.9**	**643.5**	**826.5**	**1,900.5**	**2,307.6**	**16,010.6**
At 31 December 2016							
Cost (sub-note (b))	**42,881.0**	**2,580.3**	**4,868.7**	**845.3**	**4,277.3**	**2,307.6**	**57,760.2**
Accumulated depreciation	**(32,684.1)**	**(2,179.1)**	**(4,218.4)**	**(16.2)**	**(2,376.8)**	**-**	**(41,474.6)**
Accumulated impairment	**(253.3)**	**(12.3)**	**(6.8)**	**(2.6)**	**-**	**-**	**(275.0)**
Net Book Value	**9,943.6**	**388.9**	**643.5**	**826.5**	**1,900.5**	**2,307.6**	**16,010.6**
Net Book Value							
At 1 January 2015	9,958.6	387.9	790.5	828.1	1,933.7	886.3	14,785.1
Additions (sub-note (a))	135.2	129.8	23.4	0.5	8.9	2,618.4	2,916.2
Assetisation	1,277.8	81.1	283.2	-	74.4	(1,716.5)	-
Disposals	(2.3)	(3.7)	-	-	-	-	(6.0)
Charged to Income Statement	-	-	-	-	-	(116.0)	(116.0)
Write-off (note 6(a))	(42.2)	(1.1)	(0.2)	-	(0.7)	(0.3)	(44.5)
Depreciation (note 6(a) and sub-note (c))	(1,675.6)	(169.4)	(345.5)	(1.0)	(138.1)	-	(2,329.6)
Impairment (note 6(a) and sub-note (d))	(21.5)	(9.0)	(1.4)	-	-	-	(31.9)
Transfer to non-current assets held for sale (note 32)	-	-	-	(0.4)	(1.3)	-	(1.7)
Currency translation differences	2.4	5.6	0.4	-	6.9	-	15.3
Reclassification	2.5	(3.1)	0.7	-	(0.1)	-	-
At 31 December 2015	9,634.9	418.1	751.1	827.2	1,883.7	1,671.9	15,186.9
At 31 December 2015							
Cost (sub-note (b))	41,531.0	2,445.9	4,862.8	845.1	4,109.9	1,671.9	55,466.6
Accumulated depreciation	(31,642.6)	(2,015.6)	(4,104.8)	(15.2)	(2,226.0)	-	(40,004.2)
Accumulated impairment	(253.5)	(12.2)	(6.9)	(2.7)	(0.2)	-	(275.5)
Net Book Value	9,634.9	418.1	751.1	827.2	1,883.7	1,671.9	15,186.9

22. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems (sub-note (e)) RM	Land (sub-note (f)) RM	Buildings (sub-note (e)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2016	**8,864.1**	**331.4**	**610.0**	**348.1**	**1,326.9**	**1,658.0**	**13,138.5**
Additions (sub-note (a))	**97.6**	**78.2**	**4.6**	**-**	**3.4**	**2,839.6**	**3,023.4**
Assetisation	**1,611.0**	**98.3**	**204.5**	**0.3**	**115.9**	**(2,030.0)**	**-**
Disposals	**(2.3)**	**(2.7)**	**(0.5)**	**-**	**(0.1)**	**-**	**(5.6)**
Charged to Income Statement	**-**	**-**	**-**	**-**	**-**	**(146.4)**	**(146.4)**
Write-off (note 6(a))	**(42.3)**	**-**	**(1.6)**	**-**	**(0.2)**	**(0.2)**	**(44.3)**
Depreciation (note 6(a))	**(1,430.0)**	**(157.8)**	**(319.1)**	**(0.9)**	**(112.7)**	**-**	**(2,020.5)**
Reclassification	**13.2**	**(21.7)**	**(12.8)**	**-**	**21.3**	**-**	**-**
At 31 December 2016	**9,111.3**	**325.7**	**485.1**	**347.5**	**1,354.5**	**2,321.0**	**13,945.1**
At 31 December 2016							
Cost (sub-note (b))	**40,195.1**	**1,963.8**	**4,185.5**	**363.8**	**3,404.5**	**2,321.0**	**52,433.7**
Accumulated depreciation	**(30,882.5)**	**(1,638.1)**	**(3,700.4)**	**(13.7)**	**(2,050.0)**	**-**	**(38,284.7)**
Accumulated impairment	**(201.3)**	**-**	**-**	**(2.6)**	**-**	**-**	**(203.9)**
Net Book Value	**9,111.3**	**325.7**	**485.1**	**347.5**	**1,354.5**	**2,321.0**	**13,945.1**
Net Book Value							
At 1 January 2015	9,029.2	319.2	646.4	348.9	1,370.2	850.2	12,564.1
Additions (sub-note (a))	120.9	73.7	12.2	0.5	3.7	2,516.7	2,727.7
Assetisation	1,223.8	59.4	247.7	-	62.7	(1,593.6)	-
Disposals*	(1.7)	(4.0)	-	-	-	-	(5.7)
Charged to Income Statement	-	-	-	-	-	(115.0)	(115.0)
Write-off (note 6(a))	(40.4)	(1.1)	-	-	(0.4)	(0.3)	(42.2)
Depreciation (note 6(a))	(1,470.2)	(112.7)	(297.0)	(0.9)	(107.9)	-	(1,988.7)
Transfer to non-current assets held for sale (note 32)	-	-	-	(0.4)	(1.3)	-	(1.7)
Reclassification	2.5	(3.1)	0.7	-	(0.1)	-	-
At 31 December 2015	8,864.1	331.4	610.0	348.1	1,326.9	1,658.0	13,138.5
At 31 December 2015							
Cost (sub-note (b))	39,340.6	1,872.1	4,233.3	363.5	3,270.1	1,658.0	50,737.6
Accumulated depreciation	(30,275.2)	(1,540.7)	(3,623.3)	(12.8)	(1,943.2)	-	(37,395.2)
Accumulated impairment	(201.3)	-	-	(2.6)	-	-	(203.9)
Net Book Value	8,864.1	331.4	610.0	348.1	1,326.9	1,658.0	13,138.5

* Included RM0.4 million being movable plant and equipment disposed to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Included in additions of the Group and the Company are borrowing costs of RM19.3 million (2015: RM37.1 million) directly attributable to the construction of qualifying assets.

(b) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM26,620.9 million (2015: RM26,307.3 million) and RM25,834.6 million (2015: RM25,521.0 million) respectively.

(c) Reflective of the latest available roll-out plan of a subsidiary's Long Term Evolution (LTE) network which will phase out the use of existing WiMAX assets, depreciation charges during the year included RM36.1 million accelerated depreciation of WiMAX assets in addition to the RM119.0 million (2015: RM20.3 million) already accelerated in 2016 from the initial roll-out plan existing at the end of the preceding financial year.

(d) Impairment loss

The review of impairment for property, plant and equipment carried out during the year resulted in certain property, plant and equipment being impaired. RM14.0 million impairment loss during the financial year was in relation to equipment and assets under construction affected by technology obsolescence and were impaired to estimated market value less cost to sale. RM30.5 million of the impairment loss recognised in the preceding financial year were relating to assets located at sites that are no longer in operation as well as assets that were affected by obsolescence. As the assets impaired were highly specialised, their fair value less cost to sell for these items were estimated to be nil. The remaining RM1.4 million impairment loss in 2015 were in respect of assets with uncertain future cash flows for which recoverable value has been estimated to approximately nil.

(e) Included in property, plant and equipment of the Group and the Company is an office building and computer support systems with net book value of RM51.0 million (2015: RM45.6 million) and RM51.2 million (RM45.6 million) respectively, which are under finance lease arrangement.

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(f) Details of land are as follows:

The Group	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2016	**728.7**	**69.6**	**28.9**	**827.2**
Assetisation	**-**	**0.3**	**-**	**0.3**
Depreciation	**-**	**(1.0)**	**-**	**(1.0)**
At 31 December 2016	**728.7**	**68.9**	**28.9**	**826.5**
At 31 December 2016				
Cost	**731.3**	**84.7**	**29.3**	**845.3**
Accumulated depreciation	**-**	**(15.8)**	**(0.4)**	**(16.2)**
Accumulated impairment	**(2.6)**	**-**	**-**	**(2.6)**
Net Book Value	**728.7**	**68.9**	**28.9**	**826.5**
Net Book Value				
At 1 January 2015	729.1	67.6	31.4	828.1
Addition	-	0.5	-	0.5
Depreciation	-	(1.0)	-	(1.0)
Transfer to non-current asset held for sale (note 32)	(0.3)	(0.1)	-	(0.4)
Reclassification	(0.1)	2.6	(2.5)	-
At 31 December 2015	728.7	69.6	28.9	827.2
At 31 December 2015				
Cost	731.4	84.4	29.3	845.1
Accumulated depreciation	-	(14.8)	(0.4)	(15.2)
Accumulated impairment	(2.7)	-	-	(2.7)
Net Book Value	728.7	69.6	28.9	827.2

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(f) Details of land are as follows: (continued)

The Company	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2016	**259.9**	**59.3**	**28.9**	**348.1**
Assetisation	**-**	**0.3**	**-**	**0.3**
Depreciation	**-**	**(0.9)**	**-**	**(0.9)**
At 31 December 2016	**259.9**	**58.7**	**28.9**	**347.5**
At 31 December 2016				
Cost	**262.5**	**72.0**	**29.3**	**363.8**
Accumulated depreciation	**-**	**(13.3)**	**(0.4)**	**(13.7)**
Accumulated impairment	**(2.6)**	**-**	**-**	**(2.6)**
Net Book Value	**259.9**	**58.7**	**28.9**	**347.5**
Net Book Value				
At 1 January 2015	260.3	57.2	31.4	348.9
Addition	-	0.5	-	0.5
Depreciation	-	(0.9)	-	(0.9)
Transfer to non-current asset held for sale (note 32)	(0.3)	(0.1)	-	(0.4)
Reclassification	(0.1)	2.6	(2.5)	-
At 31 December 2015	259.9	59.3	28.9	348.1
At 31 December 2015				
Cost	262.5	71.7	29.3	363.5
Accumulated depreciation	-	(12.4)	(0.4)	(12.8)
Accumulated impairment	(2.6)	-	-	(2.6)
Net Book Value	259.9	59.3	28.9	348.1

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(f) Details of land are as follows: (continued)

(i) Leasehold land comprise the followings:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Long term leasehold land	**49.0**	49.3	**48.0**	48.3
Short term leasehold land	**19.9**	20.3	**10.7**	11.0
Total	**68.9**	69.6	**58.7**	59.3

Long term leasehold land has an unexpired lease period of 50 years and above.

(ii) The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, these lands have not been classified according to their tenures.

Other land will be reclassified accordingly as and when the title deeds pertaining to these lands have been registered.

23. INVESTMENT PROPERTY

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Net Book Value				
At 1 January	**-**	-	**112.4**	114.7
Depreciation (note 6(a))	**-**	-	**(2.3)**	(2.3)
At 31 December	**-**	-	**110.1**	112.4
At 31 December				
Cost	**-**	-	**128.0**	128.0
Accumulated depreciation	**-**	-	**(17.9)**	(15.6)
Net Book Value	**-**	-	**110.1**	112.4

The investment property of the Company comprise of an office building located on a freehold land which is rented and occupied by a wholly-owned subsidiary.

The fair value of the property of the Company at 31 December 2016 was RM135.0 million (2015: RM128.0 million) based on a valuation performed by an independent professional valuer. The valuation was based on current price observable in the market, classified as a Level 2 fair value.

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24. INTANGIBLE ASSETS

The Group	Goodwill RM	Customer Base RM	Telecom-munication Spectrum RM	Other Intangibles* RM	Total RM
Net Book Value					
At 1 January 2016	**361.7**	**23.9**	**168.2**	**54.0**	**607.8**
Additions	**-**	**-**	**-**	**2.2**	**2.2**
Amortisation (note 6(a))	**-**	**(13.4)**	**-**	**(23.5)**	**(36.9)**
Utilisation (sub-note (a))	**-**	**-**	**-**	**(9.5)**	**(9.5)**
At 31 December 2016	**361.7**	**10.5**	**168.2**	**23.2**	**563.6**
Net Book Value					
At 1 January 2015	361.7	37.3	168.2	14.5	581.7
Additions	-	-	-	31.3	31.3
Reclassification (sub-note (a))	-	-	-	32.4	32.4
Amortisation (note 6(a))	-	(13.4)	-	(24.2)	(37.6)
At 31 December 2015	361.7	23.9	168.2	54.0	607.8
At 31 December 2016					
Cost	**366.7**	**40.6**	**168.2**	**94.4**	**669.9**
Accumulated amortisation	**-**	**(30.1)**	**-**	**(71.2)**	**(101.3)**
Accumulated impairment	**(5.0)**	**-**	**-**	**-**	**(5.0)**
Net Book Value	**361.7**	**10.5**	**168.2**	**23.2**	**563.6**
At 31 December 2015					
Cost	366.7	40.6	168.2	101.7	677.2
Accumulated amortisation	-	(16.7)	-	(47.7)	(64.4)
Accumulated impairment	(5.0)	-	-	-	(5.0)
Net Book Value	361.7	23.9	168.2	54.0	607.8

* Other intangibles comprise the fair value of acquired development expenditure incurred in the design, development and testing of products and services, software and programme rights of other subsidiaries.

During the previous financial year, fully amortised other intangibles of a subsidiary amounting to RM9.7 million were written off against accumulated amortisation of the same amount.

(a) Included in other intangible assets are the fair value of irrevocable vouchers of RM22.9 million (2015: RM32.4 million). A subsidiary of the Group was granted irrevocable vouchers by a major supplier as part of a Debt Settlement Agreement entered in year 2013 in relation to equipment purchase. These can be used to set-off against future purchase costs of network equipment manufactured by the supplier and/or technical services provided by the supplier to the subsidiary within a pre-determined period as set out in the Debt Settlement Agreement and/or can be used to offset certain payables amount outstanding or redeemed as cash subject to the terms and conditions of the Debt Settlement Agreement.

On 15 July 2015, the subsidiary had fully settled the total payable sums and thus invalidating the Debt Settlement Agreement. The supplier has extended the validity of the irrevocable vouchers to 31 December 2018. In the event there is any unutilised portion of the irrevocable vouchers on 31 December 2018, it shall be extended for a further twenty-four months from the expiry date on 31 December 2018. In addition, the irrevocable vouchers have been extended for utilisation within TM Group of companies, by the supplier, from 1 January 2016 to 31 December 2018 with the amount capped at USD5.0 million.

The vouchers utilised during the year have been set-off against amount payable to the supplier.

24. INTANGIBLE ASSETS (continued)

(b) Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. No impairment loss was required for the carrying amounts of goodwill assessed as at 31 December 2016 as their recoverable amounts were in excess of their carrying amounts.

The Group's total goodwill is attributable to the following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows:

	2016 RM	2015 RM
VADS Berhad (VADS)	**308.4**	308.4
Webe Digital Sdn Bhd (webe)	**52.1**	52.1
Others	**1.2**	1.2
	361.7	361.7

The amount of goodwill initially recognised is dependent upon the allocation of the purchase price to the fair value of identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment.

(i) Key assumptions used in the value-in-use calculation

The recoverable amount of the cash-generating unit including goodwill in this test, is determined based on value-in-use calculation.

This value-in-use calculation applies a discounted cash flow model using cash flows projection based on forecast and projection approved by management covering a three-year period for VADS. As for webe, the cash flows projection used is based on a ten-year forecast in view of the long term nature and capital intensive plan of the Group to roll-out a Long Term Evolution (LTE) network through webe. The ten-year projection used, has been approved by management. The forecast and projection reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on past experience. Cash flows beyond the third year for VADS and tenth year for webe respectively are extrapolated using estimated terminal growth rate. The rates have been determined with regards to projected growth rate for the market in which the cash-generating units participate.

The discount rate applied to the cash flows forecast is benchmarked against local peers at the date of the assessment of the cash-generating unit.

The following assumptions have been applied in the value-in-use calculation:

	2016		2015	
	VADS	webe	VADS	webe
Pre-tax discount rate	**11.8%**	**19.7%**	11.7%	19.7%
Terminal growth rate	**1.5%**	**1.0%**	1.5%	1.0%

(ii) Impact of possible change in key assumptions used

Changing the assumptions selected by management, in particular the discount rate assumption used in the discounted cash flow model could significantly affect the result of the impairment test and consequently the Group's results. The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating units to exceed their recoverable amounts respectively.

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24. INTANGIBLE ASSETS (continued)

(b) Impairment test for goodwill (continued)

(ii) Impact of possible change in key assumptions used (continued)

If the following pre-tax discount rates are applied to the cash flow forecasts and projection of the Group's cash-generating units respectively, the carrying amount of the cash-generating units including goodwill will equal the corresponding recoverable values, assuming all other variables remain unchanged.

	2016		2015	
	VADS	webe	VADS	webe
Pre-tax discount rate	**18.0%**	**26.9%**	21.3%	24.1%

25. SUBSIDIARIES

	2016			2015		
The Company	Malaysia RM	Overseas RM	Total RM	Malaysia RM	Overseas RM	Total RM
Unquoted investments, at cost	**1,713.0**	**22.0**	**1,735.0**	1,713.0	22.0	1,735.0
Accumulated impairment	**(4.5)**	**(13.2)**	**(17.7)**	(4.5)	(13.2)	(17.7)
	1,708.5	**8.8**	**1,717.3**	1,708.5	8.8	1,717.3
Options granted to employees of subsidiaries	**24.3**	**-**	**24.3**	24.3	-	24.3
LTIP granted to employees of subsidiaries	**0.5**	**-**	**0.5**	-	-	-
Unquoted investments, at written down value (sub-note (a))	**-**	**-**	**-**	-	-	-
NET INVESTMENTS IN SUBSIDIARIES	**1,733.3**	**8.8**	**1,742.1**	1,732.8	8.8	1,741.6

(a) Investments in certain subsidiaries have been written down to recoverable amount of RM1.00 each.

The Group's effective equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 51 to the financial statements. Other than Yayasan Telekom Malaysia, which is 100% consolidated in the Group's financial results, the proportion of the Group's voting rights in the subsidiaries held by the Group do not differ from the proportion of ordinary shares held or the Group's effective equity interests in the subsidiaries. The Group has de facto control over Yayasan Telekom Malaysia due to a combination of facts including source of funding and right to appoint the Board of Trustees.

There are no significant restrictions on the ability of the subsidiaries to transfer funds in the form of dividends and other capital distributions or for loans or advances being made or repaid, to (or from) the Group.

25. SUBSIDIARIES (continued)

Set out below are the summarised financial information for each subsidiary which has non-controlling interests that are material to the Group, before any inter-company eliminations:

	Webe Digital Sdn Bhd		Fiberail Sdn Bhd		Fibrecomm Networks (M) Sdn Bhd	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Summarised Income Statement						
Revenue	**200.3**	231.1	**201.1**	230.8	**150.6**	126.7
(Loss)/Profit before income tax	**(681.8)**	(320.7)	**71.6**	96.7	**12.5**	6.1
Income tax (expense)/credit	**-**	-	**(10.7)**	(30.8)	**(9.0)**	4.6
(Loss)/Profit after taxation and total comprehensive income	**(681.8)**	(320.7)	**60.9**	65.9	**3.5**	10.7
Total comprehensive (loss)/income attributed to non-controlling interests	**(190.6)**	(143.4)	**28.0**	30.3	**1.7**	5.2
Dividends paid to non-controlling interests	**-**	-	**40.6**	28.8	**1.0**	2.4
Summarised Statement of Financial Position						
Current assets	**484.0**	575.6	**130.7**	154.9	**90.4**	98.9
Current liabilities	**(553.0)**	(397.7)	**(56.6)**	(52.4)	**(106.5)**	(122.2)
Total net current (liabilities)/assets	**(69.0)**	177.9	**74.1**	102.5	**(16.1)**	(23.3)
Non-current assets	**740.4**	660.0	**178.2**	182.3	**169.5**	178.9
Non-current liabilities	**(774.2)**	(673.0)	**(33.6)**	(38.7)	**(23.8)**	(27.4)
Total net non-current (liabilities)/assets	**(33.8)**	(13.0)	**144.6**	143.6	**145.7**	151.5
Net (liabilities)/assets	**(102.8)**	164.9	**218.7**	246.1	**129.6**	128.2
Cumulative non-controlling interests	**(27.9)**	73.7	**100.6**	113.2	**63.5**	62.8
Summarised Statement of Cash Flows						
Cash generated (used in)/from operations	**(0.6)**	(313.0)	**94.5**	100.3	**29.4**	32.0
Interest paid	**(7.7)**	(14.3)	**-**	-	**(0.4)**	(0.3)
Income tax paid	**-**	-	**(17.9)**	(27.4)	**(9.2)**	(17.2)
Cash flows (used in)/from operating activities	**(8.3)**	(327.3)	**76.6**	72.9	**19.8**	14.5
Cash flows used in investing activities	**(399.7)**	(27.3)	**(12.2)**	(1.7)	**(22.0)**	(14.9)
Cash flows from/(used in) financing activities	**260.7**	805.0	**(88.2)**	(62.7)	**12.9**	(17.9)
Net (decrease)/increase in cash and cash equivalents	**(147.3)**	450.4	**(23.8)**	8.5	**10.7**	(18.3)
Effect of exchange rate changes	**-**	-	**-**	-	**(0.4)**	1.0
Cash and cash equivalents at beginning of the financial year	**496.8**	46.4	**74.1**	65.6	**21.8**	39.1
Cash and cash equivalents at end of the financial year	**349.5**	496.8	**50.3**	74.1	**32.1**	21.8

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26. LOANS AND ADVANCES TO SUBSIDIARIES

Loans and advances to subsidiaries of RM1,349.3 million (2015: RM914.3 million) represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 2.92% to 4.68% (2015: 2.44% to 5.03%) and will mature between 1 to 6 years.

27. ASSOCIATES

The Group	2016 RM	2015 RM
Share of net assets of associates		
Unquoted investments	**45.8**	26.3
TOTAL	**45.8**	26.3
The Group's share of revenue and profit of associates is as follows:		
Revenue	**40.3**	32.0
Profit after taxation and total comprehensive income	**29.4**	24.7
The Group's share of assets and liabilities of associates is as follows:		
Non-current assets	**69.7**	47.0
Current assets	**8.9**	8.7
Non-current liabilities	**(22.5)**	(2.8)
Current liabilities	**(10.3)**	(26.6)
Net assets	**45.8**	26.3

The Group's associates are not material individually to the financial position, financial performance and cash flows of the Group.

On 30 September 2016, the Company had entered into a Share Sale and Purchase Agreement to sell its entire equity interest of 30% in Mutiara.Com Sdn Bhd. The disposal was completed on 10 October 2016. Consequently, the share of loss after taxation of an associate not recognised by the Group in respect of the current and cumulative financial year was RM nil million (2015: RM1.2 million) and RM1.1 million (2015: RM3.2 million) respectively.

The Group's effective equity interest in the associates, all of which are unquoted, their respective principal activities and countries of incorporation are listed in note 52 to the financial statements.

There are no contingent liabilities relating to the Group's interest in the associates and there are no significant restrictions on the ability of the associates to transfer funds in the form of dividend to the Group.

28. AVAILABLE-FOR-SALE INVESTMENTS

The Group	Investment in Technology Investment Fund RM	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2016	**23.6**	**132.3**	**515.6**	**671.5**
Additions	**31.8**	**-**	**298.3**	**330.1**
Fair value changes transferred to other comprehensive income	**1.0**	**7.8**	**4.2**	**13.0**
Disposals	**-**	**-**	**(300.7)**	**(300.7)**
Accretion of finance income (net)	**-**	**-**	**0.6**	**0.6**
At 31 December 2016	**56.4**	**140.1**	**518.0**	**714.5**
Current portion	**-**	**-**	**518.0**	**518.0**
Non-current portion	**56.4**	**140.1**	**-**	**196.5**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**56.4**	**140.1**	**518.0**	**714.5**
At 1 January 2015	-	99.0	469.3	568.3
Additions	23.6	-	353.6	377.2
Fair value changes transferred to other comprehensive income	-	35.6	(0.9)	34.7
Disposals	-	(2.3)	(307.6)	(309.9)
Accretion of finance income (net)	-	-	1.2	1.2
At 31 December 2015	23.6	132.3	515.6	671.5
Current portion	-	-	515.6	515.6
Non-current portion	23.6	132.3	-	155.9
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	23.6	132.3	515.6	671.5

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28. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The Company	Investment in Technology Investment Fund RM	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2016	**23.6**	**132.2**	**515.6**	**671.4**
Additions	**31.8**	**-**	**298.3**	**330.1**
Fair value changes transferred to other comprehensive income	**1.0**	**7.8**	**4.2**	**13.0**
Disposals	**-**	**-**	**(300.7)**	**(300.7)**
Accretion of finance income (net)	**-**	**-**	**0.6**	**0.6**
At 31 December 2016	**56.4**	**140.0**	**518.0**	**714.4**
Current portion	**-**	**-**	**518.0**	**518.0**
Non-current portion	**56.4**	**140.0**	**-**	**196.4**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**56.4**	**140.0**	**518.0**	**714.4**
At 1 January 2015	-	98.9	469.3	568.2
Additions	23.6	-	353.6	377.2
Fair value changes transferred to other comprehensive income	-	35.6	(0.9)	34.7
Disposals	-	(2.3)	(307.6)	(309.9)
Accretion of finance income (net)	-	-	1.2	1.2
At 31 December 2015	23.6	132.2	515.6	671.4
Current portion	-	-	515.6	515.6
Non-current portion	23.6	132.2	-	155.8
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	23.6	132.2	515.6	671.4

The currency exposure profile of available-for-sale investments is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	**520.2**	517.8	**520.1**	517.7
US Dollar	**142.3**	94.9	**142.3**	94.9
Singapore Dollar	**52.0**	58.8	**52.0**	58.8
	714.5	671.5	**714.4**	671.4

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment in fixed income securities.

28. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The credit quality of investment in fixed income securities is as follows:

	The Group and Company	
	2016 RM	2015 RM
AAA	**164.4**	153.2
AA	**303.2**	307.2
A	**21.8**	26.2
P1	**-**	5.0
BBB	**4.9**	-
Malaysian Government Securities	**23.7**	24.0
	518.0	515.6

29. AVAILABLE-FOR-SALE RECEIVABLES

The Group and Company	2016 RM	2015 RM
At 1 January	**24.8**	25.7
Additions (including interest)	**0.5**	1.4
Repayments	**(1.7)**	(2.3)
Fair value changes transferred to other comprehensive income	**#**	#
At 31 December	**23.6**	24.8
Impairment at 1 January and 31 December	**(18.8)**	(18.8)
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	**4.8**	6.0

Amount less than RM0.1 million

Available-for-sale receivables of the Company are in respect of education loans provided to undergraduates and are convertible to scholarships if certain performance criteria are met. The loans are contractually interest free and if not converted to scholarship will be repayable over a period of not more than 11 years.

As of 31 December 2016, all overdue amounts have been impaired.

During the financial year, RM# million (2015: RM# million) was converted to scholarship and expensed off to the Income Statement.

The Company does not hold any collateral for security in respect of education loans.

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30. OTHER NON-CURRENT RECEIVABLES

	The Group		The Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Staff loans at amortised cost				
- under Islamic principles	**205.0**	142.4	**205.0**	142.4
- under conventional principles	**0.3**	1.9	**0.3**	1.9
Total staff loans (sub-note (i))	**205.3**	144.3	**205.3**	144.3
Other non-current receivables				
- other deposits (sub-note (ii))	**155.0**	133.1	**155.0**	133.1
- tax recoverable (sub-note (iii))	**113.8**	113.8	**113.8**	113.8
- Redeemable Exchangeable Medium Term Notes receivable (sub-note (iv))	**216.4**	200.3	**-**	-
- others (sub-note (v))	**170.0**	188.8	**-**	-
	860.5	780.3	**474.1**	391.2
Prepaid employee benefits	**24.2**	10.4	**24.2**	10.4
	884.7	790.7	**498.3**	401.6
Staff loans receivable within twelve months included under other receivables (note 34)	**(14.0)**	(4.4)	**(14.0)**	(4.4)
TOTAL OTHER NON-CURRENT RECEIVABLES	**870.7**	786.3	**484.3**	397.2

(i) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with contractual financing cost of 4.0% per annum on a reducing balance basis except for club membership loans which are free of financing cost. There is no single significant credit risk exposure as the amount is mainly receivable from individuals. Staff loans inclusive of financing cost, are repayable in equal monthly instalments as follows:

- Housing loans - 25 years or upon employees attaining 55 years of age, whichever is earlier
- Vehicle loans - maximum of 8 years for new cars and 6 years for second hand cars
- Computer loans - 3 years

Credit risk arising from staff loans is mitigated by the enforcement of salary deductions as a mode of repayment. In addition, collateral is obtained for the following:

- Housing loans - registered land charges and assignments over the properties financed
- Vehicle loans - ownership claims over the vehicles financed

During the current financial year, the Company disposed RM11.6 million (2015: RM11.9 million) of its employees housing loans for a total cash consideration of RM11.0 million (2015: RM11.3 million) pursuant to the Sale and Purchase (S&P) Agreement entered on 27 May 2009 with AmMortgage One Berhad (AmMortgage One), a wholly-owned subsidiary of AmBank (M) Berhad (AmBank). In tandem with the S&P Agreement, a Servicing Agreement between the Company, AmMortgage One and AmBank was also executed. The arrangement reflects the outsourcing of the Company's mortgage servicing operations to AmBank.

30. OTHER NON-CURRENT RECEIVABLES (continued)

(i) The disposal in 2009 included loan portfolio of employees where the repayment terms go beyond the employees' retirement age. This loan portfolio was not derecognised as the credit risk in the event of default after the employees' retirement age, remains with the Company. The carrying amount of the loan portfolio and its fair value are as follows:

	The Group and Company			
	2016		2015	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Staff loans at amortised cost	**0.4**	**0.4**	0.5	0.5
Other borrowings (note 17)	**(0.4)**	**(0.4)**	(0.5)	(0.5)
Net amount	**#**	**#**	#	#

Amount less than RM0.1 million

(ii) Other deposits comprise deposit and accrued interest relating to the non-cancellable operating lease of four office buildings and long term deposits.

The Company entered into two Ringgit Malaysia deposit agreements in 2011 with maturity on 1 August 2025, under which the Company will deposit RM4.1 million and RM4.2 million respectively every six months until the deposits' maturity date. On maturity, the Company will be entitled for deposits repayments of RM154.0 million and RM156.5 million respectively. The deposits are collateralised by Malaysian Government Bonds.

The deposits effectively build up a sinking fund with an assured value of RM154.0 million and RM156.5 million respectively on 1 August 2025 for the repayment of the Company's Debentures.

(iii) This comprise tax credit in respect of prior years arising from the last mile broadband tax incentive as explained in note 20 to the financial statements, to be offset against future tax payables.

(iv) This comprise the carrying value of the first three tranches and accrued interest of the 8-year Redeemable Exchangeable Medium Term Notes (Exchangeable MTNs) issued by Green Packet Berhad (Green Packet) subscribed by a wholly-owned subsidiary of the Group. The credit risk arising from the Exchangeable MTNs is limited as the Exchangeable MTNs is secured against Webe Digital Sdn Bhd (webe) ordinary shares held by Packet One Sdn Bhd (Packet One), a wholly-owned subsidiary of Green Packet and the 8-year Convertible Medium Term Notes issued by webe which has been subscribed by Packet One.

(v) Include the present value of receivables for land disposed by a wholly-owned subsidiary, due over the remaining contractual period of the joint land development agreement and long term leasing receivables of the wholly-owned subsidiary.

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31. INVENTORIES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Telecommunications equipment	**39.9**	22.5	**39.9**	22.5
Capacity held for resale	**12.6**	71.2	**12.6**	71.2
Work-in-progress	**105.7**	96.0	**30.8**	39.8
Land held for sale	**4.4**	4.4	**-**	-
Land held for property development	**35.5**	31.4	**-**	-
Others	**9.0**	11.3	**7.6**	9.0
TOTAL INVENTORIES	**207.1**	236.8	**90.9**	142.5

32. NON-CURRENT ASSETS HELD FOR SALE

Total consideration for the assets held for sale excluding the assets in sub-note (a) as at 31 December 2016 was RM6.4 million (2015: RM8.2 million).

The Group and Company	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 22) RM	Disposal RM	Impairment reversal (note 6(a) and sub-note (a)) RM	At 31 December RM
Carrying amount					
2016					
Land					
- Freehold	**13.5**	**-**	**-**	**-**	**13.5**
- Leasehold	**1.0**	**-**	**-**	**-**	**1.0**
Buildings	**5.8**	**-**	**(1.3)**	**-**	**4.5**
	20.3	**-**	**(1.3)**	**-**	**19.0**
2015					
Land					
- Freehold	11.8	0.3	(0.3)	1.7	13.5
- Leasehold	0.9	0.1	#	-	1.0
Buildings	0.3	1.3	(0.4)	4.6	5.8
	13.0	1.7	(0.7)	6.3	20.3

Amount less than RM0.1 million

(a) The RM6.3 million reversal of impairment loss recognised in the previous financial year was in respect of land and buildings that were impaired to the contracted selling price, less cost to sell in 2014. The sales contract was subsequently unwound in 2015 and the impairment loss reversed, as the fair value of the assets based on current price observable in the market (Level 2 fair value), exceeds the assets' carrying amount immediately prior to reclassification from property, plant and equipment (RM15.9 million). The Group remains committed in an active programme to locate a buyer to complete the disposal of the assets.

33. CUSTOMER ACQUISITION COSTS

	The Group and Company	
	2016 RM	2015 RM
At 1 January	**59.1**	62.7
Additions	**81.8**	73.6
Amortised to the Income Statement	**(87.7)**	(77.2)
At 31 December	**53.2**	59.1

34. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Receivables from external customers	**2,676.3**	3,022.7	**1,870.4**	2,037.7
Receivables from subsidiaries	**-**	-	**184.1**	202.5
Receivables from associates	**119.4**	82.0	**119.4**	82.0
	2,795.7	3,104.7	**2,173.9**	2,322.2
Impairment of trade receivables	**(1,157.6)**	(1,250.6)	**(746.3)**	(818.6)
	1,638.1	1,854.1	**1,427.6**	1,503.6
Accrued earnings	**719.0**	499.1	**597.6**	364.7
Total trade receivables (net)	**2,357.1**	2,353.2	**2,025.2**	1,868.3
Prepayments	**235.7**	213.7	**142.3**	118.8
Tax recoverable	**122.2**	124.0	**85.4**	85.4
Staff loans (note 30)	**14.0**	4.4	**14.0**	4.4
Goods and Services Tax (GST)	**18.9**	3.6	**0.7**	0.7
Other receivables from subsidiaries	**-**	-	**288.5**	186.8
Other receivables from associates	**-**	1.0	**-**	1.0
Other receivables	**451.2**	287.2	**244.0**	142.5
Impairment of other receivables	**(40.9)**	(40.0)	**(77.0)**	(74.8)
Total other receivables (net)	**801.1**	593.9	**697.9**	464.8
TOTAL TRADE AND OTHER RECEIVABLES (net)	**3,158.2**	2,947.1	**2,723.1**	2,333.1

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34. TRADE AND OTHER RECEIVABLES (continued)

Movements in the impairment accounts of trade and other receivables are as follows:

	The Group		The Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
(a) Trade receivables				
At 1 January	**1,250.6**	1,387.8	**818.6**	971.7
Impairment (net)	**58.1**	186.9	**41.7**	158.0
Receivables written off as uncollectible	**(151.2)**	(324.6)	**(114.0)**	(311.1)
Foreign exchange difference	**0.1**	0.5	**-**	-
At 31 December	**1,157.6**	1,250.6	**746.3**	818.6
(b) Other receivables				
At 1 January	**40.0**	32.4	**74.8**	71.3
Net impairment	**0.9**	8.1	**2.2**	3.9
Receivables written off as uncollectible	**-**	(0.5)	**-**	(0.4)
At 31 December	**40.9**	40.0	**77.0**	74.8

The creation and release of impaired receivables has been included in 'other operating costs' on the Income Statement (note 6(b) to the financial statements). Amounts charged to the impairment accounts are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

Certain amount of trade receivables have been subjected to offsetting with trade payables where these balances are from transactions transacted with the same counterparty and are settled on net basis, summarised as follows:

	2016			2015		
	Gross amount of trade receivables RM	**Gross amount of trade payables and accruals set off against trade receivables (note 37) RM**	**Net amount of trade receivables RM**	**Gross amount of trade receivables RM**	**Gross amount of trade payables and accruals set off against trade receivables (note 37) RM**	**Net amount of trade receivables RM**
The Group	**2,558.0**	**(200.9)**	**2,357.1**	2,555.8	(202.6)	2,353.2
The Company	**2,226.1**	**(200.9)**	**2,025.2**	2,070.9	(202.6)	1,868.3

For trade receivables and trade payables subject to netting arrangements above, each agreement between the Group and the counterparties is carried out on net settlement basis, including events of default.

34. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables of RM738.8 million (2015: RM881.5 million) and RM774.6 million (2015: RM788.9 million) for the Group and the Company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

The Group	Not past due RM	Past due but not impaired			Total RM
		1 to 3 months RM	4 to 6 months RM	> 6 months RM	
2016					
Collectively assessed	**204.5**	**0.7**	**0.2**	**1.8**	**207.2**
Individually assessed	**694.8**	**288.2**	**196.2**	**251.7**	**1,430.9**
	899.3	**288.9**	**196.4**	**253.5**	**1,638.1**
2015					
Collectively assessed	263.9	0.9	2.7	10.6	278.1
Individually assessed	708.7	303.0	259.1	305.2	1,576.0
	972.6	303.9	261.8	315.8	1,854.1

The Company	Not past due RM	Past due but not impaired			Total RM
		1 to 3 months RM	4 to 6 months RM	> 6 months RM	
2016					
Collectively assessed	**203.6**	**-**	**-**	**-**	**203.6**
Individually assessed	**411.0**	**259.0**	**181.1**	**188.8**	**1,039.9**
Amount due from subsidiaries	**38.4**	**41.7**	**19.2**	**84.8**	**184.1**
	653.0	**300.7**	**200.3**	**273.6**	**1,427.6**
2015					
Collectively assessed	210.7	-	-	-	210.7
Individually assessed	451.8	216.1	219.5	203.0	1,090.4
Amount due from subsidiaries	52.2	106.7	14.3	29.3	202.5
	714.7	322.8	233.8	232.3	1,503.6

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34. TRADE AND OTHER RECEIVABLES (continued)

An analysis of trade receivables that are neither past due nor impaired is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Global Wholesale	**163.2**	275.2	**127.0**	227.1
Mass Market	**204.5**	217.1	**203.6**	210.7
Managed Accounts	**377.1**	293.0	**284.0**	224.7
Amount due from subsidiaries	**-**	-	**38.4**	52.2
Others*	**154.5**	187.3	**-**	-
	899.3	972.6	**653.0**	714.7

* Others mainly comprise student debtors and receivables for the provision of managed network services, information and communications technology, system integration services and last mile broadband services of subsidiaries.

The Group and the Company are not exposed to major concentrations of credit risk due to the diversed customer base. The analysis of trade receivables by lines of business is considered the most appropriate disclosure of credit concentration. In addition, credit risk is mitigated to a certain extent by cash deposits (note 38 to the financial statements) and bankers' guarantee obtained from customers amounting to RM5.2 million (2015: RM6.4 million). The Group and the Company consider the impairment at the reporting date to be adequate to cover the potential financial loss.

Credit terms of trade receivables excluding accrued earnings range from 30 to 90 days (2015: 30 to 90 days).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

The currency exposure profile of trade and other receivables after impairment is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	**2,285.8**	2,175.8	**1,827.9**	1,540.7
US Dollar	**849.7**	742.5	**890.6**	789.3
Special Drawing Rights	**0.6**	0.6	**0.6**	0.6
Other currencies	**22.1**	28.2	**4.0**	2.5
	3,158.2	2,947.1	**2,723.1**	2,333.1

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and Company	
	2016 RM	2015 RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	**6.0**	6.6
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**6.0**	6.6
Market value of quoted equity securities	**6.0**	6.6

36. CASH AND BANK BALANCES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deposits with:				
Licensed banks	**522.8**	839.9	**522.1**	835.6
Other financial institutions	**16.8**	15.7	**16.8**	15.7
Deposits under Islamic principles	**1,107.7**	1,503.8	**1,029.8**	1,430.8
Total deposits	**1,647.3**	2,359.4	**1,568.7**	2,282.1
Cash and bank balances	**918.9**	1,101.5	**308.7**	278.8
Cash and bank balances under Islamic principles	**359.8**	50.7	**289.9**	19.1
TOTAL CASH AND BANK BALANCES	**2,926.0**	3,511.6	**2,167.3**	2,580.0
Less:				
Deposits pledged	**(0.8)**	(0.8)	**-**	-
TOTAL CASH AND CASH EQUIVALENTS	**2,925.2**	3,510.8	**2,167.3**	2,580.0
The currency exposure profile of cash and bank balances is as follows:				
Ringgit Malaysia	**2,257.4**	3,219.4	**1,631.5**	2,452.9
US Dollar	**601.7**	246.9	**535.8**	127.1
Other currencies	**66.9**	45.3	**-**	-
	2,926.0	3,511.6	**2,167.3**	2,580.0

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. The credit quality of the financial institutions in which cash and deposits are placed is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
AAA	**1,427.5**	1,170.1	**766.1**	433.4
AA	**1,172.1**	1,569.8	**1,083.2**	1,493.7
A	**290.3**	692.2	**282.1**	577.4
NR (sub-note (a))	**36.1**	79.5	**35.9**	75.5
	2,926.0	3,511.6	**2,167.3**	2,580.0

(a) Mainly comprise deposits with other financial institutions with sovereign equivalent rating.

Deposits have maturities ranging from overnight to 90 days (2015: from overnight to 90 days) for the Group and the Company. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits as at 31 December 2016 was 3.38% (2015: 4.32%) and 3.34% (2015: 4.32%) for the Group and the Company respectively.

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37. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables and accruals	**2,295.8**	2,612.6	**1,981.5**	2,230.9
Payable for Universal Service Provision	**201.2**	655.2	**180.4**	637.7
Deferred revenue	**146.7**	152.6	**15.7**	19.3
Provision for Skim MESRA (sub-note (b))	**102.0**	93.2	**92.5**	85.4
Finance cost payable	**73.3**	65.3	**73.3**	64.5
Duties and other taxes payable	**28.1**	23.9	**19.4**	7.2
Deposits and trust monies	**105.5**	93.3	**68.0**	57.8
Payables to subsidiaries (sub-note (a))	**-**	-	**683.3**	646.4
Other payables and accruals	**1,154.1**	696.1	**551.1**	457.9
	4,106.7	4,392.2	**3,665.2**	4,207.1
Current portion	**4,103.0**	4,367.0	**3,661.5**	4,181.9
Non-current portion (sub-note (b))	**3.7**	25.2	**3.7**	25.2
TOTAL TRADE AND OTHER PAYABLES	**4,106.7**	4,392.2	**3,665.2**	4,207.1

(a) Include excess funds of subsidiaries managed and invested by the Company, which are interest bearing as disclosed in note 43(b) to the financial statements.

(b) Provision for Skim MESRA for eligible employees

On 1 October 2016, the Group and the Company announced the 3rd of a series of offering of the special optional retirement scheme, called Skim MESRA, to its employees aged 55 and above as at 31 December 2016. Eligible employees who accepts the optional retirement offer are compensated through special incentives and designated benefits until they reach the age of 60. A similar scheme was also offered to eligible employees of the Group and the Company in the previous two financial years.

The expected financial impact of this scheme which involves a one-off compensation payment within 12 months of the financial year end during which the acceptance was made as well as pre-determined limited healthcare benefits expected over the subsequent 5 financial years or when the recipient reaches 55 years of age (if earlier), have been recognised in the financial statements based on the number of employees who have accepted the offer at the end of the respective financial years.

Certain amount of trade payables and accruals have been subjected to offsetting with trade receivables where these balances are from transactions transacted with the same counterparties and are settled on net basis, summarised as follows:

	2016			2015		
	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 34) RM	Net amount of trade payables and accruals RM	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 34) RM	Net amount of trade payables and accruals RM
The Group	**2,496.7**	**(200.9)**	**2,295.8**	2,815.2	(202.6)	2,612.6
The Company	**2,182.4**	**(200.9)**	**1,981.5**	2,433.5	(202.6)	2,230.9

37. TRADE AND OTHER PAYABLES (continued)

Credit terms of trade and other payables excluding accruals vary from 30 to 90 days (2015: 30 to 90 days) depending on the terms of the contracts.

The currency exposure profile of trade and other payables is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	**3,701.7**	3,943.9	**3,334.4**	3,876.5
US Dollar	**372.8**	417.8	**325.5**	326.6
Special Drawing Rights	**0.7**	0.7	**0.7**	0.7
Other currencies	**31.5**	29.8	**4.6**	3.3
	4,106.7	4,392.2	**3,665.2**	4,207.1

38. CUSTOMER DEPOSITS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Telephone services	**441.1**	465.8	**441.1**	465.8
Data services	**2.0**	1.8	**1.4**	1.0
TOTAL CUSTOMER DEPOSITS	**443.1**	467.6	**442.5**	466.8

Customer deposits for telephone services are subject to rebate at 2.5% per annum effective 1 April 2010 in accordance with the provisions of Communications and Multimedia (Rates) Rules 2002. Customer deposits are repayable on demand as and when the customers terminate their services.

39. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Receipts from customers	**11,545.0**	11,105.2	**10,155.0**	9,666.0
Payments to suppliers and employees	**(8,206.8)**	(7,526.1)	**(7,257.3)**	(6,249.5)
Payments of finance cost	**(342.3)**	(304.4)	**(329.7)**	(278.2)
Payments of income taxes and zakat (net)	**(147.3)**	(332.7)	**(74.2)**	(242.0)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**2,848.6**	2,942.0	**2,493.8**	2,896.3

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40. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Contribution for purchase of property, plant and equipment	**392.5**	54.5	**392.5**	54.5
Disposal of property, plant and equipment	**9.2**	8.4	**8.3**	8.5
Purchase of property, plant and equipment	**(3,683.5)**	(2,547.2)	**(3,136.9)**	(2,347.6)
Subscription of shares in a subsidiary	**-**	-	**-**	(7.7)
Subscription of Exchangeable Medium Term Notes	**-**	(67.5)	**-**	-
Disposal of current available-for-sale investments	**300.7**	307.6	**300.7**	307.6
Disposal of non-current available-for-sale investments	**-**	2.3	**-**	2.3
Purchase of current available-for-sale investments	**(298.3)**	(353.0)	**(298.3)**	(353.0)
Purchase of non-current available-for-sale investments	**(31.8)**	(23.5)	**(31.8)**	(23.5)
Disposal of non-current assets held for sale	**2.9**	10.8	**2.9**	10.8
Long term deposits	**(16.6)**	(16.6)	**(16.6)**	(16.6)
Repayments from subsidiaries - loans and advances	**-**	-	**129.1**	35.1
- other receivables	**-**	-	**43.2**	91.6
Advances to subsidiaries	**-**	-	**(663.3)**	(792.3)
Repayments to subsidiaries for Inter-Company Fund Optimisation (ICFO)	**-**	-	**(3,902.5)**	(4,116.8)
Receipts from subsidiaries for ICFO	**-**	-	**3,958.0**	4,111.1
Repayments of loans by employees	**12.2**	9.9	**12.2**	9.9
Loans to employees	**(97.7)**	(88.0)	**(97.7)**	(88.0)
Disposal of housing loan	**11.0**	11.3	**11.0**	11.3
Interests received	**123.2**	134.0	**116.0**	121.6
Dividends received	**16.7**	7.1	**195.7**	288.1
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(3,259.5)**	(2,549.9)	**(2,977.5)**	(2,693.1)

41. CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Proceeds from issuance of shares (note 13(c))	**-**	269.2	**-**	269.2
Capital contribution by non-controlling interest	**1.0**	7.3	**-**	-
Equity portion of Convertible Medium Term Notes subscribed by non-controlling interest	**-**	1.7	**-**	-
Proceeds from borrowings	**2,479.8**	1,779.8	**2,429.7**	1,500.0
Repayments of borrowings (net)	**(1,832.2)**	(1,031.8)	**(1,573.2)**	(900.7)
Repayments of finance lease	**(9.6)**	(4.6)	**(7.5)**	(4.3)
Dividend paid to shareholders	**(804.2)**	(847.9)	**(804.2)**	(847.9)
Dividend paid to non-controlling interests	**(41.6)**	(31.2)	**-**	-
TOTAL CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	**(206.8)**	142.5	**44.8**	16.3

42. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	**-**	-	**0.9**	14.2
(b) Contra settlements with customers cum suppliers between trade receivables and trade payables	**227.1**	259.2	**227.1**	259.2

43. SIGNIFICANT RELATED PARTY DISCLOSURES

Set out below are the significant related party transactions and balances, in addition to related party transactions and balances mentioned elsewhere in the financial statements:

(a) Significant transactions with subsidiaries and associates

The Company has significant related party transactions with its subsidiaries and associate, as listed below:

BlueTel Networks Pte Ltd
Fiberail Sdn Bhd
Fibrecomm Network (M) Sdn Bhd
GITN Sdn Berhad
VADS Lyfe Sdn Bhd
(formerly known as GTC Global Sdn Bhd)
Meganet Communications Sdn Bhd
Menara Kuala Lumpur Sdn Bhd
Webe Digital Sdn Bhd
(formerly known as Packet One Networks (Malaysia) Sdn Bhd)
Telekom Applied Business Sdn Bhd
Telekom Malaysia (Australia) Pty Ltd
Telekom Malaysia (Hong Kong) Limited
Telekom Malaysia (S) Pte Ltd
Telekom Malaysia (UK) Limited
Telekom Malaysia (USA) Inc
Telekom Multi-Media Sdn Bhd
Telekom Research & Development Sdn Bhd
Telekom Sales and Services Sdn Bhd
TM ESOS Management Sdn Bhd
TM Facilities Sdn Bhd
TMF Autolease Sdn Bhd
TM Global Incorporated
TM Info-Media Sdn Bhd
TM Net Sdn Bhd
Universiti Telekom Sdn Bhd
VADS Berhad
VADS e-Services Sdn Bhd
VADS Solutions Sdn Bhd
VADS Business Process Sdn Bhd

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43. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(a) Significant transactions with subsidiaries and associates (continued)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
(i) Sales of goods and rendering of services to subsidiaries and associates:				
- telecommunications related services	**65.2**	101.0	**821.1**	749.7
- lease/rental and maintenance of buildings and vehicles	**-**	-	**27.0**	31.4
- other income*	**-**	-	**14.3**	18.3
(ii) Dividend and interest income from subsidiaries	**-**	-	**230.2**	245.1
(iii) Purchases of goods and services from subsidiaries and associates:				
- telecommunications related services	**104.0**	87.4	**1,197.6**	1,164.3
- lease/rental of buildings	**-**	-	**5.7**	5.7
- maintenance of vehicles and buildings	**-**	-	**47.2**	47.4
- other expenses	**-**	-	**108.9**	118.5
(iv) Finance cost paid/payable to subsidiaries				
- term loans	**-**	-	**18.8**	6.9
- Inter-Company Fund Optimisation	**-**	-	**28.9**	24.9

* Includes management fees, royalties, charges for security and other shared services, training and related activities.

(b) Year end balances arising from:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
(i) Sales/Purchases of goods/services				
- receivables from subsidiaries	**-**	-	**472.6**	389.3
- receivables from associates	**119.4**	82.0	**119.4**	82.0
- payables to subsidiaries	**-**	-	**287.1**	333.0
- payables to associates	**47.0**	29.6	**47.0**	29.6
(ii) Other payables				
- subsidiaries	**-**	-	**396.2**	311.8

The above receivables from/payables to related parties arise mainly from sale/purchase transactions with credit terms of 30 to 90 days. The receivables/payables are unsecured and interest free.

Other payables to subsidiaries mainly comprise excess funds of subsidiaries managed and invested by the Company under the fund optimisation arrangement. This amount is repayable on demand and the interest paid to subsidiaries during the financial year ranges from 3.31% to 4.04% (2015: 3.60% to 4.58%).

43. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(c) Loans and advances to subsidiaries

	The Company	
	2016 RM	2015 RM
At 1 January	**914.3**	250.5
Cash advanced	**564.1**	708.9
Repayments (note 40)	**(129.1)**	(35.1)
Impairment on loans and advances to a subsidiary	**-**	(10.0)
Interest charged (note 7)	**51.2**	20.6
Reclassified as other receivables	**(51.2)**	(20.6)
At 31 December (note 26)	**1,349.3**	914.3

(d) Key management personnel

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Consistent with the previous financial year, key management personnel has been defined as the Directors (executive and non-executive) of the Company and heads or senior management officers who are members of the Management Committee for the Group and the Company respectively.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Key management personnel compensation[@]				
- short term employee benefits				
- fees	**2.6**	2.6	**2.0**	2.0
- salaries, allowances and bonus	**22.6**	20.2	**22.6**	20.1
- contribution to Employees Provident Fund	**3.9**	3.0	**3.9**	3.0
- estimated money value of benefits	**1.3**	1.3	**1.3**	1.3

[@] Includes the Directors' remuneration (whether executive or otherwise) as disclosed in note 6(b) to the financial statements.

In addition, certain key management personnel have family members who are officers of subsidiaries of the Company with total remuneration amounting to RM0.2 million (2015: RM0.2 million).

(e) Government-related entities

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 26.21% (2015: 28.65%) equity interest and is a related party of the Group and the Company. Khazanah is a wholly-owned entity of MoF Inc, which is in turn owned by the Ministry of Finance, a ministry of the Federal Government of Malaysia. Therefore, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group and the Company.

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43. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(e) Government-related entities (continued)

The individually significant transactions that the Group and the Company entered into with identified related parties and their corresponding balances for the provision of telecommunications related services as at the respective reporting dates are as follows:

	Total amount of individually significant transactions		Corresponding outstanding balances	
	2016 RM	2015 RM	2016 RM	2015 RM
The Group				
Sales and Receivables	**721.4**	813.3	**61.0**	69.8
The Company				
Sales and Receivables	**71.7**	181.8	**-**	-

The Group and the Company also have individually significant contracts with other Government-related entities where the Group and the Company was provided funding for projects of which the amortisation of grants to the income statement in the current financial year was RM329.5 million (2015: RM360.7 million) with corresponding receivables of RM43.0 million (2015: RM219.5 million).

In addition to the above, the Group and the Company also have transactions that are collectively, but not individually significant with other Government-related entities in respect of the provision of telecommunications related services as well as procurement of telecommunications and related equipments and services in the normal course of business.

44. CAPITAL AND OTHER COMMITMENTS

(a) Property, plant and equipment

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Commitments in respect of expenditure approved and contracted for	**3,237.8**	3,570.9	**2,931.1**	3,337.4
Commitments in respect of expenditure approved but not contracted for	**3,240.4**	3,712.7	**2,850.5**	3,154.0

(b) High Speed Broadband (HSBB) Project

On 25 July 2008, the Company received the Letter of Award from the Government of Malaysia (GoM) for the implementation of the HSBB project under a Public-Private Partnership (PPP) arrangement. The PPP agreement was executed by the GoM and the Company on 16 September 2008.

The objective of the HSBB project is to develop the country's broadband infrastructure to increase broadband penetration and the competitiveness of the country in attracting foreign investments. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The estimated roll-out cost, to be incurred over a 10 years period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Sponsor of the project, the GoM has agreed to fund RM2.4 billion of the project cost. The remaining RM8.9 billion will be borne by the Company. The HSBB roll-out has covered 1.3 million premises in 2012.

Under the above arrangement, the Company shall claim from the GoM fifty percent (50.0%) of the capital expenditure incurred for the HSBB project on a quarterly basis over a projected 3.5 years period up to the maximum amount of RM2.4 billion.

44. CAPITAL AND OTHER COMMITMENTS (continued)

(b) High Speed Broadband (HSBB) Project (continued)

In conjunction with the arrangement, the Company has to fulfil certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred in relation to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for the GoM, develop certain number of telecentres, formulate a broadband package with low cost internet access and provide promotion and public awareness on HSBB which would contribute towards achieving the objective of the project.

(c) High Speed Broadband Project Phase 2 (HSBB2) and the Sub-Urban Broadband Project (SUBB)

On 17 December 2015, the Company signed two (2) PPP agreements with the GoM for the implementation of the HSBB2 and the SUBB to deploy access and domestic core networks to deliver an end-to-end broadband network infrastructure and services for the nation.

The 10-year HSBB2 project encompasses the deployment of additional access and core capacity covering state capitals and selected major towns throughout the country. It includes planning, designing, implementation, operation and maintenance of HSBB network infrastructure and services. Under the project, 95 additional exchanges will be HSBB ready providing access to 390,000 premises by 2017.

The SUBB infrastructure will also be rolled out over a period of ten (10) years, involving the upgrading of existing copper lines to deliver high-speed broadband access speeds of up to 20Mbps and up to 100Mbps in areas deployed with Fibre-to-the-Home (FTTH) technology, to over 420,000 premises by 2019.

The total cost of the HSBB2 investment for a period of ten (10) years is RM1.8 billion whereby the Government will be investing RM500.0 million and the remaining RM1.3 billion will be invested by the Company. The total cost of the SUBB investment for a period of ten (10) years is RM1.6 billion with the Government investing RM600.0 million and the Company investing RM1.0 billion.

(d) Donation to Yayasan Telekom Malaysia

	The Group and Company	
	2016 RM	2015 RM
Amount approved and committed	**13.3**	10.5

(e) Future minimum lease payments of non-cancellable operating lease commitments

	The Group and Company	
	2016 RM	2015 RM
Not later than one year	**75.2**	75.2
Later than one year and not later than five years	**345.9**	334.6
Later than five years	**86.5**	173.0
	507.6	582.8

The above lease payments relate to the non-cancellable operating lease of four office buildings from Menara ABS Berhad.

44. CAPITAL AND OTHER COMMITMENTS (continued)

(f) Funding Commitment

Pursuant to the Investment Agreement entered into by the Group with the non-controlling interests of Webe Digital Sdn Bhd (webe) (formerly known as Packet One Network (Malaysia) Sdn Bhd) which includes an 8-year Convertible Medium Term Notes Programme (Convertible MTN Programme), on 15 September 2015, webe issued RM660.0 million nominal value of the first tranche issuance of the Convertible MTN (First Tranche Convertible MTN). RM622.5 million was subscribed by Mobikom Sdn Bhd, whilst the remaining RM37.5 million of the First Tranche Convertible MTN was subscribed by Packet One Sdn Bhd (a wholly-owned subsidiary of Green Packet Berhad), which holds a non-controlling interest in webe. On 7 September 2016, Mobikom subscribed to RM495.0 million nominal value of a second tranche issuance. The Convertible MTN Programme provides webe the avenue to raise funds of up to RM1.65 billion in tranches from its shareholders. Mobikom has a base subscription entitlement of RM990.0 million of the Convertible MTN Programme, up to any other additional entitlement right as per the terms of the Investment Agreement, in the event of unsubcribed entitlements by the other relevant shareholders (or their related corporations). To date, RM1,155.0 million of the Convertible MTN has been issued. The proceeds raised under the Convertible MTN Programme shall be utilised to finance and fund the implementation of webe's business plan which would involve the roll-out of Long Term Evolution (LTE) network.

45. SEGMENT REPORTING

By Business Segments

The Group organises its business into the following segments, summarised as follows:

- Mass Market comprises the Company's retail arm and its subsidiaries which complement the retail business. The line of business is responsible for the position of a wide range of telecommunication services and communications solutions to households, individuals as well as small and medium enterprise (SME) companies.

- Managed Accounts is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.

- Global Wholesale comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of wholesale telecommunications services delivered over the Group's networks to domestic and international carriers.

Shared Services/Others include all shared services divisions, all business functions divisions such as information technology and network, and subsidiaries that do not fall under the above lines of business.

Segment profits represent segment operating revenue less segment expenses. Unallocated income/other gains or losses comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Group Legal, Compliance & Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which are not allocated to a particular business segment. The accounting policies used to derive reportable segment profits are consistent with those as described in the Significant Accounting Policies.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables and inventories. Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets as well as cash and bank balances of the Company and general telecommunication network and information technology, property, plant and equipment at business function divisions as well as those at corporate divisions.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to property, plant and equipment and intangibles, including additions resulting from acquisition of subsidiaries.

Significant non-cash expenses comprise mainly allowance for impairment of receivables and unrealised foreign exchange gains or losses on settlement as disclosed in note 6(b) to the financial statements.

45. SEGMENT REPORTING (continued)

	Mass Market* RM	Managed Accounts RM	Global Wholesale RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2016					
Operating revenue					
Total operating revenue	**5,216.4**	**4,907.3**	**2,330.1**	**5,323.0**	**17,776.8**
Inter-segment[@]	**(110.8)**	**(415.9)**	**(401.8)**	**(4,787.4)**	**(5,715.9)**
External operating revenue	**5,105.6**	**4,491.4**	**1,928.3**	**535.6**	**12,060.9**
Results					
Segment profits	**33.8**	**938.0**	**452.2**	**8.1**	**1,432.1**
Unallocated income/other gains					**69.1**
Unallocated costs					**(300.0)**
Operating profit before finance cost					**1,201.2**
Finance income					**155.3**
Finance cost					**(380.7)**
Foreign exchange loss on borrowings					**(86.7)**
Associates					
- share of results (net of tax)					**29.4**
Profit before taxation and zakat					**918.5**
Taxation and zakat					**(305.1)**
Profit for the financial year					**613.4**
At 31 December 2016					
Segment assets	**1,570.9**	**1,863.8**	**1,632.3**	**4,870.1**	**9,937.1**
Associates					**45.8**
Unallocated assets					**15,018.7**
Total assets					**25,001.6**
Segment liabilities	**1,298.2**	**1,022.1**	**1,150.3**	**3,359.6**	**6,830.2**
Borrowings					**8,363.3**
Unallocated liabilities					**1,975.6**
Total liabilities					**17,169.1**
Financial year ended 31 December 2016					
Other information					
Capital expenditure					
- additions during the financial year	**461.3**	**150.6**	**199.0**	**2,765.3**	**3,576.2**
Depreciation and amortisation	**353.5**	**289.7**	**68.2**	**1,837.5**	**2,548.9**
Write-off of property, plant and equipment	**28.6**	**0.9**	**-**	**42.2**	**71.7**
Impairment of property, plant and equipment	**14.0**	**-**	**-**	**-**	**14.0**
Significant non-cash expenses/(gains)	**51.9**	**4.1**	**(4.4)**	**(8.0)**	**43.6**

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45. SEGMENT REPORTING (continued)

	Mass Market[2] RM	Managed Accounts RM	Global Wholesale RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2015					
Operating revenue					
Total operating revenue	4,985.3	4,825.3	2,236.5	5,422.6	17,469.7
Inter-segment[a]	(35.7)	(451.9)	(365.9)	(4,894.6)	(5,748.1)
External operating revenue	4,949.6	4,373.4	1,870.6	528.0	11,721.6
Results					
Segment profits	98.6	1,022.7	453.6	30.2	1,605.1
Unallocated income/other losses					(10.7)
Unallocated costs					(363.9)
Operating profit before finance cost					1,230.5
Finance income					164.4
Finance cost					(323.4)
Foreign exchange loss on borrowings					(184.4)
Associates					
- share of results (net of tax)					24.7
Profit before taxation and zakat					911.8
Taxation and zakat					(320.0)
Profit for the financial year					591.8
At 31 December 2015					
Segment assets	1,575.0	2,005.0	1,702.3	4,302.6	9,584.9
Associates					26.3
Unallocated assets					14,801.9
Total assets					24,413.1
Segment liabilities	1,123.9	832.6	1,120.5	3,870.1	6,947.1
Borrowings					7,583.7
Unallocated liabilities					1,843.6
Total liabilities					16,374.4
Financial year ended 31 December 2015					
Other information					
Capital expenditure					
- additions during the financial year	80.6	312.3	121.0	2,433.6	2,947.5
Depreciation and amortisation	202.6	175.2	67.3	1,922.1	2,367.2
Write-off of property, plant and equipment	1.8	1.8	-	40.9	44.5
Impairment of property, plant and equipment	31.9	-	-	-	31.9
Reversal of impairment of non-current asset held for sale	(6.3)	-	-	-	(6.3)
Significant non-cash expenses/(gains)	161.2	10.3	2.9	(62.7)	111.7

45. SEGMENT REPORTING (continued)

- Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. These inter-segment trading arrangements are entered into in the normal course of business and are subject to periodic review.

- Mass Market segment for the current financial year as well as comparatives includes financial information of Webe Digital Sdn Bhd (webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd) and its subsidiaries, as disclosed in the note 25 to the financial statements, reflective of webe's current customer profile in aligning to the Group's overall operational segmentation.

Certain revenue and cost elements in the comparative period have been revised to better reflect realignment from the movement of Medium Enterprise Business (MEB) customers previously under SME in Mass Market to Enterprise under Managed Accounts cluster.

By Geographical Location

The Group operates in a few countries as disclosed in note 51 to the financial statements. Accordingly, the segmentation of the Group's operations by geographical location is segmented into Malaysia and overseas. The overseas operation is not further segregated as no individual overseas country contributed more than 10.0% of the consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

	Operating Revenue		Capital Expenditure	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	**10,938.0**	10,630.3	**3,348.7**	2,804.0
Other countries	**1,122.9**	1,091.3	**227.5**	143.5
	12,060.9	11,721.6	**3,576.2**	2,947.5

	2016					2015				
Assets	Property, Plant and Equipment RM	Intangible Assets RM	Associates RM	Others RM	Total RM	Property, Plant and Equipment RM	Intangible Assets RM	Associates RM	Others RM	Total RM
Malaysia	**3,558.7**	**563.6**	**-**	**4,837.1**	**8,959.4**	3,375.6	607.8	-	4,661.0	8,644.4
Other countries	**806.3**	**-**	**45.8**	**171.4**	**1,023.5**	764.8	-	26.3	175.7	966.8
Unallocated assets	**11,645.6**	**-**	**-**	**3,373.1**	**15,018.7**	11,046.5	-	-	3,755.4	14,801.9
	16,010.6	**563.6**	**45.8**	**8,381.6**	**25,001.6**	15,186.9	607.8	26.3	8,592.1	24,413.1

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46. FINANCIAL INSTRUMENTS BY CATEGORY

The Group	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2016						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	-	22.5	369.0	-	-	391.5
Available-for-sale investments (note 28)	-	-	-	714.5	-	714.5
Available-for-sale receivables (note 29)	-	-	-	4.8	-	4.8
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	746.7	-	-	-	-	746.7
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	2,767.4	-	-	-	-	2,767.4
Financial assets at fair value through profit or loss (note 35)	-	6.0	-	-	-	6.0
Cash and bank balances (note 36)	2,926.0	-	-	-	-	2,926.0
Total	6,440.1	28.5	369.0	719.3	-	7,556.9
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	-	-	-	-	8,310.8	8,310.8
Finance lease liabilities (note 17)	-	-	-	-	52.5	52.5
Derivative financial instruments (note 19)	-	301.9	-	-	-	301.9
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	-	-	-	-	3,730.7	3,730.7
Customer deposits (note 38)	-	-	-	-	443.1	443.1
Total	-	301.9	-	-	12,537.1	12,839.0

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2015						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	-	8.2	327.1	-	-	335.3
Available-for-sale investments (note 28)	-	-	-	671.5	-	671.5
Available-for-sale receivables (note 29)	-	-	-	6.0	-	6.0
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	666.5	-	-	-	-	666.5
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	2,601.4	-	-	-	-	2,601.4
Financial assets at fair value through profit or loss (note 35)	-	6.6	-	-	-	6.6
Cash and bank balances (note 36)	3,511.6	-	-	-	-	3,511.6
Total	6,779.5	14.8	327.1	677.5	-	7,798.9
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	-	-	-	-	7,541.3	7,541.3
Finance lease liabilities (note 17)	-	-	-	-	42.4	42.4
Derivative financial instruments (note 19)	-	305.2	16.7	-	-	321.9
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	-	-	-	-	3,560.5	3,560.5
Customer deposits (note 38)	-	-	-	-	467.6	467.6
Total	-	305.2	16.7	-	11,611.8	11,933.7

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46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2016						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	-	-	369.0	-	-	369.0
Loans and advances to subsidiaries (note 26)	1,349.3	-	-	-	-	1,349.3
Available-for-sale investments (note 28)	-	-	-	714.4	-	714.4
Available-for-sale receivables (note 29)	-	-	-	4.8	-	4.8
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	360.3	-	-	-	-	360.3
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	2,480.7	-	-	-	-	2,480.7
Financial assets at fair value through profit or loss (note 35)	-	6.0	-	-	-	6.0
Cash and bank balances (note 36)	2,167.3	-	-	-	-	2,167.3
Total	6,357.6	6.0	369.0	719.2	-	7,451.8
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	-	-	-	-	6,595.3	6,595.3
Finance lease liabilities (note 17)	-	-	-	-	44.9	44.9
Payable to subsidiaries (note 18)	-	-	-	-	1,528.7	1,528.7
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	-	-	-	-	3,449.7	3,449.7
Customer deposits (note 38)	-	-	-	-	442.5	442.5
Total	-	-	-	-	12,061.1	12,061.1

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2015						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	-	-	327.1	-	-	327.1
Loans and advances to subsidiaries (note 26)	914.3	-	-	-	-	914.3
Available-for-sale investments (note 28)	-	-	-	671.4	-	671.4
Available-for-sale receivables (note 29)	-	-	-	6.0	-	6.0
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	277.4	-	-	-	-	277.4
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	2,123.8	-	-	-	-	2,123.8
Financial assets at fair value through profit or loss (note 35)	-	6.6	-	-	-	6.6
Cash and bank balances (note 36)	2,580.0	-	-	-	-	2,580.0
Total	5,895.5	6.6	327.1	677.4	-	6,906.6
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	-	-	-	-	6,409.9	6,409.9
Finance lease liabilities (note 17)	-	-	-	-	42.2	42.2
Derivative financial instruments (note 19)	-	-	16.7	-	-	16.7
Payable to a subsidiary (note 18)	-	-	-	-	706.3	706.3
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	-	-	-	-	3,542.9	3,542.9
Customer deposits (note 38)	-	-	-	-	466.8	466.8
Total	-	-	16.7	-	11,168.1	11,184.8

47. FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date.

(a) Financial Instruments Carried at Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels of valuations are:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December.

	2016				2015			
The Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Assets								
Financial assets at fair value through profit or loss								
- quoted securities	**6.0**	**-**	**-**	**6.0**	6.6	-	-	6.6
Derivatives at fair value through profit or loss	**-**	**22.5**	**-**	**22.5**	-	8.2	-	8.2
Derivatives accounted for under hedge accounting	**-**	**142.4**	**226.6**	**369.0**	-	121.0	206.1	327.1
Available-for-sale financial assets								
- investments	**-**	**662.5**	**52.0**	**714.5**	-	612.8	58.7	671.5
- receivables	**-**	**4.8**	**-**	**4.8**	-	6.0	-	6.0
Total	**6.0**	**832.2**	**278.6**	**1,116.8**	6.6	748.0	264.8	1,019.4
Liabilities								
Derivatives accounted for under hedge accounting	**-**	**-**	**-**	**-**	-	16.7	-	16.7
Put option liability over shares held by non-controlling interest	**-**	**-**	**301.9**	**301.9**	-	-	305.2	305.2
Total	**-**	**-**	**301.9**	**301.9**	-	16.7	305.2	321.9

47. FAIR VALUES (continued)

(a) Financial Instruments Carried at Fair Value (continued)

The Company	2016 Level 1 RM	2016 Level 2 RM	2016 Level 3 RM	2016 Total RM	2015 Level 1 RM	2015 Level 2 RM	2015 Level 3 RM	2015 Total RM
Assets								
Financial assets at fair value through profit or loss								
- quoted securities	**6.0**	**-**	**-**	**6.0**	6.6	-	-	6.6
Derivatives accounted for under hedge accounting	**-**	**142.4**	**226.6**	**369.0**	-	121.0	206.1	327.1
Available-for-sale financial assets								
- investments	**-**	**662.4**	**52.0**	**714.4**	-	612.7	58.7	671.4
- receivables	**-**	**4.8**	**-**	**4.8**	-	6.0	-	6.0
Total	**6.0**	**809.6**	**278.6**	**1,094.2**	6.6	739.7	264.8	1,011.1
Liabilities								
Derivatives accounted for under hedge accounting	**-**	**-**	**-**	**-**	-	16.7	-	16.7
Total	**-**	**-**	**-**	**-**	-	16.7	-	16.7

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. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise of equity securities quoted on the Bursa Malaysia Securities Berhad classified as fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

47. FAIR VALUES (continued)

(a) Financial Instruments Carried at Fair Value (continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- The fair value of the put option liability over shares of a subsidiary held by a non-controlling interest are determined using expected future value of a subsidiary with the resulting value discounted to present value.
- The fair value of the call option on shares of a subsidiary held by non-controlling interests is determined through an option valuation model with the use of observable market inputs.
- Fair value of staff loans and long term receivables are determined through discounting future cash flows at market observable borrowing rates reflective of the credit ratings of the individuals from whom the receivables are due.
- Fair value of borrowings and long term payables are based on the expected cost and cash outflows if the borrowings and amount due are to be unwound or settled immediately.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in Level 2 except for an investment in non-traded equity security, two cross currency interest rate swap contracts and a put option liability over shares of a subsidiary held by non-controlling interest. There were no transfers of any instruments between Level 1, 2 and 3 of the fair valuation hierarchy during the current financial year.

The following table shows a reconciliation from the opening balance to the closing balance for fair value measurements at Level 3 of the fair value hierarchy:

The Group and Company	Cross Currency Interest Rate Swaps (sub-note (i)) RM	Non-traded Equity Investment (sub-note (ii)) RM
Assets		
2016		
At 1 January	**206.1**	**58.7**
Fair value changes transferred to other comprehensive income	**20.5**	**(6.7)**
At 31 December	**226.6**	**52.0**
2015		
At 1 January	-	48.4
Transfer from Level 2	226.5	-
Fair value changes transferred to other comprehensive income	(20.4)	10.3
At 31 December	206.1	58.7

47. FAIR VALUES (continued)

(a) Financial Instruments Carried at Fair Value (continued)

The following table shows a reconciliation from the opening balance to the closing balance for fair value measurements in Level 3 of the fair value hierarchy: (continued)

The Group	Put Option Liability Over Shares Held by Non-controlling Interest (sub-note (iii)) RM
Liabilities	
2016	
At 1 January	**305.2**
Unwinding of discounts (note 9)	**28.5**
Fair value charges to profit and loss (note 8)	**(31.8)**
At 31 December	**301.9**
2015	
At 1 January	270.1
Unwinding of discounts (note 9)	9.7
Fair value charges to profit and loss (note 8)	25.4
At 31 December	305.2

(i) During the previous financial year, certain Cross Currency Interest Rate Swap contracts were transferred from Level 2 to Level 3 due to adjustments made by counterparty on yield curves in the valuation.

(ii) The fair valuation of non-traded equity investment is based on discounted future cash flows derived from the budgets and forecasts of the investee entity, duly approved by its Board of Directors. The future cash flows are discounted based on discount factors of comparable entities which are publicly listed whenever available, as well as industry benchmarks, having considered historical ability of the investee in meeting its previous budgets and forecasts. The Group also has Board representation in the investee through which due understanding of actual and forecasted performance are used by the Group in assessing the appropriateness of the estimates and assumptions used in arriving to the valuation.

(iii) In estimating the fair value of the put option on shares of a subsidiary held by non-controlling interest, the Group has used a valuation model in projecting the expected share price of the subsidiary on average over the period from 2021 to 2022 using recently transacted price, comparable growth rates and discount factors specific to certain industry available at the reporting date.

Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, if the discount rate used in the discounted cash flow analysis is to differ by 10% from management's estimates, the carrying amount of available-for-sale financial assets would be approximately RM0.8 million (2015: RM0.8 million) lower or RM0.7 million (2015: RM0.9 million) higher. The fair value of Cross Currency Interest Rate Swaps at Level 3 would approximately be RM12.0 million lower or RM12.0 million higher if forward yield curves were to differ by 5%. The carrying amount of the put option on shares of a subsidiary of the Group would be an estimated RM8.8 million lower or RM9.2 million higher if the discount rate used in the valuation were to differ by 5% from management's estimates.

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47. FAIR VALUES (continued)

(b) Financial Instruments Other Than Those Carried at Fair Value

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date reasonably approximate their fair values except as set out below:

	The Group				The Company			
	2016		2015		2016		2015	
	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM
Assets								
Staff loans	**205.3**	**190.4**	144.3	135.1	**205.3**	**190.4**	144.3	135.1
Redeemable Exchangeable Medium Term Notes receivable	**216.4**	**201.1**	200.3	199.5	**-**	**-**	-	-
Other non-current receivables (excluding tax recoverable)	**325.0**	**319.1**	321.9	317.1	**155.0**	**149.1**	133.1	128.3
Liabilities								
Borrowings	**8,363.3**	**8,865.9**	7,583.7	8,146.6	**6,640.2**	**7,147.5**	6,452.1	6,976.4
Payable to subsidiaries	**-**	**-**	-	-	**1,528.7**	**1,511.5**	706.3	733.5

Assets

In assessing the fair value of non-traded financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Where impairment is made in respect of any investment, the carrying amount net of impairment made is deemed to be a close approximation of its fair value.

The fair values of staff loans, Redeemable Exchangeable Medium Term Notes and other non-current receivables were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

Collaterals are taken for staff loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

Liabilities

The fair value of quoted bonds was estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity.

The financial liabilities will be realised at their carrying amounts and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term financial instruments maturing within one year or are repayable on demand, the carrying amounts reasonably approximate their fair values at the reporting date.

48. LIQUIDITY RISK

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows:

The Group	Less than 1 year RM	> 1 year to 2 years RM	> 2 years to 5 years RM	> 5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2016							
Borrowings	**(704.5)**	**(955.7)**	**(1,527.3)**	**(5,187.5)**	**(8,375.0)**	**11.7**	**(8,363.3)**
Put option liability over shares held by non-controlling interest	**-**	**-**	**-**	**(500.5)**	**(500.5)**	**198.6**	**(301.9)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(3,730.7)**	**-**	**-**	**-**	**(3,730.7)**	**-**	**(3,730.7)**
Customer deposits	**(443.1)**	**-**	**-**	**-**	**(443.1)**	**-**	**(443.1)**
Total	**(4,878.3)**	**(955.7)**	**(1,527.3)**	**(5,688.0)**	**(13,049.3)**	**210.3**	**(12,839.0)**
Interest	**(375.2)**	**(363.9)**	**(973.7)**	**(743.8)**	**(2,456.6)**		
2015							
Borrowings	(412.9)	(364.6)	(1,663.7)	(5,161.7)	(7,602.9)	19.2	(7,583.7)
Put option liability over shares held by non-controlling interest	-	-	-	(651.2)	(651.2)	346.0	(305.2)
Cross currency interest rate swaps	(8.2)	(8.7)	-	-	(16.9)	0.2	(16.7)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,560.5)	-	-	-	(3,560.5)	-	(3,560.5)
Customer deposits	(467.6)	-	-	-	(467.6)	-	(467.6)
Total	(4,449.2)	(373.3)	(1,663.7)	(5,812.9)	(12,299.1)	365.4	(11,933.7)
Interest	(342.0)	(335.2)	(898.6)	(901.2)	(2,477.0)		

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48. LIQUIDITY RISK (continued)

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows: (continued)

The Company	Less than 1 year RM	> 1 year to 2 years RM	> 2 years to 5 years RM	> 5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2016							
Borrowings	**(335.7)**	**(934.4)**	**(1,024.0)**	**(4,358.0)**	**(6,652.1)**	**11.9**	**(6,640.2)**
Payable to subsidiaries	**(299.4)**	**-**	**(447.5)**	**(781.8)**	**(1,528.7)**	**-**	**(1,528.7)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(3,449.7)**	**-**	**-**	**-**	**(3,449.7)**	**-**	**(3,449.7)**
Customer deposits	**(442.5)**	**-**	**-**	**-**	**(442.5)**	**-**	**(442.5)**
Total	**(4,527.3)**	**(934.4)**	**(1,471.5)**	**(5,139.8)**	**(12,073.0)**	**11.9**	**(12,061.1)**
Interest	**(332.5)**	**(331.9)**	**(879.3)**	**(643.3)**	**(2,187.0)**		
2015							
Borrowings	(157.4)	(57.3)	(1,148.8)	(5,107.7)	(6,471.2)	19.1	(6,452.1)
Payable to a subsidiary	-	(278.3)	(428.0)	-	(706.3)	-	(706.3)
Cross currency interest rate swaps	(8.2)	(8.7)	-	-	(16.9)	0.2	(16.7)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,542.9)	-	-	-	(3,542.9)	-	(3,542.9)
Customer deposits	(466.8)	-	-	-	(466.8)	-	(466.8)
Total	(4,175.3)	(344.3)	(1,576.8)	(5,107.7)	(11,204.1)	19.3	(11,184.8)
Interest	(329.6)	(329.4)	(890.0)	(883.9)	(2,432.9)		

49. INTEREST RATE RISK/MATURITY ANALYSIS

The table below summarises the Group's and the Company's exposure to interest rate risk. Included in the tables are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of repricing or contractual maturity dates. As such the spread of balances between the ageing brackets in the table below may not necessarily coincide with those shown in the liquidity risk schedule in note 48 or the repayment schedules in note 17 to the financial statements. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

		Maturing or repriced (whichever is earlier)								
The Group	WARF*	1 year or less RM	> 1 - 2 years RM	> 2 - 3 years RM	> 3 - 4 years RM	> 4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2016										
Financial assets										
Derivative financial instruments	-	391.5	-	-	-	-	-	391.5	-	391.5
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	196.5	196.5
- fixed interest rate	4.52%	518.0	-	-	-	-	-	518.0	-	518.0
Available-for-sale receivables	8.04%	0.7	0.1	0.2	0.3	0.4	3.1	4.8	-	4.8
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- non-interest sensitive	-	-	-	-	-	-	-	-	122.1	122.1
- fixed interest rate										
- conventional	6.63%	0.1	0.1	0.1	-	-	365.6	365.9	-	365.9
- balances under Islamic principles	4.42%	54.6	1.8	2.0	3.9	6.9	189.5	258.7	-	258.7
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	-	-	-	-	-	-	-	-	2,767.4	2,767.4
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	6.0	6.0
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	1,278.7	1,278.7
- fixed interest rate										
- conventional	2.54%	539.6	-	-	-	-	-	539.6	-	539.6
- balances under Islamic principles	3.78%	1,107.7	-	-	-	-	-	1,107.7	-	1,107.7
Total		2,612.2	2.0	2.3	4.2	7.3	558.2	3,186.2	4,370.7	7,556.9
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.1	3.1
- floating interest rate	1.73%	15.4	-	-	447.5	-	224.3	687.2	-	687.2
- fixed interest rate										
- conventional	5.59%	680.2	22.9	21.7	18.1	18.1	1,987.0	2,748.0	-	2,748.0
- balances under Islamic principles	4.45%	-	925.0	-	200.0	800.0	3,000.0	4,925.0	-	4,925.0
Derivative financial instruments	-	-	-	-	-	-	301.9	301.9	-	301.9
Trade and other payables (excluding statutory liabilities and deferred revenue)										
- non-interest sensitive	-	-	-	-	-	-	-	-	3,730.7	3,730.7
Customer deposits	-	-	-	-	-	-	-	-	443.1	443.1
Total		695.6	947.9	21.7	665.6	818.1	5,513.2	8,662.1	4,176.9	12,839.0
Interest sensitivity gap		1,916.6	(945.9)	(19.4)	(661.4)	(810.8)	(4,955.0)			

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49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

		Maturing or repriced (whichever is earlier)						Total interest sensitive	Non-interest sensitive	Total
The Group	WARF*	1 year or less RM	> 1 - 2 years RM	> 2 - 3 years RM	> 3 - 4 years RM	> 4 - 5 years RM	More than 5 years RM	RM	RM	RM
2015										
Financial assets										
Derivative financial instruments	-	335.3	-	-	-	-	-	335.3	-	335.3
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	155.9	155.9
- fixed interest rate	4.44%	515.6	-	-	-	-	-	515.6	-	515.6
Available-for-sale receivables	8.04%	2.3	0.8	1.1	0.7	0.5	0.6	6.0	-	6.0
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- non-interest sensitive	-	-	-	-	-	-	-	-	149.3	149.3
- fixed interest rate										
- conventional	6.71%	-	-	0.1	0.1	0.1	322.8	323.1	-	323.1
- balances under Islamic principles	4.41%	52.7	1.5	2.6	2.7	3.2	131.4	194.1	-	194.1
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	-	-	-	-	-	-	-	-	2,601.4	2,601.4
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	6.6	6.6
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	1,152.2	1,152.2
- fixed interest rate										
- conventional	4.06%	855.6	-	-	-	-	-	855.6	-	855.6
- balances under Islamic principles	4.47%	1,503.8	-	-	-	-	-	1,503.8	-	1,503.8
Total		3,265.3	2.3	3.8	3.5	3.8	454.8	3,733.5	4,065.4	7,798.9
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.0	3.0
- floating interest rate	1.50%	427.9	-	-	-	-	-	427.9	-	427.9
- fixed interest rate										
- conventional	6.01%	408.0	357.9	33.1	33.0	37.8	1,356.2	2,226.0	-	2,226.0
- balances under Islamic principles	4.45%	-	-	926.8	-	200.0	3,800.0	4,926.8	-	4,926.8
Derivative financial instruments	-	16.7	-	-	-	-	305.2	321.9	-	321.9
Trade and other payables (excluding statutory liabilities and deferred revenue)										
- non-interest sensitive	-	-	-	-	-	-	-	-	3,560.5	3,560.5
Customer deposits	-	-	-	-	-	-	-	-	467.6	467.6
Total		852.6	357.9	959.9	33.0	237.8	5,461.4	7,902.6	4,031.1	11,933.7
Interest sensitivity gap		2,412.7	(355.6)	(956.1)	(29.5)	(234.0)	(5,006.6)			

* WARF - Weighted Average Rate of Finance as at 31 December

49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

	2016		2015	
The Group	**USD**	**RM**	**USD**	**RM**
Financial assets				
Available-for-sale investments	-	**4.52%**	-	4.44%
Available-for-sale receivables	-	**8.04%**	-	8.04%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	-	**6.04%**	-	5.85%
Cash and bank balances	-	**3.37%**	-	4.32%
Financial liabilities				
Borrowings	**5.32%**	**4.46%**	6.04%	4.50%

		Maturing or repriced (whichever is earlier)								
The Company	**WARF***	**1 year or less RM**	**> 1 - 2 years RM**	**> 2 - 3 years RM**	**> 3 - 4 years RM**	**> 4 - 5 years RM**	**More than 5 years RM**	**Total interest sensitive RM**	**Non-interest sensitive RM**	**Total RM**
2016										
Financial assets										
Derivative financial instruments	-	**369.0**	-	-	-	-	-	**369.0**	-	**369.0**
Loans and advances to subsidiaries (net)										
- floating interest rate	**4.42%**	**1,349.3**	-	-	-	-	-	**1,349.3**	-	**1,349.3**
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	**196.4**	**196.4**
- fixed interest rate	**4.52%**	**518.0**	-	-	-	-	-	**518.0**	-	**518.0**
Available-for-sale receivables	**8.04%**	**0.7**	**0.1**	**0.2**	**0.3**	**0.4**	**3.1**	**4.8**	-	**4.8**
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- fixed interest rate										
- conventional	**3.53%**	**0.1**	**0.1**	**0.1**	-	-	**101.3**	**101.6**	-	**101.6**
- balances under Islamic principles	**4.44%**	**54.6**	**1.8**	**2.0**	**3.9**	**6.9**	**189.5**	**258.7**	-	**258.7**
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	-	-	-	-	-	-	-	-	**2,480.7**	**2,480.7**
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	**6.0**	**6.0**
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	**598.6**	**598.6**
- fixed interest rate										
- conventional	**2.54%**	**538.9**	-	-	-	-	-	**538.9**	-	**538.9**
- balances under Islamic principles	**3.75%**	**1,029.8**	-	-	-	-	-	**1,029.8**	-	**1,029.8**
Total		**3,860.4**	**2.0**	**2.3**	**4.2**	**7.3**	**293.9**	**4,170.1**	**3,281.7**	**7,451.8**

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49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

	Maturing or repriced (whichever is earlier)							Total interest sensitive	Non-interest sensitive	Total
The Company	WARF*	1 year or less RM	> 1 - 2 years RM	> 2 - 3 years RM	> 3 - 4 years RM	> 4 - 5 years RM	More than 5 years RM	RM	RM	RM
2016										
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.1	3.1
- fixed interest rate										
- conventional	7.15%	326.3	2.1	2.1	-	-	1,381.6	1,712.1	-	1,712.1
- balances under Islamic principles	4.45%	-	925.0	-	200.0	800.0	3,000.0	4,925.0	-	4,925.0
Payable to subsidiaries										
- fixed interest rate	2.62%	299.4	-	-	-	-	557.5	856.9	-	856.9
- floating interest rate	1.71%	-	-	-	447.5	-	224.3	671.8	-	671.8
Trade and other payables (excluding statutory liabilities and deferred revenue)										
- non-interest sensitive	-	-	-	-	-	-	-	-	3,053.5	3,053.5
- floating interest rate	3.78%	396.2	-	-	-	-	-	396.2	-	396.2
Customer deposits	-	-	-	-	-	-	-	-	442.5	442.5
Total		1,021.9	927.1	2.1	647.5	800.0	5,163.4	8,562.0	3,499.1	12,061.1
Interest sensitivity gap		2,838.5	(925.1)	0.2	(643.3)	(792.7)	(4,869.5)			

49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	> 1 - 2 years RM	> 2 - 3 years RM	> 3 - 4 years RM	> 4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2015										
Financial assets										
Derivative financial instruments	-	327.1	-	-	-	-	-	327.1	-	327.1
Loans and advances to subsidiaries (net)										
- floating interest rate	4.71%	914.3	-	-	-	-	-	914.3	-	914.3
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	155.8	155.8
- fixed interest rate	4.44%	515.6	-	-	-	-	-	515.6	-	515.6
Available-for-sale receivables	8.04%	2.3	0.8	1.1	0.7	0.5	0.6	6.0	-	6.0
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- fixed interest rate										
- conventional	3.55%	-	-	0.1	0.1	0.1	83.0	83.3	-	83.3
- balances under Islamic principles	4.41%	1.0	1.5	2.6	2.7	3.2	183.1	194.1	-	194.1
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	-	-	-	-	-	-	-	-	2,123.8	2,123.8
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	6.6	6.6
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	297.9	297.9
- fixed interest rate										
- conventional	4.06%	851.3	-	-	-	-	-	851.3	-	851.3
- balances under Islamic principles	4.47%	1,430.8	-	-	-	-	-	1,430.8	-	1,430.8
Total		4,042.4	2.3	3.8	3.5	3.8	266.7	4,322.5	2,584.1	6,906.6
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.0	3.0
- fixed interest rate										
- conventional	7.43%	152.5	50.6	5.3	5.7	5.9	1,302.3	1,522.3	-	1,522.3
- balances under Islamic principles	4.45%	-	-	926.8	-	200.0	3,800.0	4,926.8	-	4,926.8
Payable to a subsidiary										
- fixed interest rate	0.91%	-	-	278.4	-	-	-	278.4	-	278.4
- floating interest rate	1.50%	427.9	-	-	-	-	-	427.9	-	427.9
Derivative financial instruments	-	16.7	-	-	-	-	-	16.7	-	16.7
Trade and other payables (excluding statutory liabilities and deferred revenue)										
- non-interest sensitive	-	-	-	-	-	-	-	-	3,231.1	3,231.1
- floating interest rate	4.58%	311.8	-	-	-	-	-	311.8	-	311.8
Customer deposits	-	-	-	-	-	-	-	-	466.8	466.8
Total		908.9	50.6	1,210.5	5.7	205.9	5,102.3	7,483.9	3,700.9	11,184.8
Interest sensitivity gap		3,133.5	(48.3)	(1,206.7)	(2.2)	(202.1)	(4,835.6)			

* WARF - Weighted Average Rate of Finance as at 31 December

49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

	2016		2015	
The Company	**USD**	**RM**	**USD**	**RM**
Financial assets				
Loans and advances to subsidiaries (net)	**3.08%**	**4.44%**	2.49%	4.86%
Available-for-sale investments	**-**	**4.52%**	-	4.44%
Available-for-sale receivables	**-**	**8.04%**	-	8.04%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**-**	**4.15%**	-	4.15%
Cash and bank balances	**-**	**3.34%**	-	4.32%
Financial liabilities				
Borrowings	**7.88%**	**4.36%**	7.88%	4.47%
Payable to subsidiaries	**2.22%**	**-**	1.27%	-
Trade and other payables (excluding statutory liabilities and deferred revenue)	**-**	**3.78%**	-	4.58%

50. CONTINGENT LIABILITIES (UNSECURED)

(a) On 26 November 2007, the Company and TESB were served with a Writ of Summons and Statement of Claim in respect of a suit filed by Mohd Shuaib Ishak (MSI). MSI is seeking from the Company, TESB and 12 others (including the former and existing directors of the Company) jointly and/or severally, inter alia, the following:

(i) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

(ii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2003 issued by Commerce International Merchant Bankers Berhad (now known as CIMB) are illegal and void and of no effect;

(iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

(iv) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed demerger of the mobile and fixed line businesses of the Group; and

(v) various damages to be assessed.

On 30 November 2007, the Company and TESB obtained leave to enter conditional appearance and subsequently on 17 December 2007, the Company and TESB filed the relevant application to strike out the suit (Striking Out Application).

On 20 July 2012, the High Court found in favour of the Company and granted an order in terms of the Striking Out Application.

On 13 August 2012, MSI filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal was dismissed on 30 October 2013.

On 28 November 2013, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above stated.

50. CONTINGENT LIABILITIES (UNSECURED) (continued)

(a) On 1 March 2016, the Federal Court dismissed the said application with costs of RM10,000.00.

Based on the Federal Court's decision and the Company's external legal advice, the legal suit brought by MSI against the Company has effectively ended.

(b) On 6 March 2013, TM Facilities Sdn Bhd (TMF), a wholly-owned subsidiary of the Group, has through its solicitors, been served with a Writ and Statement of Claim by Menara Intan Langkawi Sdn Bhd (MIL) and HBA Development Bhd (HBA), through their solicitors.

The claim by HBA is premised upon an alleged wrongful termination of an Agreement to Lease dated 14 August 2003 between MIL and TMF (Agreement). Under the Agreement, TMF had agreed to take a lease of a telecommunication tower to be constructed at the Mukim of Kuah in Langkawi, from MIL, a joint venture company between Lembaga Pembangunan Langkawi and HBA, for a lease period of 15 years and at a lease rental of RM17.0 million per annum.

The Lease Agreement was subsequently terminated by TMF on 6 February 2007, as TMF was of the view that MIL has failed to secure the necessary approvals and commence construction of the telecommunication tower despite the time given.

Based on the Amended Writ and Statement of Claim (Statement of Claim), MIL and HBA are seeking for the following:

(a) Damages in respect of loss of profit of RM168,701,922.00;

(b) Damages in respect of works and expenses of RM86,298,078.60;

(c) Damages in respect of the value of a land measuring 28.49 acres of RM80,600,000.00;

(d) General damages;

(e) Interest; and

(f) Costs.

On 28 March 2013, TMF filed an application to strike out the Statement of Claim by the 2nd Plaintiff, HBA against TMF (Striking Out Application).

On 1 April 2013, TMF was served with an Amended Statement of Claim dated 29 March 2013 by both the Plaintiffs in the legal suit. In the Amended Statement of Claim, the Plaintiffs have amended their claim of loss of profits from RM168,701,922.00 to RM225,000,000.00.

On 17 May 2013, the Striking Out Application was allowed with cost by the High Court. On the same day, TMF filed its Defence to the Amended Statement of Claim by the 1st Plaintiff, MIL.

On 1 July 2013, the High Court ordered MIL to provide security for cost in the sum of RM175,000.00 within a period of 45 days and further ordered for the legal suit to be stayed pending payment of the same. On 26 August 2013, MIL paid the security for costs into TMF's solicitor's account.

On 18 November 2013, TMF's solicitors were served with a Summary Judgment Application in which MIL seeks for the following Orders from the High Court:

(i) An Order for declaration that TMF has wrongfully and unlawfully terminated the Agreement;

(ii) An Order for assessment of damages to be paid by TMF to MIL for all the damages and losses suffered by MIL as compensation for the termination of the Agreement wrongfully and unlawfully;

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50. CONTINGENT LIABILITIES (UNSECURED) (continued)

(b) On 18 November 2013, TMF's solicitors were served with a Summary Judgment Application in which MIL seeks for the following Orders from the High Court: (continued)

(iii) An Order for TMF to pay MIL immediately after the assessment of damages by the Court; and

(iv) Interest and cost.

The hearing date for the Summary Judgment Application was fixed on 26 May 2014.

On 26 May 2014, MIL withdrew the Summary Judgment Application. The legal suit then proceeded for trial on 26 - 27 May 2014 and on 23 - 24 June 2014.

On 31 October 2014, the High Court dismissed MIL's claim and awarded costs in the sum of RM50,000.00 in favour of TMF.

On 12 November 2014, MIL filed its appeal against the said decision of the High Court. The appeal was fixed for case management on 17 March 2015.

On 15 April 2015, the Court of Appeal allowed the extension of time sought by MIL in respect of the filing of the Record of Appeal with cost in the sum of RM2,000.00 to be paid to TMF.

On 2 December 2015, the Court of Appeal allowed MIL's solicitors' application to discharge themselves from representing MIL with no order as to costs.

The Court of Appeal further allowed TMF's application for security for costs in the sum of RM30,000.00 with costs of RM3,000.00 to be paid by MIL to TMF. The appeal shall, unless the security for costs is paid to TMF within a period of 14 days, be dismissed by the Court of Appeal with costs to be paid by MIL to TMF.

On 3 February 2016, TMF's solicitors served the sealed copy of the order to MIL and demanded the payment of the security for costs within a period of 14 days from the date of service, failing which TMF's solicitors will file a motion by way of application to strike out MIL's appeal. On 24 March 2016, TMF's solicitors filed a Notice of Motion to strike out MIL's appeal. On 11 May 2016, the Court of Appeal allowed TMF's application to strike out MIL's appeal ("Order") with cost of RM1,000.00.

On 15 August 2016, TMF's solicitors served the sealed Order on the registered and business addresses of MIL and MIL may file an application to the Court of Appeal to set aside the Order within a period of thirty (30) days from the date of receipt of the sealed Order by MIL. On 15 September 2016, TMF's solicitors informed that the period of the said thirty (30) days has lapsed and they have not been served with any application from MIL to set aside the Order. Based on the said Order and TMF's solicitors' legal advice, the legal suit brought by MIL against TMF has effectively come to an end.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of the Company and/or its subsidiaries.

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these, no material losses are anticipated.

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2016

The subsidiaries are as follows:

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2016 %	2015 %	2016 Million	2015 Million	
Fiberail Sdn Bhd	**54**	54	**RM15.8**	RM15.8	Provision of network connectivity and bandwidth services in Malaysia and project management services in relation to telecommunications
Fibrecomm Network (M) Sdn Bhd	**51**	51	**RM75.0**	RM75.0	Provision of fibre optic transmission network services
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunication and information technology services
Hijrah Pertama Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Intelsec Sdn Bhd	**100**	100	**RM10.7**	RM10.7	Provision of information and communications technology (ICT) services and cloud consumption by designing and leveraging the network and exchange platforms
Menara Kuala Lumpur Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Managing and operating of Menara Kuala Lumpur
Mobikom Sdn Bhd	**100**	100	**RM610.0**	RM610.0	Provision of transmission of voice and data through the cellular system
Parkside Properties Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
Tekad Mercu Berhad (In liquidation)^	**100**	100	**RM#**	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	**100**	100	**RM1.6**	RM1.6	Provision of software development and sale of software products
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding
Telekom Malaysia (Australia) Pty Ltd*	**100**	100	**AUD#**	AUD#	Provision of international telecommunications services
Telekom Malaysia (Hong Kong) Limited*	**100**	100	**HKD18.5**	HKD18.5	Provision of international telecommunications services
Telekom Malaysia (S) Pte Ltd*	**100**	100	**SGD#**	SGD#	Provision of international telecommunications services
Telekom Malaysia (UK) Limited*	**100**	100	**GBP#**	GBP#	Provision of international telecommunications services

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2016 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2016 %	2015 %	2016 Million	2015 Million	
Telekom Malaysia (USA) Inc*	**100**	100	**USD3.5**	USD3.5	Provision of international telecommunications services
Telekom Multi-Media Sdn Bhd	**100**	100	**RM1.7**	RM1.7	Investment holding
Telekom Research & Development Sdn Bhd	**100**	100	**RM20.0**	RM20.0	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	**100**	100	**RM14.5**	RM14.5	Provision of management of customers care services and trading of customer premises telecommunication equipment
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operations
TM Broadcasting Sdn Bhd^	**-**	100	**RM#**	RM#	Dormant
TM ESOS Management Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Special purpose entity
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of property development activities
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding
TM Info-Media Sdn Bhd	**100**	100	**RM6.0**	RM6.0	Publication of printed and online telephone directories services as well as provision of multi platform solutions for advertising
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
Tulip Maple Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	**100**	100	**RM5.0**	RM5.0	Provision of managed network services, network system integration services and network centric services
VADS Lyfe Sdn Bhd (formerly known as GTC Global Sdn Bhd)	**100**	100	**RM1.1**	RM1.1	Provision of information and communications technology (ICT) system security services, integrated security management system, and build, provide and manage the smart building services including smart tenant services for the building owners, operators, residents and visitors

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2016 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2016 %	Group's Effective Interest 2015 %	Paid-up Capital 2016 Million	Paid-up Capital 2015 Million	Principal Activities
Subsidiaries held through Intelsec Sdn Bhd					
Inneonusa Sdn Bhd	**51**	51	**RM15.0**	RM15.0	Provision of ICT system security and smart building services including smart tenant services for building owners, operators, residents and visitors
Lyfe Medini Sdn Bhd	**51**	50	**RM2.0**	RM#	Provision of innovative and best value smart products and services
Subsidiary held through Mobikom Sdn Bhd					
Webe Digital Sdn Bhd (formerly known as Packet One Networks (Malaysia) Sdn Bhd) (sub-note (a))	**72.9**	55.3	**RM27.5**	RM16.7	Providing last mile broadband network infrastructure facilities and services
Subsidiaries held through Webe Digital Sdn Bhd					
P1.Com Sdn Bhd	**72.9**	55.3	**RM#**	RM#	A collector of telecommunications revenue for fellow group companies
Millercom Sdn Bhd	**72.9**	55.3	**RM0.3**	RM0.3	Providing project management services
RuumzNation Sdn Bhd	**72.9**	55.3	**RM0.1**	RM0.1	Dormant
Packet One (L) Ltd	**72.9**	55.3	**RM#**	RM#	Investment holding
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Ceased operations
Subsidiaries held through TM Facilities Sdn Bhd					
TMF Autolease Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of fleet management services
TMF Services Sdn Bhd (In liquidation)[@]	**100**	100	**RM1.0**	RM1.0	Ceased operation
Subsidiaries held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of training and related services
Multimedia College Sdn Bhd	**100**	100	**RM2.0**	RM1.0	Managing and administering a private college known as Multimedia College

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2016 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2016 %	2015 %	2016 Million	2015 Million	
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	**100**	100	**RM#**	RM#	Provision of digital video and film production and post production services
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	**100**	100	**RM11.0**	RM11.0	To develop, operate and provide Intelligent Building Systems, Intelligent Security, Integrated Telecommunications and Information Technology Solutions to both the Government and private sectors
VADS Business Process Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Provision of managed contact centre services
VADS e-Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of managed information technology services, managed application services and contact centre service
VADS Professional Services Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
VADS Solutions Sdn Bhd	**100**	100	**RM1.5**	RM1.5	Provision of system integration services
Subsidiary held through VADS Business Process Sdn Bhd					
PT VADS Indonesia (collectively with VADS Berhad)^	**100**	100	**IDR17,052.8**	IDR17,052.8	Provision of managed contact centre services
Subsidiary consolidated through effective control as defined by MFRS 10					
Yayasan Telekom Malaysia	**-**	-	**^^**	^^	A trust established under the provision of Trustees (Incorporation) Act, 1952, for promotion and advancement of education, research and dissemination of knowledge

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2016 (continued)

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
PT VADS Indonesia	- Indonesia
Telekom Malaysia (Australia) Pty Ltd	- Australia
Telekom Malaysia (Hong Kong) Limited	- Hong Kong
Telekom Malaysia (S) Pte Ltd	- Singapore
Telekom Malaysia (UK) Limited	- United Kingdom
Telekom Malaysia (USA) Inc	- USA

AUD	Australian Dollar
IDR	Indonesian Rupiah
HKD	Hong Kong Dollar
SGD	Singapore Dollar
GBP	Pound Sterling
USD	US Dollar

Amount less than 0.1 million in their respective currencies

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

> Application for striking-off was submitted to the Registrar of Companies on 7 November 2014 pursuant to the said Section 308(1) of the Companies Act, 1965 (CA 1965) (now Section 551(3) of Companies Act 2016 (CA 2016)). The company was struck-off on 24 May 2016.

< Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the CA 1965 (now Section 441(1)(b) of the CA 2016) on 13 January 2016 including appointment of liquidator.

@ Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the CA 1965 (now Section 441(1)(b) of the CA 2016) on 15 February 2016 including appointment of liquidator.

^ VADS Berhad and VADS Business Process Sdn Bhd hold a direct interest of 10.0% and 90.0% respectively in PT VADS Indonesia.

^^ As an entity established under the Trustees (Incorporation) Act, 1952, this entity has an initial contribution of RM13.0 million instead of paid-up capital.

(a) Subsequent to Mobikom Sdn Bhd's (Mobikom) subscription of the Convertible MTN issued by webe as disclosed in note 17(f) to the financial statements on 11 February 2016, Mobikom received 10,674,640 new webe shares pursuant to an early conversion of the Convertible MTN subscribed by Mobikom (Early Conversion). The Early Conversion is a right for Packet One Sdn Bhd (Packet One) to acquire from Mobikom, as the subscribing noteholder of the Convertible MTN, for an early conversion of RM410,299,000.00 of the Convertible MTN into new ordinary shares of webe, during a pre-determined conversion period subject to the fulfilment of certain conditions in accordance with the Investment Agreement entered into by Mobikom and the shareholders of webe namely Packet One, a wholly-owned subsidiary of Green Packet Berhad (Green Packet) and SK Telecom Co., Ltd (SKT) on 27 March 2014 (Investment Agreement).

In addition, webe also issued 133,726 new webe shares to Mobikom due to a net debt adjustment in accordance to the terms of the Investment Agreement.

Pursuant to the above an additional 10,808,366 new webe shares were issued to Mobikom. The Group's shareholding (via Mobikom) in webe increased from 55.3% to 72.9% while the remaining shares are held by Green Packet (via Packet One) and SKT at 18.9% and 8.2% respectively with changes in the non-controlling interest's share in webe reflected as changes in the Group's reserves.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

52. LIST OF ASSOCIATES AS AT 31 DECEMBER 2016

The associates are as follows:

Name of Company	Group's Effective Interest 2016 %	Group's Effective Interest 2015 %	Principal Activities
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd (In liquidation)	**49**	49	Granted Order for Creditors' winding up by the Kuala Lumpur High Court pursuant to Section 217 of the CA 1965
Mutiara.Com Sdn Bhd (sub-note (a))	**-**	30	Provision and promotion of internet-based communications services
Associate held through Telekom Malaysia (S) Pte Ltd			
BlueTel Networks Pte Ltd	**29**	29	Provision of telecommunications and network solutions

All associates are incorporated in Malaysia, except for BlueTel Networks Pte Ltd (BTN), which is incorporated in Singapore.
All associates have co-terminous financial year end with the Company.

(a) On 30 September 2016, the Company had entered into a Share Sale and Purchase Agreement to sell its entire equity interest of 30% in Mutiara.Com Sdn Bhd. The disposal was completed on 10 October 2016.

53. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM) unless otherwise stated.

54. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 22 February 2017.

55. SUPPLEMENTARY INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Retained profits:				
- realised	**2,607.2**	2,367.7	**5,064.4**	4,362.3
- unrealised - in respect of deferred tax recognised in the Income Statements				
- in respect of other items of income and expense	**(1,484.2)**	(1,356.1)	**(1,445.4)**	(1,269.4)
	445.1	480.2	**174.9**	206.3
Share of accumulated profits of associates				
- realised	**67.3**	37.9	**-**	-
	1,635.4	1,529.7	**3,793.9**	3,299.2
Add: consolidation adjustments	**2,504.5**	2,638.4	**-**	-
TOTAL RETAINED PROFITS	**4,139.9**	4,168.1	**3,793.9**	3,299.2

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Seri Dr Sulaiman Mahbob and Tan Sri Dato' Sri Zamzamzairani Mohd Isa, two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 204 to 328 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company as at 31 December 2016 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

The supplementary information set out in note 55 on page 329 have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 22 February 2017.



TAN SRI DATO' SERI DR SULAIMAN MAHBOB
Director



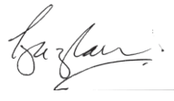
TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA
Director

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Datuk Bazlan Osman, the Director primarily responsible for the financial management of Telekom Malaysia Berhad, do solemnly and sincerely declare the financial statements set out on pages 204 to 328 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared at Kuala Lumpur)
this 22 February 2017.)



DATUK BAZLAN OSMAN

Before me:

Commissioner for Oaths
Kuala Lumpur



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Telekom Malaysia Berhad (the Company) and its subsidiaries (the Group) give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 204 to 328.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (By-Laws) and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
1) Useful lives for property, plant and equipment (PPE)	
During the financial year, Webe Digital Sdn Bhd (webe), a subsidiary of the Company, revised the remaining useful lives of its WiMAX related telecommunications network equipment (equipment). This revision is in line with webe's latest Long Term Evolution (LTE) roll-out and network migration plan (Plan). The impact of this change in estimate of useful lives resulted in an additional depreciation charge of RM36.1 million for the current financial year. We focused on this area as the assessment performed by management on the revision of useful lives is solely dependent on the Plan. *Refer to notes 2(d)(ii), 3(a) and 22(c) to the financial statements.*	We performed the following audit procedures: • Read the Plan and discussed with management to understand the type of assets that depreciation is being accelerated; and • Agreed the revised useful lives in management's accelerated depreciation calculation to the Plan. Based on the procedures performed above, the revised useful lives as applied by management are consistent with our understanding of the Plan.
2) Assessment on carrying value of goodwill	
As at 31 December 2016, the Group's goodwill amounted to RM361.7 million, attributable to 2 significant cash-generating units (CGUs); VADS Berhad (RM308.4 million) and webe (RM52.1 million). We focused on these areas as the recoverable amount of these CGUs is subject to the use of significant accounting estimates and assumptions in the projected future cash flows. *Refer to notes 2(f)(i), 3(c) and 24(b) to the financial statements.*	Based on the recoverable amount calculations, we performed the following: • Agreed the cash flows to the budgets approved by the Board of Directors; • Discussed with management the key assumptions used in the recoverable amount calculations and compared the revenue and subscriber growth rates, and earnings before interest, tax, depreciation and amortisation (EBITDA) margin used in the cash flows to the historical performance of the CGUs and market comparable data; and • Checked the reasonableness of the discount rates and terminal growth rates with the assistance of our valuation experts by benchmarking to market comparable data. We also performed sensitivity analysis around the EBITDA margins, revenue and subscriber growth rates. Based on the procedures performed above, no impairment is required as the recoverable amounts for both CGUs exceed the carrying values.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
3) Valuation of put option	
Acquisition of webe includes a put option written in relation to webe's shares held by Green Packet Berhad and SK Telecom Co. Ltd. This put option is a financial liability as the Company cannot avoid the contractual obligation to purchase its own shares and is measured based on the present value of the redemption amount of the option, when it is exercised. The fair value of this option liability as at 31 December 2016 was RM301.9 million. We focused on this area as the valuation of the put option is subject to the use of significant accounting estimates and assumptions in the projected future cash flows of webe. *Refer to notes 2(q)(iii), 3(h), 19(f)(i), and 47(a) to the financial statements.*	We performed the following audit procedures: • Agreed the cash flows to the budget approved by the Board of Directors; • Discussed with management the key assumptions used in the recoverable amount calculations and compared the revenue and subscriber growth rates, and earnings before interest, tax, depreciation and amortisation (EBITDA) margin used in the cash flows to the historical performance of webe and market comparable data; • Checked the reasonableness of the discount rate and terminal growth rate with the assistance of our valuation experts by benchmarking to market comparable data; and • Discussed the valuation method with management and worked together with our valuation experts to assess the reasonableness of the valuation method by comparing against the methods used in the industry. We found the assumptions made by management in the valuation of the put option to be within a reasonable range.
4) Accuracy of telecommunication services revenue due to complex billing system	
Telecommunication service revenue amounting to RM11,723.2 million represents a significant component of the Group's revenue. The accuracy of revenue amounts recorded is affected by the complex billing systems that process large volumes of data with a combination of different products sold and price changes in the year, through a number of different systems. *Refer to notes 2(w) and 5 to the financial statements.*	We performed the following audit procedures: • We evaluated the relevant Information Technology systems and the design of controls, and tested the operating effectiveness of controls over the following procedures to enable us to rely on the continued and proper operation of the billing systems for the purpose of the audit: – capturing and recording of revenue transactions; and – authorisation of rate changes and the input of this rate changes to the billing systems; and – calculation of amounts billed to customers; • We tested a sample of customer bills and checked these to payments received from customers; and • We examined material non-standard journal entries and other adjustments posted to the revenue accounts. Based on the procedures performed above, we did not identify any material exceptions in the accuracy of telecommunication services revenue recognition during the year.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement of Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and other sections of the 2016 Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 51 to the financial statements.

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

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 55 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. 2910/02/19 (J))
Chartered Accountant

Kuala Lumpur
22 February 2017

SHAREHOLDING STATISTICS

AS AT 3 MARCH 2017

ANALYSIS OF SHAREHOLDINGS

Issued and Paid-up Share : 3,757,935,749

Class of Shares :
- 3,757,934,823 ordinary shares;
- One (1) Special Rights Redeemable Preference Share; and
- 925 Class D Non-Convertible Redeemable Preference Shares (NCRPS D).

Number of Shareholders : 22,444 shareholders

Voting Rights :
- One (1) vote for each ordinary share.
- Special Share and NCRPS D have no voting rights other than those referred to in notes 13(a) and 17(b)(1)(iii) respectively of the financial statements.

Distribution of Ordinary Shares

Size of Shareholdings	Shareholders				Holding			
	Malaysian		Foreign		Malaysian		Foreign	
	No.	%	No.	%	No.	%	No.	%
Less than 100	1,544	6.88	21	0.09	26,189	0.00	344	0.00
100 - 1,000	5,773	25.72	96	0.43	4,378,494	0.12	71,412	0.00
1,001 - 10,000	12,275	54.70	266	1.19	37,722,325	1.00	1,079,482	0.03
10,001 - 100,000	1,546	6.89	265	1.18	34,904,626	0.93	10,524,160	0.28
100,001 - 187,896,740 (*)	338	1.51	314	1.40	1,186,364,437	31.57	452,734,046	12.05
187,896,741 and above (**)	3	0.01	0	0.00	2,030,129,308	54.02	0	0.00
Total	**21,479**	**95.71**	**962**	**4.29**	**3,293,525,379**	**87.64**	**464,409,444**	**12.36**

Notes:

* *Less than 5% of issued holdings*

** *5% and above of issued holdings*

Distribution of Preference Shares in accordance with their respective Classes

Category	Special Share				NCRPS D			
	Shareholder		Holding		Shareholder		Holding	
	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%
Less than 100	1	100.00	1	100.00	0	0.00	0	0.00
100 - 1,000	0	0.00	0	0.00	2	100.00	925	100.00
1,001 - 10,000	0	0.00	0	0.00	0	0.00	0	0.00
Total	**1**	**100.00**	**1**	**100.00**	**2**	**100.00**	**925**	**100.00**

SHAREHOLDING STATISTICS
AS AT 3 MARCH 2017

Classification of Shareholders Holding Ordinary Shares:

Category	No. of Shareholders		No. of Shares Held		% of Issued Shares	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
INDIVIDUAL		252		1,395,749		0.04
a. Bumiputera	3,230		11,493,244		0.31	
b. Chinese	14,213		47,824,151		1.27	
c. Indian	921		3,016,640		0.08	
d. Others	89		324,150		0.01	
BODY CORPORATE						
a. Banks/Finance	109	1	1,238,179,451	44,400	32.94	0.00
b. Investment/Trust	5	0	463,823	0	0.01	0.00
c. Societies	4	0	16,270	0	0.00	0.00
d. Industrial	229	11	15,829,679	7,238,139	0.42	0.19
GOVERNMENT AGENCIES/ INSTITUTION	15	0	995,163,775	0	26.48	0.00
NOMINEES	2,664	698	981,214,196	455,731,156	26.11	12.13
OTHERS	0	0	0	0	0.00	0.00
TOTAL	21,479	962	3,293,525,379	464,409,444	87.64	12.36

Substantial Shareholders
as per Register of Substantial Shareholders

No.	Shareholders	No. of Ordinary Shares Held		Percentage (%)	
		Direct	Indirect	Direct	indirect
1	Khazanah Nasional Berhad	984,825,713	-	26.21	-
2	Citigroup Nominees (Tempatan) Sdn Bhd - *Employees Provident Fund Board*	601,448,574	-	16.00	-
3	Amanah Raya Trustees Berhad - *Amanah Saham Bumiputera*	484,140,200	-	12.88	-
	Total	**2,070,414,487**	-	**55.09**	-

Directors' Direct and Deemed Interest in the Company
as per Register of Directors' Shareholdings

Interest in the Company	Number of Ordinary Shares Held		
	Direct	Deemed Interest	Percentage (%)
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	5,337	4,270#	-
Datuk Bazlan Osman	2,134	-	-
Balasingham A. Namasiwayam	16,013	-	-

Notes:
\# *Deemed interest in TM shares held by spouse*
* *less than 0.01%*

SHAREHOLDING STATISTICS
AS AT 3 MARCH 2017

List of Top 30 Shareholders
as per the Register of Members and Record of Depositors

No.	Name	No. of Ordinary Shares Held	% of Issued Shares
1	Khazanah Nasional Berhad	984,825,713	26.21
2	Citigroup Nominees (Tempatan) Sdn Bhd - *Employees Provident Fund Board*	563,803,595	15.00
3	AmanahRaya Trustees Berhad - *Amanah Saham Bumiputera*	481,500,000	12.81
4	Kumpulan Wang Persaraan (Diperbadankan)	153,965,231	4.10
5	AmanahRaya Trustees Berhad - *Amanah Saham Wawasan 2020*	83,601,500	2.22
6	AmanahRaya Trustees Berhad - *Amanah Saham Malaysia*	64,855,100	1.73
7	AmanahRaya Trustees Berhad - *As 1Malaysia*	58,931,158	1.57
8	Maybank Nominees (Tempatan) Sdn Bhd - *Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)*	58,000,000	1.54
9	AmanahRaya Trustees Berhad - *Amanah Saham Bumiputera 2*	48,461,000	1.29
10	Permodalan Nasional Berhad	45,060,797	1.20
11	AmanahRaya Trustees Berhad - *Public Islamic Dividend Fund*	44,945,539	1.20
12	HSBC Nominees (Asing) Sdn Bhd - *Pictet And Cie (Europe) For Pictet Global Selection Fund - Global Utilities Equity Fund*	37,941,900	1.01
13	Cartaban Nominees (Tempatan) Sdn Bhd - *PAMB For Prulink Equity Fund*	37,321,737	0.99
14	Cartaban Nominees (Asing) Sdn Bhd - *Exempt An For State Street Bank & Trust Company (West CLT Od67)*	35,309,970	0.94
15	AmanahRaya Trustees Berhad - *Amanah Saham Didik*	30,425,758	0.81
16	AMSEC Nominees (Tempatan) Sdn Bhd - *AMTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)*	28,785,103	0.77
17	Malaysia Nominees (Tempatan) Sendirian Berhad - *Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	26,193,767	0.70
18	AmanahRaya Trustees Berhad - *Public Islamic Equity Fund*	20,647,685	0.55
19	Citigroup Nominees (Tempatan) Sdn Bhd - *Exempt An For AIA Bhd*	20,114,346	0.54
20	HSBC Nominees (Asing) Sdn Bhd - *BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund*	20,023,140	0.53

SHAREHOLDING STATISTICS
AS AT 3 MARCH 2017

No.	Name	No. of Ordinary Shares Held	% of Issued Shares
21	Citigroup Nominees (Tempatan) Sdn Bhd - *Employees Provident Fund Board (Nomura)*	19,175,905	0.51
22	Pertubuhan Keselamatan Sosial	18,636,645	0.50
23	HSBC Nominees (Asing) Sdn Bhd - *Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)*	18,603,038	0.50
24	AmanahRaya Trustees Berhad - *Public Ittikal Sequel Fund*	18,546,805	0.49
25	Maybank Nominees (Tempatan) Sdn Bhd - *Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)*	17,425,816	0.46
26	AmanahRaya Trustees Berhad - *Public Islamic Select Enterprises Fund*	17,286,411	0.46
27	AmanahRaya Trustees Berhad - *Public Islamic Sector Select Fund*	15,099,649	0.40
28	Cartaban Nominees (Asing) Sdn Bhd - *RBC Investor Services Bank S.A. For Robeco Capital Growth Funds*	14,575,641	0.39
29	Citigroup Nominees (Asing) Sdn Bhd - *Exempt An For Citibank New York (Norges Bank 12)*	14,122,200	0.38
30	AmanahRaya Trustees Berhad - *Public Islamic Optimal Growth Fund*	12,698,062	0.34
	TOTAL	**3,010,883,211**	**80.14**

Changes in Share Capital:

There is no change to the issued and paid-up share capital of the Company since the last report. The issued and paid-up share capital of the Company prior to the effective date of the Companies Act, 2016 since incorporation are:

Date	No. of Shares Allotted	Description	Cumulative (RM)
31/12/1984	2	Cash	2.00
31/12/1986	9,999,998	Cash	10,000,000.00
31/12/1987	490,000,000	Bonus issue on the basis of 49 ordinary shares for every 1 existing ordinary share held	500,000,000.00
11/09/1990	1,000,000,000	Bonus issue on the basis of 2 ordinary shares for every 1 existing ordinary share held	1,500,000,000.00
11/09/1990	1	Special Share	1,500,000,001.00
29/10/1990 – 31/12/1990	470,500,000	Issued pursuant to the exercise of options under the Employees Share Option Scheme (ESOS)	1,970,500,001.00
31/12/1992	9,249,000	Cash	1,979,749,001.00
31/12/1993	6,067,000	Issued pursuant to the exercise of options under the ESOS	1,985,816,001.00
31/12/1994	3,555,000	Issued pursuant to the exercise of options under the ESOS	1,989,371,001.00
31/12/1995	2,832,000	Issued pursuant to the exercise of options under the ESOS	1,992,203,001.00
31/12/1996	6,877,000	Issued pursuant to the exercise of options under the ESOS	1,999,080,001.00
06/06/1997	10,920	Eurobond – Conversion of 4% Convertible Bonds due 2004	1,999,090,921.00

SHAREHOLDING STATISTICS
AS AT 3 MARCH 2017

Date	No. of Shares Allotted	Description	Cumulative (RM)
20/06/1997	999,545,460	Bonus issue on the basis of 1 ordinary share for every 2 existing ordinary shares held	2,998,636,381.00
31/12/1998	398,500	Issued pursuant to the exercise of options under the ESOS	2,999,034,881.00
31/12/1999	22,408,000	Issued pursuant to the exercise of options under the ESOS	3,021,442,881.00
31/12/2000	65,876,500	Issued pursuant to the exercise of options under the ESOS	3,087,319,381.00
31/12/2001	13,996,000	Issued pursuant to the exercise of options under the ESOS	3,101,315,381.00
31/12/2002	65,692,000	Issued pursuant to the exercise of options under the ESOS	3,167,007,381.00
01/01/2003 – 11/12/2003	71,503,000	Issued pursuant to the exercise of options under the ESOS	3,238,510,381.00
12/12/2003	1,000	Issuance of Class A RPS of RM0.01 each	3,238,510,391.00
12/12/2003	1,000	Issuance of Class B RPS of RM0.01 each	3,238,510,401.00
15/12/2003 – 31/12/2003	12,222,000	Issued pursuant to the exercise of options under the ESOS	3,250,732,401.00
31/12/2004	131,708,000	Issued pursuant to the exercise of options under the ESOS	3,382,440,401.00
31/12/2005	9,077,000	Issued pursuant to the exercise of options under the ESOS	3,391,517,401.00
31/12/2006	6,139,500	Issued pursuant to the exercise of options under the ESOS	3,397,656,901.00
04/01/2007 – 17/07/2007	37,605,000	Issued pursuant to the exercise of options under the ESOS	3,435,261,901.00
20/07/2007	(1,000)	Redemption of Class A RPS of RM0.01 each	3,435,261,891.00
20/07/2007	(1,000)	Redemption of Class B RPS of RM0.01 each	3,435,261,881.00
20/07/2007	2,000	Issuance of Class C NCRPS of RM1.00 each	3,435,263,881.00
20/07/2007	925	Issuance of Class D NCRPS of RM1.00 each	3,435,264,806.00
23/07/2007 – 31/12/2007	4,547,800	Issued pursuant to the exercise of options under the ESOS	3,439,812,606.00
17/03/2008	137,592,300	Issued to TM ESOS Management Sdn Bhd as Trustee for the implementation of TM Special ESOS	3,577,404,906.00
02/06/2009	3,577,401,980	Issuance of Class E RPS of RM0.01 each	3,613,178,925.80
02/06/2009	(3,577,401,980)	Redemption of Class E RPS of RM0.01 each	3,577,404,906.00
07/06/2011	3,577,401,980	Issuance of Class F RPS of RM0.01 each	3,613,178,925.80
07/06/2011	(3,577,401,980)	Redemption of Class F RPS of RM0.01 each	3,577,404,906.00
01/08/2012	–	Reduction of par value of each ordinary share from RM1.00 to RM0.70 pursuant to completion of the Capital Reduction exercise	2,504,184,312.00
30/12/2013	(2,000)	Redemption of Class C NCRPS of RM1.00 each	2,504,182,312.00
04/07/2014	89,770,254	Issued pursuant to Dividend Reinvestment Scheme (DRS)	2,567,021,489.80
29/10/2014	52,196,765	Issued pursuant to DRS	2,603,559,225.30
19/06/2015	38,565,824	Issued pursuant to DRS	**2,630,555,302.10**

Note: Increases in the issued and paid-up share capital pursuant to the ESOS were disclosed on annual basis.

NET BOOK VALUE OF LAND & BUILDINGS

AS AT 31 DECEMBER 2016

Location	Freehold		Leasehold		Other Land*		Excepted Land**		Net Book Value of Land*** (RM Million)	Net Book Value of Buildings# (RM Million)
	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)		
1. Federal Territory										
a. Kuala Lumpur	32	1,596	6	155	1	114	-	-	262.4	936.4
b. Labuan	-	-	6	511	-	-	-	-	0.6	4.5
c. Putrajaya	-	-	-	-	1	20	-	-	0.8	3.7
2. Selangor	10	9,965	21	1,335	2	144	70	6,078	505.3	384.2
3. Perlis	-	-	4	51	-	-	9	678	0.3	2.4
4. Perak	4	17	21	945	3	213	85	5,141	4.0	36.5
5. Pulau Pinang	3	5,015	16	929	-	-	35	6,804	4.6	28.5
6. Kedah	8	524	14	976	-	-	45	2,947	21.9	48.2
7. Johor	5	146	29	1,455	9	285	94	7,845	6.3	58.5
8. Melaka	2	3	24	2,109	-	-	21	4,271	15.0	163.1
9. Negeri Sembilan	4	160	11	397	4	200	47	2,242	36.6	16.1
10. Terengganu	-	-	16	809	-	-	41	5,929	0.6	28.7
11. Kelantan	-	-	16	708	-	-	35	2,050	0.5	10.7
12. Pahang	1	40	28	2,107	7	489	61	6,316	2.2	30.4
13. Sabah	-	-	14	184	4	162	53	5,653	3,2	42.5
14. Sarawak	4	46	29	1,035	10	400	92	9,939	16.6	51.7
15. Hong Kong	-	-	-	-	-	-	-	-	-	58.9
Total	**73**	**17,512**	**255**	**13,706**	**41**	**2,027**	**688**	**65,893**	**880.9**	**1,905.0**

* The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, the lands have not been classified according to their tenure and land areas are based on estimation.

** Excepted land are lands situated outside the Federal Territory which are either alienated land, reserved land owned by the Federal Government or land occupied, used, controlled and managed by the Federal Government for federal purposes (in Melaka, Pulau Pinang, Sabah and Sarawak) as set out in Section 3(2) of the Telecommunication Services (Successor Company) Act, 1985. The Government has agreed to lease these lands to Telekom Malaysia Berhad for a term of 60 years with an option to renew, under article 85 and 86 of the Federal Constitution.

*** Includes land held for property development and land held for sale of a wholly-owned subsidiary, and non-current assets held for sale of the Company.

Includes non-current assets held for sale of the Company.

USAGE OF PROPERTIES

AS AT 31 DECEMBER 2016

Location	Exchanges/ Data Centres	Transmission Stations	Office Buildings	Residential	Stores/ Warehouses	Satellite/ Submarine Cable Stations	Resort	TMpoint/ Primatel/ Business Centre	University/ Training College	Telecom-munications/ Tourism Tower
1. Federal Territory										
a. Kuala Lumpur	13	2	6	4	-	-	-	-	1	-
b. Labuan	1	-	1	-	-	2	-	-	-	-
2. Selangor	75	8	6	7	3	-	-	4	1	-
3. Perlis	8	1	1	2	1	-	-	1	-	-
4. Perak	85	10	3	12	2	-	-	4	1	-
5. Pulau Pinang	40	1	3	4	2	1	1	4	-	-
6. Kedah	44	7	1	3	1	-	1	4	-	1
7. Johor	90	11	3	3	2	1	-	2	-	-
8. Melaka	29	1	1	1	1	2	-	2	1	-
9. Negeri Sembilan	45	8	3	2	-	-	-	2	-	-
10. Terengganu	44	4	2	3	2	-	-	2	1	-
11. Kelantan	30	2	2	4	2	-	-	-	-	-
12. Pahang	56	14	2	11	1	3	4	-	-	-
13. Sabah	46	18	1	3	2	3	1	4	-	-
14. Sarawak	76	24	2	8	2	3	-	3	1	-
15. Hong Kong	1	-	-	-	-	-	-	-	-	-

GROUP DIRECTORY

HEAD OFFICE

Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia
Tel : **+603-2240 9494**
100, if you are calling from a fixed line in Malaysia
1 300 888 123 if you are calling from mobile
+603-2241 1290 if you are calling from overseas
Fax : **+603-2283 2415**
Website : **www.tm.com.my**

RETAIL BUSINESS

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: +603-2240 2944
Fax : +603-2240 8590

Network Management Command Centre
Ground Floor
Telekom Complex Cyberjaya
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya
Selangor
Tel : +61 800 88 9947

GITN Sdn Berhad
Head Office
Level 31, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : +603-2245 0000
Fax : +603-2240 0709

Network Operations Centre
Level 13
Annexe 1 TM Berhad
50672 Jalan Pantai Baharu
Kuala Lumpur
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Fax : +603-2241 1424

TM Info-Media Sdn Bhd
Level 36 (North Wing)
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Jalan Pantai Baharu
50672 Kuala Lumpur
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Level 16, Menara 2
Faber Tower
Jalan Desa Bahagia
Taman Desa
Jalan Klang Lama
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Fax : +603-7980 1605

Cyberjaya Office
Level 2
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya, Selangor
Tel : +603-8318 1706
Fax : +603-8318 1721

Telekom Research & Development Sdn Bhd
TM Innovation Centre
Lingkaran Teknokrat Timur
63000 Cyberjaya
Selangor
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Jakarta Selatan, 12790 Indonesia
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For addresses to TMpoint Outlets, please SCAN this QR code.

GROUP DIRECTORY

TM GLOBAL WHOLESALE
Headquarters
Website : tm.com.my/globalwholesale
Email : global@tm.com.my

DOMESTIC MARKET
Carrier Sales, Level 7
TM Annexe 1, Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 1800 88 1090

INTERNATIONAL MARKET
Carrier Sales, Level 54, North Wing
Menara TM, Jalan Pantai Baharu
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SUPPORT BUSINESS
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Fax : +603-2031 6345
Website : www.menarakl.com.my

TMF AUTOLEASE SDN BHD
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PROPERTY MANAGEMENT
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Jalan Desa Utama
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Tel : +603-7987 5040
Fax : +603-7982 1429

PROPERTY OPERATIONS
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SECURITY MANAGEMENT
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GLOSSARY

A

ABAC
Audit and Business Assurance Committee

AESP
Authorised Entrant and Stand-by Person

APPS
Applications

ARPU
Average Revenue Per User

B

B2B2C
Business-to-business-to-consumer

BBGP
Broadband for General Population

BCM
Business Continuity Management

BDM
Batam-Dumai-Melaka

BOD
Board of Directors

BOFA
Basic Occupational First-Aid

BPO
Business Process Outsourcing

BRC
Board Risk Committee

BSC
Balance Score Card

BSS
Business Support System

C

CAP
Cinematic Arts Programme

CAGR
Compound Annual Growth Rate

CAPEX
Capital Expenditure

CBE
Code of Business Ethics

CCIRS
Cross currency interest rate swaps

CEP
Customer Experience Programme

CMA
Communications and Multimedia Act

CMS
Credit Management System

CPEO
Customer Premises Equipment Ownership

CR
Corporate Responsibility

CRM
Customer Relationship Management

CSA
Customer Service Academy

CSAs
Control Self-Assessments

CSR
Corporate Social Responsibility

D

dB(A)
DeciBels of Noice Power Calculated

DBKL
Kuala Lumpur City Hall

DMCS
Dumai (Sumatera) Melaka Cable System

DWDM
Dense Wavelength Division Multiplexing

E

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation

EC
Everyone Connects

EEI
Employee Engagement Index

EES
Employee Engagement Survey

ERM
Enterprise Risk Management

F

FCCAS
Financial Controls and Assurance Statement

FTTB
Fibre-to-the Building

FTTH
Fibre-to-the Home

FTTS
Fibre-to-the School

G

GDP
Gross Domestic Product

GEOP
Graduate Employability Outreach Programme

GHCM
Group Human Capital Management

GHG
Greenhouse Gas

GLC
Government-linked Companies

GLT
Group Leadership Team

GoM
Government of Malaysia

GRI
Global Reporting Initiative

GTM
Go-To-Market

H

HIRARC
Hazard Identification, Risk Assessment and Risk Control

HSBB
High Speed Broadband

I

IBS
In-Building Broadband Service

ICI
Internal Control Incident

ICT
Information & Communications Technology

IIA
Institute of Internal Auditors

IIM
Institute of Integrity Malaysia

IOT
Internet of things

IP
Internet Protocol

IPPF
International Professional Practices Framework

IPTV
Internet Protocol Television

IPVPN
Internet Protocol Virtual Private Network

IRU
Indefeasible Right of Use

ISMS
Information Security Management System

ISVs
Independent Software Vendors

ITG
IT Governance

IT&NT
IT and Network Technology

IVR
Interactive Voice Response

K

KPI
Key Performance Indicator

KPO
Knowledge Process Outsourcing

KTS
Key Telephone System

L

LOA
Limit of Authority

LOBs
Lines of Business

LTE
Long Term Evolution

M

MACC
Malaysian Anti-Corruption Commission

MAMPU
Malaysian Administrative Modernisation and Planning Unit

GLOSSARY

MCMC
Malaysian Communications and Multimedia Commission

MDeC
Multimedia Development Corporation

MIDA
Malaysia Industrial Development Authorities

MII
Malaysian Institute of Integrity

MIER
Malaysian Institute of Economic Research

MIHRM
Malaysian Institute of Human Resource Management

MKL
Menara Kuala Lumpur

MNS
Malaysian Nature Society

MoE
Ministry of Education

MOHE
Ministry of Higher Education

MoU
Memorandum of Understanding

MSC
Multimedia Super Corridor

MTTR
Mean Time to Restore

N

NCSM
National Cancer Society Malaysia

NCSR
National Centre for Sustainability Reporting

NE
Non Executive

NGN
Next Generation Network

NIOSH
National Institute of Occupational Safety & Health

NIP
National Integrity Plan

NKRA
National Key Results Areas

NSC
National Sports Council

NTMSP
NIOSH – TM Safety Passport

NTT Com
NTT Communications Corporation

O

OSHA
Occupational Safety and Health Act

OSHE
Occupational Safety, Health and Environment

OTT
Over-The-Top

P

PaaS
Platform-as-as-Service

PATAMI
Profit After Tax and Minority Interests

PCCW
Pacific Century Cyberworks

PDPA
Personal Data Protection Act

PEMANDU
Performance Management and Delivery Unit

PIP
Performance Improvement Programme

PM
Property Management

PO
Property Operations

PoP
Point of Presence

PPP
Public-Private Partnership

PSTN
Public Switched Telephone Network

Q

QoS
Quality of Service

S

SaaS
Software-as-a Service

SAT-3
South Atlantic-3 Cable System

SEA-ME-WE3 (SMW3)
South East Asia-Middle East-Western Europe Cable System 3

SEA-ME-WE4 (SMW4)
South East Asia-Middle East-Western Europe Cable System 4

SI
System Integrator

SIRIM
Standards and Industrial Research Institute of Malaysia

SME
Small & Medium Enterprise

SOCSO
Social Security Organisation

SOHO
Small Office Home Office

SRM
Supplier Relationship Management

SWIFT
Service Without Frontier

T

TI
Transparency Index

TMCC
TM Convention Centre

TMFA
TMF Autolease Sdn Bhd

TMTC
TM Training Centre

TRI*M
Measurement of customer satisfaction index

TRS
Total Return to Shareholders

TWP
Teaming With Passion

TM ROVers
TM Reaching Out Volunteers

U

UC
Unified Communications

USP
Universal Service Provision

Broadband PC

V

VAS
Value Added Services

VOD
Video on Demand

VoIP
Voice over Internet Protocol

VPN
Virtual Private Network

W

WAN
Wide Area Network

WiFi
Wireless Fidelity

WSE
Wholesale Ethernet

Y

YTM
Yayasan TM

Z

ZBC
Zone Business Council

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-second (32nd) Annual General Meeting (AGM) of the Company will be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Wednesday, 26 April 2017 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 2016 together with the Reports of the Directors and Auditors thereon.
   Please refer to Explanatory Note A

2. To re-elect the following Directors, who retire pursuant to Article 98(2) of the Company's Articles of Association and being eligible offer themselves for re-election:
   (i) Tunku Afwida Tunku Dato' A.Malek **(Ordinary Resolution 1)**
   (ii) Balasingham A. Namasiwayam **(Ordinary Resolution 2)**
   Please refer to Explanatory Note B

3. To re-elect the following Directors, who retire by rotation pursuant to Article 103 of the Company's Articles of Association and being eligible offer themselves for re-election:
   (i) Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor **(Ordinary Resolution 3)**
   (ii) Ms Gee Siew Yoong **(Ordinary Resolution 4)**
   (iii) Tan Sri Dato' Seri Dr Sulaiman Mahbob **(Ordinary Resolution 5)**
   Please refer to Explanatory Note C

4. To approve the payment of the following Directors' fees:
   (i) RM23,000 per month for the Non-Executive Chairman (NEC), RM15,000 per month for each Non-Executive Director (NED) and RM2,250 per month for Senior Independent Director (SID) of the Company with effect from the 32nd AGM until the next AGM; and
   (ii) RM11,500 per month and RM7,500 per month for NEC and NEDs respectively, of Tier 1 Subsidiaries with effect from 31 January 2017 until the next AGM.
   Please refer to Explanatory Note D **(Ordinary Resolution 6)**

5. To approve the payment of benefits payable to NEC and NEDs of the Company up to an amount of RM2,350,000 from 31 January 2017 until the next AGM.
   Please refer to Explanatory Note E **(Ordinary Resolution 7)**

6. To re-appoint Messrs. PricewaterhouseCoopers (PwC), having consented to act as Auditors of the Company, for the financial year ending 31 December 2017 and to authorise the Board of Directors to fix their remuneration.
   Please refer to Explanatory Note F **(Ordinary Resolution 8)**

As Special Business

7. To consider and if thought fit, to pass the following Resolutions:

   7.1 Authority to Issue and Allot Shares pursuant to Section 75 of the Companies Act, 2016 (CA 2016)

   THAT subject always to the CA 2016, the Articles of Association of the Company and the approvals of the relevant government and/or regulatory authorities, where such approval is necessary, authority be and is hereby given to the Directors to issue and allot shares in the capital of the Company pursuant to Section 75 of the CA 2016, to any person other than a Director or major shareholder of the Company or person connected with any Director or major shareholder of the Company, at any time until the conclusion of the next annual general meeting, in such number and to such person 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 ten percent (10%) of the issued and paid up share capital of the Company for the time being **AND THAT** the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued, **AND FURTHER THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next annual general meeting of the Company. **(Ordinary Resolution 9)**

7.2 Proposed Renewal of the Authority for Directors to Allot and Issue New Ordinary Shares in the Company (TM Shares) in relation to the Dividend Reinvestment Scheme (DRS)

THAT pursuant to the DRS approved at the Extraordinary General Meeting held on 8 May 2014, approval be and is hereby given to the Company to allot and issue such number of new TM Shares for the DRS until the conclusion of the next annual general meeting, upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit and in the interest of the Company **PROVIDED THAT** the issue price of the said new TM Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price (**VWAMP**) of TM Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price and not less than the par value of TM Shares at the material time;

AND THAT the Directors and the Secretary 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 DRS with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, as they, in their absolute discretion, deemed fit and in the best interest of the Company. **(Ordinary Resolution 10)**

7.3 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Renewal of Shareholders' Mandate)

THAT in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Appendix 1 of the Company's Circular to Shareholders dated 4 April 2017, dispatched together with the Company's Integrated Annual Report 2016, which are necessary for the day-to-day operations **PROVIDED THAT** such transactions are entered into in the ordinary course of business of the Company and/or its subsidiaries, are carried out on terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT such approval shall continue to be in full 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 340(1) of the Companies Act, 2016 (CA 2016) (but shall not extend to such extension as may be allowed under Section 340(4) of CA 2016); or
(iii) revoked or varied by resolution passed by the shareholders of the Company at a general meeting,

whichever is the earlier;

AND THAT the Board of Directors of the Company be and is hereby empowered and authorised to do or procure to be done all acts, deeds and things (including executing 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 Proposed Renewal of Shareholders' Mandate. **(Ordinary Resolution 11)**

8. To transact any other ordinary business for which due notice has been given in accordance with Section 340(1) of the CA 2016.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a Member who shall be entitled to attend, speak and vote at this 32nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd (Bursa Depository) in accordance with Article 74(3)(a) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 (SICDA) to issue a General Meeting Record of Depositors (ROD) as at 18 April 2017. Only a depositor whose name appears on the Register of Member/ROD as at 18 April 2017 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

By Order of the Board
Hamizah Abidin (LS0007096)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
4 April 2017

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

Proxy and/or Authorised Representatives

1. A Member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy or representative may but need not be a Member of the Company. A Member may appoint any person to be his/her proxy without restriction to the proxy's qualifications.

2. A Member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of 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 in the Company standing to the credit of the said securities account. Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportions of the holdings to be represented by each proxy are specified.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney. If the proxy form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, and no notice of revocation has been received". If the proxy form is signed under 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, and no notice of revocation has been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the proxy form.

5. A corporation which is a Member, may by resolution of its Directors or other governing body authorises such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association.

6. The instrument appointing the proxy together with the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Symphony Share Registrars Sdn Bhd (378993-D), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. The Share Registrar will also provide a box at the ground floor of its office building for drop-in of proxy forms.

7. **Explanatory Note A**
   The audited financial statements are for discussion only as it does not require shareholders' approval pursuant to the provisions of Section 340(1)(a) of CA 2016. Hence, it is not put forward for voting.

8. **Explanatory Notes B and C**
   Tunku Afwida Tunku Dato' A.Malek, Mr Balasingham A. Namasiwayam, Ms Gee Siew Yoong, Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor and Tan Sri Dato' Seri Dr Sulaiman bin Mahbob are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this 32nd AGM.

   The Board has conducted an assessment on the independence of the NEDs who are seeking re-election at this 32nd AGM, inclusive of their skills, experience, character, integrity, competency and contribution. As stated in the Statement Accompanying Notice of the 32nd AGM, the profiles of the retiring Directors are set out in the profile of Directors on pages 94 to 101 inclusive of the Integrated Annual Report (IAR) 2016.

   Details of the assessment of all directors standing for re-election, are provided on pages 126 to 127 inclusive, of the Corporate Governance Statement in the IAR 2016.

9. **Explanatory Note D and E**

Section 230(1) of CA 2016 which came into effect on 31 January 2017, provides amongst others, that "fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. Pursuant thereto, shareholders' approval is sought for the payment of fees and benefits payable to NEC and NEDs, in two (2) separate resolutions as follows:

- Ordinary Resolution (OR) 6 on the payment of Directors' fees for the Company from the date of the 32nd AGM until the next AGM and Tier 1 Subsidiaries from 31 January 2017 until the next AGM; and
- OR 7 on the payment of benefits payable to the NEC and NEDs from 31 January 2017 until the next AGM (Stipulated Period).

OR 6: Directors' Fees

The shareholders had at the 31st AGM held on 28 April 2016, approved the payment of directors' fees with effect from the 31st AGM until the 32nd AGM of the Company. The fees for the NEDs were last reviewed and approved at the 28th AGM held on 7 May 2013 following an independent review conducted by an external consultant in 2013. Despite the recommendation pursuant to Clause 6.11 of the Board Charter to review the Directors' remuneration at least once every three years, the Board is not proposing for any change to the existing directors' fees as it is still competitive and at par with the prevalent market.

TM has also in place a Subsidiaries' Remuneration Framework (SRF) in which subsidiaries are categorized into tiers based on its strategic, revenue and impact levels to TM, as well as focus of business. The NEC and NEDs appointed on the boards of the Tier 1 Subsidiaries are entitled to directors' fees of RM11,500 per month and RM7,500 per month, respectively. Shareholders' approval is sought for the payment of this directors' fees from 31 January 2017 until the next AGM.

OR 7: Benefits Payable

Benefits Payable applicable to NEC and NEDs pursuant to the Board Charter comprise meeting fee, emoluments and claimable benefits as stipulated below:

(i) Meeting fee structure for Board and Board Committees:

	TM Board (RM)	Board Audit Committee (RM)	Nomination & Remuneration Committee (RM)	Board Tender Committee (RM)	Board Risk Committee (RM)	Board Investment Committee (RM)	LTIP Committee (RM)
Chairman	3,500	3,250	2,500	3,250	2,500	2,500	2,500
NED	3,000	2,500	2,000	2,500	2,000	2,000	2,000

(ii) Pursuant to the SRF, the NEC and NEDs appointed on the boards of TM subsidiaries are entitled to the following meeting fees:

Category of TM Subsidiaries	NEC	NED	Committee Fee	
	Meeting Fee (RM)	Meeting Fee (RM)	Chairman Meeting Fee (RM)	Member Meeting Fee (RM)
Tier 1 Subsidiaries	1,500	1,000	500	300
Tier 2 Subsidiaries	1,500	1,000	Nil	Nil

(iii) Customary benefits such as claimable benefits on annual overseas business development trips, leave passage, business equipment, telecommunication bills, insurance and medical coverage.

NOTICE OF ANNUAL GENERAL MEETING

In determining the estimated amount of benefits payable for the NEC and NEDs, the number of scheduled meetings for the Board, Board Committees and Boards of subsidiaries as well as the number of NEDs involved in these meetings were considered. The estimated amount of RM2,350,000 for the Stipulated Period is derived from a total of RM1,776,500 for the financial year 2017 and approximately one-fourth (1/4) of the said amount equivalent to RM573,500 for the period from 1 January 2018 until the next AGM in 2018.

Subject to the shareholders' approval of OR 6 and OR 7, the payment of fees and benefits throughout the Stipulated Period will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred. The Board opined that it is just and equitable for the NEC and NEDs to be paid such payment on such basis upon them discharging their responsibilities and rendering their services to the Company and its subsidiaries.

10. **Explanatory Note F**
The Board Audit Committee and the Board have considered the re-appointment of PwC as Auditors of the Company and recommended the re-appointment of PwC for shareholders' approval based on the evaluation result of the Request for Proposal conducted by the Company in 2016. It was also agreed that PwC has met the relevant criteria prescribed by Paragraph 15.21 of the Main LR of Bursa Securities.

EXPLANATORY NOTES ON SPECIAL BUSINESSES

11. The Company has not issued any new shares under the general mandate for issuance and allotment of shares up to 10% of the issued and paid-up capital of the Company, which was approved at the 31st AGM held on 28 April 2016 and which shall lapse at the conclusion of the 32nd AGM to be held on 26 April 2017.

    The proposed OR 9 is a renewal of the general mandate obtained from the shareholders of the Company at the previous AGM. In accordance with Section 75 of CA 2016, a renewal is sought from shareholders for Directors to issue and allot new shares in the Company of up to an amount not exceeding 10% of the issued and paid up share capital of the Company for such purposes as the directors may deem fit in the best interest of the Company including for any possible fund raising activities for the Company's working capital requirements and strategic investments.

    This resolution if approved, will give the Company and its Directors the mandate and flexibility to issue and allot new shares in the Company for possible fund raising activities without the need to seek shareholders' approval via a general meeting subsequent to this 32nd AGM, which may delay the capital raising initiatives and incur relevant cost in organising the general meeting.

    The authorisation, unless revoked or varied by the Company at a general meeting, will be valid until the next AGM of the Company.

12. The proposed OR 10 is for the proposed renewal of the authority for Directors to allot and issue new ordinary shares in the Company in respect of dividends to be declared, if any, under the DRS, until the conclusion of the next AGM.

13. The proposed OR 11, if passed, will authorise 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 normal commercial terms not more favourable to the related parties than those generally available to the public and shall lapse at the conclusion of the next AGM unless authority for its renewal is obtained from shareholders of the Company at a general meeting.

STATEMENT ACCOMPANYING NOTICE OF THE 32ND ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) AND APPENDIX 8A OF THE MAIN MARKET LISTING REQUIREMENTS (MAIN LR) OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES)

1. The profiles of the following Directors who are retiring pursuant to Article 98(2) of the Company's Articles of Association (AA) as per Ordinary Resolutions 1 and 2 of the Notice of the 32nd AGM are stated in pages 100 to 101 inclusive, of this Integrated Annual Report (IAR) 2016:

   (i) Tunku Afwida Tunku Dato' A.Malek (Independent Non-Executive Director) (INED)
   (ii) Mr Balasingham A. Namasiwayam (INED)

2. The profiles of the following Directors who are retiring pursuant to Article 103 of the Company's AA as per Ordinary Resolutions 3 to 5 of the Notice of the 32nd AGM, are stated in pages 94 to 99 inclusive, of this IAR 2016:

   (i) Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor (INED);
   (ii) Ms Gee Siew Yoong (INED); and
   (iii) Tan Sri Dato' Seri Dr Sulaiman Mahbob (Non-Independent Non-Executive Chairman).

None of the above Directors, save for Mr Balasingham A. Namasiwayam, has any interest in the securities of the Company. The securities' holdings of Mr Balasingham are disclosed on pages 203 and 338 of this IAR 2016.

None of the abovenamed Directors, has any family relationship with any Director and/or major shareholder of the Company. They do not have any conflict of interests with TM, convicted for any offences other than traffic offences, for the past 5 years, or have been imposed for any sanction or penalty by any regulatory bodies during the financial year ended 31 December 2016.

The abovenamed Directors, save for Tan Sri Dato' Seri Dr Sulaiman Mahbob, satisfy the criteria of independent directors as defined under Paragraph 1.01 of Bursa Securities' Main LR, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of the major shareholders.

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PROXY FORM

TELEKOM MALAYSIA BERHAD
(Company No. 128740-P)
(Incorporated in Malaysia)

"A"

I/We _____
(Full Name as per NRIC/Passport No./Certificate of Incorporation in capital letters)

Company No./NRIC No. (new) /Passport No._____ (Old NRIC No.) _____

of _____
(Full address)

being a member of **TELEKOM MALAYSIA BERHAD** (128740-P) (the Company) hereby appoint: _____

_____
(Full Name as per NRIC/Passport in capital letters)

with NRIC No. (new)/Passport No. _____ (Old NRIC No.) _____

of _____
(Full address)

or failing him/her _____
(Full Name as per NRIC/Passport in capital letters)

with NRIC No. (new)/Passport No. _____ (Old NRIC No.) _____

of _____
(Full address)

or failing him/her, the Chairman of the Meeting, as my/our **first** proxy/proxies to vote for me/us on my/our behalf at the Thirty-second (32nd) Annual General Meeting (AGM) of the Company to be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Wednesday, 26 April 2017 at 10:00 a.m. and at any adjournment thereof.

"B" If you wish to appoint a second proxy, please complete this section.

I/We _____
(Full Name as per NRIC/Passport No./Certificate of Incorporation in capital letters)

Company No./NRIC No. (new)/Passport No. _____ (Old NRIC No.) _____

of _____
(Full address)

being a member of **TELEKOM MALAYSIA BERHAD** (128740-P) (the Company) hereby appoint: _____

_____
(Full Name as per NRIC/Passport in capital letters)

with NRIC No. (new)/Passport No. _____ (Old NRIC No.) _____

of _____
(Full address)

or failing him/her _____
(Full Name as per NRIC/Passport in capital letters)

with NRIC No. (new)/Passport No. _____ (Old NRIC No.) _____

of _____
(Full address)

or failing him/her, the Chairman of the Meeting, as my/our **second** proxy/proxies to vote for me/us on my/our behalf at the 32nd AGM of the Company to be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Wednesday, 26 April 2017 at 10:00 a.m. and at any adjournment thereof.

For appointment of two (2) proxies, percentage of shareholdings to be represented by the respective proxies must be indicated below:	
	Percentage (%)
Proxy "A"	
Proxy "B"	
Total	**100%**

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

No.	Resolutions		Proxy "A" For	Proxy "A" Against	Proxy "B" For	Proxy "B" Against
	Ordinary Business:					
1.	Re-election of Tunku Afwida Tunku Dato' A.Malek pursuant to Article 98(2)	- Resolution 1				
2.	Re-election of Mr Balasingham A. Namasiwayam pursuant to Article 98(2)	- Resolution 2				
3.	Re-election of Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor pursuant to Article 103	- Resolution 3				
4.	Re-election of Ms Gee Siew Yoong pursuant to Article 103	- Resolution 4				
5.	Re-election of Tan Sri Dato' Seri Dr Sulaiman Mahbob pursuant to Article 103	- Resolution 5				
6.	Payment of Directors' fees	- Resolution 6				
7.	Payment of benefits payable to NEDs	- Resolution 7				
8.	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company and authorisation to Directors to fix their remuneration	- Resolution 8				
	Special Business:					
9.	(i) Authority for Directors to Allot and Issue Shares under Section 75 of the Companies Act, 2016	- Resolution 9				
	(ii) Proposed Renewal of the Authority for Directors to Issue Shares in relation to the Dividend Reinvestment Scheme	- Resolution 10				
	(iii) Proposed Renewal of Shareholders' Mandate	- Resolution 11				

Signed this _____ day of _____ 2017

No. of Ordinary Shares held	
CDS Account No. of the Authorised Nominee*	
Telephone No.	

* *Applicable to shares held under nominee account only*

_____
Signature(s)/Common Seal of Member(s)

NOTES:

Proxy and/or Authorised Representatives

1. A Member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy or representative may but need not be a Member of the Company. A member may appoint any person to be his /her proxy without verification to the proxy's qualification.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of Securities Industry (Central Depositories) Act 1991 (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 in the Company standing to the credit of the said securities account. Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportions of the holdings to be represented by each proxy are specified.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney. If the proxy form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, and no notice of revocation has been received". If the proxy form is signed under 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, and no notice of revocation has been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the proxy form.
5. A corporation which is a Member, may by resolution of its Directors or other governing body authorises such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association (AA).
6. The instrument appointing the proxy together with the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Symphony Share Registrars Sdn Bhd (378993-D), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. The Share Registrar will also provide a box at the ground floor of its office building for drop-in of proxy forms.

Members entitled to Attend

7. For the purpose of determining a Member who shall be entitled to attend the 32nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 74(3) of the Company's AA and Section 34(1) of the SICDA, to issue a General Meeting Record of Depositors (ROD) as at 18 April 2017. Only a depositor whose name appears on the Register of Members/ROD as at 18 April 2017 shall be entitled to attend, speak and vote at the said meeting or appoint proxy/proxies to attend, speak and/or vote on his/her behalf.

Personal Data Privacy

8. By submitting the duly executed proxy form, the Member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

2. Fold this flap to seal

AFFIX STAMP
RM0.80 HERE

The Share Registrar
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Malaysia

1. Fold here

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