

PERSPECTIVE



- 4 Vision, Mission, Kristal Song, Kristal Values
- 5 Facts At A Glance
- 8 Chairman's Statement
- 12 Group Chief Executive Officer's Statement
- 19 Group Financial Highlights
- 21 Simplified Group Statement Of Financial Position & Segmental Analysis
- 23 Group Quarterly Financial Performance
- 24 Investor Relations
- 27 Stock Performance
- 29 Financial Calendar

CORPORATE PROFILE



- 32 Corporate Profile
- 34 Milestones Over Two Centuries
- 38 Media Milestones In 2011
- 40 2011 Corporate Events
- 44 Awards & Recognition
- 46 Past Awards
- 52 Corporate Information
- 54 Group Corporate Structure
- 55 Group Organisation Structure

PERFORMANCE REVIEW



- 58 Group Financial Review
- 63 Statement Of Value Added
- 64 Distribution Of Value Added
- 65 TM Group Products & Services

LEADERSHIP & ACCOUNTABILITY



- 68 Board Of Directors
- 70 Profile Of Directors
- 78 Group Leadership Team
- 80 Profile Of Management Team
- 84 Statement On Corporate Governance
- 104 Directors' Statement On Internal Control
- 110 Audit Committee Report
- 116 Statement On Internal Audit
- 120 Board Risk Committee Report
- 125 Additional Compliance Information
- 128 PDPA Initiatives
- 129 Corporate Integrity

BUSINESS REVIEW & FUNCTIONS



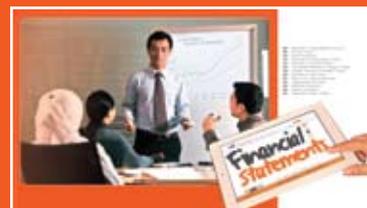
- 134 **Retail Business**
 - 134 Consumer
 - 136 Small And Medium Enterprise
 - 138 Enterprise
 - 140 Government
 - 142 Wholesale Business
 - 145 Global Business
- 149 **Business Functions**
 - 149 Support Business
 - 155 New Media
 - 158 HSBB And Beyond
 - 162 Box Article: Towards An Information Exchange
 - 166 International & Domestic Infrastructure & Trunk Fibre Optic Network
 - 168 TM Worldwide Coverage
 - 170 The Telecommunications Sector: Review & Outlook

KEY INITIATIVES



- 176 Uniting Our Passion for Better Customer Service Delivery
- 181 Fostering A Knowledge-Based Nation
- 183 Teaming With Passion – Harnessing The Energy Of 1TM
- 186 Box Article: Team Malaysia
- 188 Building Capabilities Through Learning And Development
- 190 Occupational Safety, Health And Environment (OSHE)
- 194 Corporate Responsibility

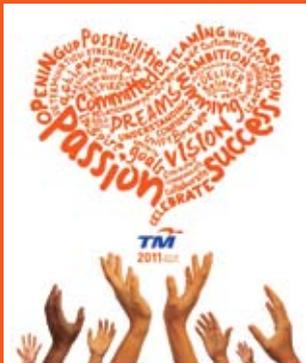
FINANCIAL STATEMENTS



- 204 Financial Statements

OTHER INFORMATION

- 346 Shareholding Statistics
- 347 List Of Top 30 Shareholders
- 349 Authorised And Issued Share Capital
- 351 Net Book Value Of Land & Buildings
- 352 Usage Of Properties
- 353 Group Directory
- 360 Glossary
- 364 Notice Of Annual General Meeting
- 366 Statement Accompanying The Notice Of Annual General Meeting
 - Proxy Form



PASSION

- 'Passion' is depicted as a variety of strong feelings, ideas, philosophies and beliefs. Comprising love, ambition, inspiration, faith and more, passion is the catalyst that propels us forward, upward and beyond ourselves – **towards our goals, dreams and making connections with others like us.**
- Passion compels us to seek excellence, develop solutions, explore opportunities, blaze trails, and realise our visions. **Hence, passion is a key component of what makes us – and TM – tick.** It is the unshakable notion that we can formulate solutions which will make a positive difference in the way we live and impact others.
- Passion gives shape to our ideas and talent, and ultimately, **our voices.** Our words are projected outwards, and our expressions are heard by others. **This leads to connection, communication and collaboration, and the opening up of possibilities.** Our initial utterances are transformed into actions, which lead to solutions. This underscores TM's philosophy.
- Passion is the conviction that our decisions and actions can have wide-ranging reach, and that our collective responsibility is to make the right choices and take the right steps. **Passion is the belief in the need to join hands; and the recognition that the future is in our hands too.**

27th Annual General Meeting

DATE	8 May 2012, Tuesday
TIME	10.00 a.m.
VENUE	Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia



TAKING SUCCESS further with



In line with being Malaysia's Leading New-Generation Communications Provider, we have introduced and implemented a Performance Improvement Programme (Pip 2.0) to embrace our customers' needs through constant innovation and execution excellence.

The four strategic thrusts of Pip 2.0 are:

CUSTOMER

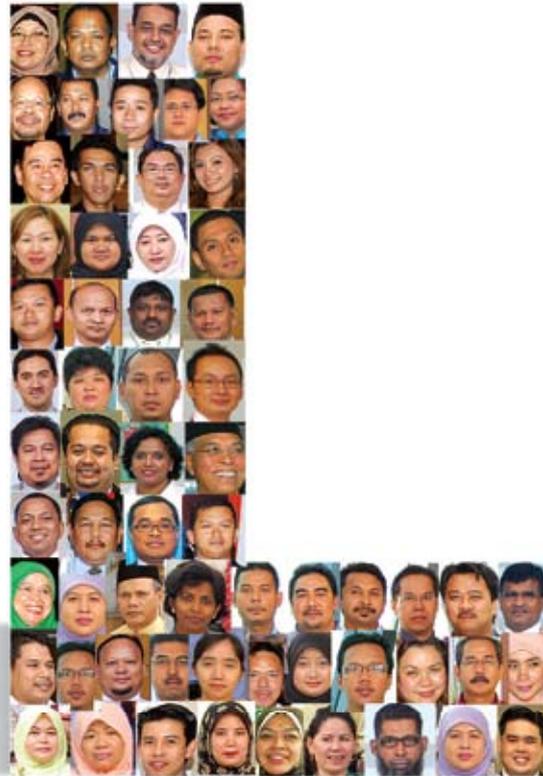
Centricity and Quality Improvements

We constantly push boundaries to remain ahead in the industry. By focusing on customer satisfaction, we enhance the quality of experience for our valued customers at all touch points.

ONE

Company Mindset with Execution Orientation

With a seamless transition of human capital geared towards the expansion of High Speed Broadband (HSBB), we are poised to function as an organisation focused on enhancing skills development to better serve our customers.



OPERATIONAL

Excellence and Capital Productivity

By increasing the efficiency of our operations and cost, we are able to optimise capex investment, in tandem with increasing the efficiency of our capital management.

LEADERSHIP

Through Innovation and Commercial Excellence

Our management strategies are distinguished by innovation and commercial excellence, primed to achieve business and customer growth by improving value propositions and sales effectiveness.

VISION

“To be Malaysia’s leading new generation communications provider, embracing customer needs through innovation and execution excellence”

MISSION

To achieve our vision, we are determined to do the following:

- Strive towards customer service excellence and operational efficiency
- Enrich consumer lifestyle and experience by providing innovative new generation services
- Improve the performance of our business customers by providing high value information and communications solutions
- Deliver value for stakeholders by generating shareholder value and supporting Malaysia’s growth and development

Kristal Song

Essentially committed to our customers
We strive to do our very best
Showing great understanding
Keeping an open mind at all times

Honesty, sincerity and trustworthy
To friends, colleagues and all
Always respecting one another
Immensely dedicated to our work

Chorus:
Let us march on together
Providing excellence in service
Overcoming all obstacles
Surely we will excel at all times

TM continues to succeed
Led by an esteemed leadership
Armed with a solid foundation
TM is the pride of the Nation

Kristal Values

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



Touler
 LEADER
 comp
 assion
 TRUS
 FACTS
 TED
 FLEXI
 BILITY
 STRONG
 honour
 PURSUING
 excellence
 DISTI
 ENDURANCE
 NGUISHE
 honest
 REFINED
 COURA
 GEOUS

FACTS AT A GLANCE

No. **1** Broadband provider in Malaysia

1.92 million broadband customers

RM9,150.7 million revenue
a growth of 4.1% compared to RM8,791.0 in 2010

60.1% total return to shareholders (TRS) for 12-month period in 2011, 153.9% since the demerger exercise in 2008

1.16 million premises passed for high speed broadband deployment compared to 780,000 in 2010

236,501 UniFi customers, a take up rate of more than 20.0%

26,667 employees
TM's most valuable asset

PERSPECTIVE

- 8 Chairman's Statement
- 12 Group Chief Executive Officer's Statement
- 19 Group Financial Highlights
- 21 Simplified Group Statement Of Financial Position & Segmental Analysis
- 23 Group Quarterly Financial Performance
- 24 Investor Relations
- 27 Stock Performance
- 29 Financial Calendar

achievement
Aspiration
Performance
Outlook

PASSION is... self reflection from different angles

Performance
OVERVIEW
MISSION
VISION



Driving Transformation

Dear Shareholders,

“ 2011 was a remarkable year for TM, during which we achieved many notable successes. But none to me was as important as our firm establishment as a model corporate citizen built on a foundation of governance, transparency and integrity. We are driven to high performance because of the impact we have on all our stakeholders. It has meant a total shareholder return of 153.9% since our demerger in 2008. It has seen us bridge the digital divide and contribute towards the creation of a more equitable society. It has witnessed one of the most successful roll-outs of high speed broadband (HSBB) in the world, allowing us to boost the Government's transformation and that of the economy. What is more, it has reinforced our emphasis on the pursuit of product quality and heightened customer experience. ”





It is without doubt an extremely exciting time for TM. While we are changing the national landscape, we ourselves are in the process of a very fundamental transformation. Even as I write, we are evolving into the next major phase of our journey – that of an all-encompassing Information Exchange.

ENSURING VALUE FOR OUR SHAREHOLDERS

At the industry level, too, 2011 was remarkable. The year was punctuated by greater collaboration and cooperation in tandem with heightened competition, a phenomenon seen in more advanced markets. The fact that the Malaysian industry has entered this phase is encouraging, as it signifies our maturity. TM itself entered into various collaborations with other telcos and ICT companies during the year to strengthen our product and service offerings. The outcomes have been beneficial to us, our partners and the nation. These are reflected in our financial performance for the year, which exceeded all expectations and which I have great pleasure in presenting.

TM not only met our three Headline Key Performance Indicators (KPIs) in terms of revenue growth, earnings before interest, tax, depreciation and amortisation (EBITDA) margin and improved customer experience, but surpassed our targets by quite significant margins. Our revenue increased 4.1% to RM9,150.7 million. We achieved a normalised EBITDA margin of 33.5%, higher than the 33.1% in 2010. And, most encouragingly, our customer satisfaction score of more than 70, as measured by the TRI*M index, exceeds the global average. These positive results naturally led to a healthy profit after tax and minority interests (PATAMI), which amounted to RM1.19 billion.

Most importantly, these results have allowed us once again to fulfil our commitment to our shareholders to pay either RM700 million or 90.0% of our normalised PATAMI, whichever is higher, in the form of dividends. For the 12 months ended December 2011,

we delivered a total return to shareholders (TRS) of 60.1%. As I mentioned at the outset of this report, since our demerger in 2008, we have achieved a TRS of 153.9% which is almost five times more than the return from FBMKLCI Index of 32.37% over the same period. This lends us the distinction of having the second highest TRS in Malaysia and the largest capital repayment to date.

A MODEL CORPORATE CITIZEN

TM always strives to support the Government in its national agenda and, over the last years, this effort has intensified. In 2010, the Government embarked on a transformation programme while also launching an Economic Transformation Programme (ETP) to propel the nation into high-income status by the year 2020. Part of the Government Transformation Programme (GTP) is creating a more open and transparent nation by Fighting Corruption, which forms a National Key Results Area (NKRA). We fully support this initiative, and although we already had in place Corporate Governance guidelines, our own Code of Business Ethics (CBE) and Procurement Ethics, Rules and Guidelines, in May 2011 we signed a Corporate Integrity Pledge. We also signed a Memorandum of Understanding to become a 'Rakan Integrity' of the Institute of Integrity Malaysia (IIM), which commits us to planning, implementing, executing, overseeing and evaluating the principles as contained in the National Integrity Plan within the Company. We further intensified our commitment to integrity by launching our Integrity Pact on 30 January 2012. This is an agreement between TM and our vendors to abstain from bribery, collusion and any other corrupt practice.

To ensure all our employees are fully aware of our renewed pledge to integrity and what it entails, we are conducting training sessions, induction courses and roadshows on it. We are also the first GLC to have created an e-learning module on our CBE for easy reference by staff.

In terms of the ETP, we contribute both directly and indirectly towards the Government's vision of an advanced nation. We are developing a Content Service Delivery Platform (CSDP) which will nurture the growth of small to medium-size applications and content developers. This in turn will fuel the country's Communications and Content Infrastructure, one of 12 National Key Economic Areas under the ETP, which is projected to boost GDP by 0.6% and create 100,000 new jobs by 2017. At the same time, our massive investment in the HSBB project, in our local as well as international networks and in various ICT infrastructure projects will elevate the level of telecommunications efficiency in the country. This will necessarily enhance the local business environment as well as attract greater foreign investment.

We are, indeed, transforming rapidly into an Information Exchange whereby TM will no longer function as a voice, data and internet service provider, but will facilitate all communication of information passing within, from or to Malaysia. This will further fuel the creation of a knowledge-rich and high-income economy driven by a highly skilled workforce.

Even as we help to gear up the economy, we are ensuring that those in semi-urban and rural areas are not left behind. Our efforts to bridge the digital divide were enhanced in 2011 when we collaborated with the Malaysian Communications and Multimedia Commission (MCMC) to create three Digital Districts – in Pekan, Pahang; Pagoh, Johor; and Jempol, Negeri Sembilan – and 1,076 Kampung Tanpa Wayar (Wireless Villages). I'm proud to say that TM is the only telco in Malaysia to have a digital presence at this level of the grassroots. It gives me immense pleasure to visit these districts and villages and see families with laptops and are ICT savvy. With such ready adoption of ICT even in these remote areas, we are well on our way towards becoming a knowledge-driven nation.



TEAMING WITH PASSION

The telecommunications industry is about people. It is about understanding the needs of people and providing products and services that meet these. The technologies we employ are merely a means to the end of enabling people to connect, communicate and collaborate. TM therefore places much emphasis on the services we offer and how we deliver these. UniFi is a case in point. Its take-up rate in 2011, just a year after its launch, has been phenomenal. From 32,896 subscribers as at end 2010, we ended the year 2011 with 236,501 subscribers. This represents one of the fastest take-up rate of an HSBB service anywhere in the world.

As I mentioned above, customer satisfaction is one of our headline KPIs. Our frontliners are continuously trained to be more service-oriented and to offer service with heart, while our backroom systems are constantly upgraded to enable us to improve critical parameters such as time to install and restore services. I'm pleased to note that our efforts have borne fruits. TM's mean times to install and repair voice, data and internet services match that of top quartile telcos in the world. The high rating we achieved in our customer satisfaction index is further proof that we are getting our service delivery right.

We owe our successes to date to our most valuable asset – our people. Today, TM has 26,667 employees spread across the nation. While it is a challenge to keep such a large and dispersed team united and working towards the same corporate goals, I dare say we have managed to achieve this. The Teaming With Passion (TWP) programme that we introduced in 2009 has injected a perceptible energy and excitement in all our employees. When I visit TM branches across the nation, I am almost always met by staff who are very enthusiastic about what they have achieved and cannot wait to share this information. TWP does not just bring together TM citizens on a common platform, but inspires them with a champion's mindset of having the 'passion to win'.

So much has this mindset contributed to our success in 2011, that we decided to theme our Annual Report "Uniting with Passion". It is a testament to that which gives strength to everything we do, and one will see it reflected in every section of this Report. This mindset will take us far. With such an energised workforce, we truly are on the right path of transformation.

CORPORATE RESPONSIBILITY (CR)

As I mentioned at the outset, one of TM's most significant achievements has been that of becoming a model corporate citizen. This has been made possible by balancing a healthy bottom line with responsible service to the nation and all our stakeholders. TM is guided in our corporate social responsibility (CSR) policies by the ISO26000, the Putrajaya Committee on GLC High Performance's Silver Book and Bursa Malaysia's CR guidelines for PLCs. We are also fortunate to have been duly recognised for our efforts via several prestigious accolades, notably the National Annual Corporate Report Awards (NACRA) Overall Excellence Award for Most Outstanding Annual Report of the Year - Platinum Award in 2011, with a Silver Award for CSR; and at the Association of Chartered Certified

Accountants (ACCA) Malaysia Sustainability Reporting Awards (MASRA) as Winner - Reporting on Social Performance.

Allow me to recap on TM's CR approach. Apart from the four CR dimensions of workplace, marketplace, community and environment; TM has further broken down the latter two dimensions into three pillars for Corporate Social Responsibility (CSR) that is: Community/ Nation-Building, Education and the Environment.

As a former state-owned enterprise, we have a deep-rooted sense of duty to support the Government in its national development agenda. I have already mentioned our initiatives to bridge the digital divide via the creation of Digital Districts and Kampung Tanpa Wayar. These are over and above on-going efforts to take our services to all Malaysians via 15 TMpoints on Wheels, 174 Community Broadband Centres and 740 Broadband Community Libraries. In recent years, we have taken on the role of the country's Broadband Champion and I'm pleased to note that we have served the nation well in this capacity. Malaysia today boasts a broadband penetration rate of 61.7%, with TM contributing more than 50.0% of this.

In addition to bridging the digital divide, we support underprivileged communities in other ways to help them better their lives. Under Program Sejahtera, for example, we have helped three single mothers in Pahang to acquire marketable skills and then provided them with funds to start their own businesses to generate income. At the same time, we upgraded their homes and supported the educational needs of their children, a number of whom have been enrolled at our Multimedia College.

Indeed, education is another area in which we have made a profound contribution to the nation. TM has traditionally focused on education because it remains one of the most powerful enablers of any society. Our



foundation, Yayasan TM (YTM), has since 1994 awarded 12,878 scholarships to deserving students to allow them to pursue their tertiary education at some of the best local and foreign universities. At the same time, we are one of the most active participants of the PINTAR school adoption programme, initiated by Khazanah Nasional. We have to date adopted a total of six schools. In each school, we improve their physical facilities, install ICT functionalities and motivate not only the students but also the teachers to elevate standards of academia. Having provided broadband connectivity for the libraries in the schools, these are also used as ICT centres for the community, so the schools become community centres.

Based on the success of our PINTAR schools, we have replicated the same model for four schools adopted under a joint programme with the Ministry of Information, Communications and Culture. In total, we now have 10 schools that have benefited from our overall School Adoption Programme, which touched 11,574 lives to date, nationwide.

Furthermore, in line with its emphasis on higher education, TM has spent some RM800 million to establish the country's first and among the most prestigious private university, MMU. Since 1997, MMU has produced 30,484 graduates in various professional fields, contributing to the Malaysia's workforce. It is also renowned for its highly marketable graduates, with 90.0% of those graduated in 2011 securing employment within 6 months of completing their studies.

We have also made great progress in our efforts to increase general awareness of the importance of the environment as well as to preserve our natural heritage. TM had in 2009 launched an environmental programme for our employees, called BumiKu. This proved so popular that our employees on their own effort initiated a TM nature club in March 2011, nicknamed

Tapir Malaya. We are also helping to instil a love of nature among our future leaders via TM Earth Camp which is targeted at school children. A total of six camps were held for different zones between March and July 2011, involving a total of 1,368 participants from all over the country, including teachers, students from TM adopted schools, TM volunteers and members of the surrounding community. Over and above these initiatives, we fully support the Government's vision to reduce the country's carbon emissions by 40.0% by 2020, and have implemented our own carbon management plan towards this end.

PROSPECTS

The telecommunications industry has been one of the most dynamic and competitive over the past few years and this is not about to change. With increased liberalisation, we can expect to see more players add their products and services in the market, which will further enrich the ICT ecosystem. By providing open access to our HSBB network, TM positively encourages collaboration and healthy competition within the industry. Indeed, we are excited to see an increasing number of content and applications providers join the ICT marketplace we are creating with the Content Service Delivery Platform.

Meanwhile, we are encouraged by the way in which Malaysians are embracing new technologies being introduced and will continue to excite the public with even more innovative and value-add product offerings. The future is certainly bright for the telco industry, and TM is intent on providing its shining light.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to take this opportunity to thank all our stakeholders for their contributions to the Group. We fully appreciate the trust shown in us by our

shareholders and will continue to return your goodwill with attractive returns. We thank our business partners for their diligence and commitment to working towards common goals. A big thank-you goes to the media for your keen interest in the industry and the positive publicity generated. We would also like to thank our loyal customers for being with us on our exciting journey. The Government and regulators have been partners to us in many ways, and we fully appreciate the many ways in which you have promoted the industry.

Finally, I would like to extend a heart-felt thank you to the big TM family. I feel very fortunate to be surrounded in the Board by individuals of incredibly high calibre, who have guided the Company with their wisdom and integrity. To those Directors who have retired or resigned, Mr Riccardo Ruggiero, Datuk Dr Rahamat Bivi Yusoff and Dr Farid Mohamed Sani, thank you for all your contributions during your tenure with us. Meanwhile, I would like to welcome onto the Board Mr David Benello, Dato Mat Noor Nawi and Puan Eshah Meor Suleiman and look forward to your valued inputs.

The Management deserves a special mention for its unwavering commitment to the Company which has seen TM grow from strength to strength. Together with the dedication, perseverance and enthusiasm of all our employees, you have made possible TM's commendable performance in 2011. You have shown that as we unite with passion, we can accomplish great things.

Datuk Dr Halim Shafie
Chairman

Group
Chief Executive Officer's
Statement



SERVICE WITH
Heart

“2011 was yet another meaningful year for TM, one in which our transformation journey was pushed into high gear by the passion and energy of our people. We exceeded all our Headline Key Performance Indicators (KPIs), delivering a financial performance beyond expectations. We met our commitment to our shareholders and provided healthy returns on their investment. What is more, we fulfilled our promise to build a full Internet Protocol (IP) network while further developing the telecommunications sector through collaboration.”



It was a year that saw TM strengthen our position as Malaysia's Broadband Champion, as we quadrupled the number of UniFi customers, thus establishing ourselves as the fastest growing fibre-to-the-home (FTTH) service in Southeast Asia and a global success story. Our various services allow Malaysians to connect, communicate and collaborate more effectively and open the door to an enhanced digital lifestyle. We also made encouraging strides into new areas of ICT and business process outsourcing (BPO) services in partnership with key global and local players.

It was a year that once again proved our people are indeed TM's most valuable asset. Our workforce, at 26,667-strong, is itself a force to be reckoned with. Through an inspiring internal programme, we have brought about real change in the mindset and behaviour of this 'army', flaming its passion, sense of unity and purpose to deliver tangible improvements in our operations, performance and customer experience.

The theme of this year's annual report is thus, aptly, *Uniting with Passion*. It is not only referred to in our Chairman's and my statements, but is echoed throughout the entire report – in our passion to serve our customers, our passion to deliver, our passion in our people right through to our passion for corporate responsibility.

It gives me great pleasure then to present the results of our efforts for the year 2011.

PERFORMANCE REVIEW

TM delivered strong revenue growth of 4.1% to RM9,150.7 million in 2011 as compared to RM8,791.0 million

recorded the previous year. This is attributable to healthy growth in Internet and Multimedia, which increased by 21.1% to RM2,001.1 million compared to last year, driven by the increased number of broadband customers, primarily UniFi customers.

Normalised Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) margin was 33.5%, surpassing last year's of 33.1% as a result of continued operational improvements which resulted in higher operating revenue at lower cost.

Profit After Tax and Minority Interest (PATAMI) was RM1.10 billion in line with the same period in 2011. Normalised PATAMI, excluding mainly the gain on disposal of investment, unrealised foreign exchange loss on USD borrowings and the last mile tax incentive of prior years stood at RM634.8 million, an increase of 12.6% against RM563.7 million in 2010, mainly due to the higher EBITDA.

At the same time, concerted efforts to contain costs and improve operational efficiencies allowed us to lower our total capex spend by 5.5% to RM2,563.6 million from RM2,712.6 million in 2010, and was further reflected in a lower total capex over revenue ratio of 28.0% from 30.8% in the previous year.

These figures are all the more encouraging when placed within the context of our capital-intensive HSBB roll-out, which continued to exceed targets in 2011. Through strategic design of network architecture, good vendor relations and optimisation of resources, we have achieved many capital and operational efficiencies. As a result, TM is recognised globally as having not only one of the fastest, but also one of the lowest-cost HSBB

roll-outs in the world, especially taking into account the scope of the project.

We are extremely gratified by our results which have exceeded all three of our Headline KPIs for the second year running.

To our shareholders, our performance in 2011 has meant that we are once again able to meet our dividend commitment. TM's Board of Directors has approved a single-tier final dividend payout of 9.8 sen on top of the interim dividend of 9.8 sen amounting to RM350.6 million distributed in September 2011. We are also proposing a capital repayment of 30 sen per share by way of capital reduction amounting to RM1.07 billion to our shareholders. The payout of the final dividend will be made in June 2012 while the capital repayment is proposed to be made in the third quarter of 2012.

As at 31 December 2011, our 12-month Total Return to Shareholders (TRS) stood at 60.1%, factoring in our dividend payments and price appreciation over that period. We continue to be ahead of most of our local peers in this aspect. Our TRS for the period since our demerger in 2008 up to 31 December 2011 was 153.9%.

UNIFI – A GAME CHANGER

Since launching UniFi in March 2010, we have achieved an unprecedented take-up rate of 15-20% of premises passed, proving just how hungry Malaysians are for the speed and incredible range of content made available through the service. It is of great satisfaction to us when Malaysians started using 'UniFi' as a verb and everyone is talking about being 'Unified'.

Group Chief Executive Officer's Statement



Building on current customer base of 300,000, we will continue 'UniFi-ing' the country as we expand coverage and offer more Malaysian consumers and businesses the opportunity to enjoy this outstanding service. The speed with which HSBB is being taken up across the country prompted the President of FTTC Council Asia Pacific to say in October 2011, that Malaysia had emerged as the highest in terms of the number of high speed broadband subscribers in Southeast Asia, and the top 10 in ranking within the Asia-Pacific region. It is also the fastest growing FTTH market in Southeast Asia and is a success story for FTTH globally.

Another acknowledgement came from the European Commission's Directorate General for Information Society and Media, who said in November 2011: "We [European countries] need to establish a world-class broadband infrastructure to compete with other nations around the world, like Malaysia and other Asian nations."

Our highest appreciation goes out to the Government, and especially the Ministry of Information, Communications and Culture for the exemplary Public-

Private Partnership (PPP) which has received such global recognition.

Being a revolutionary new product and the first triple play service, UniFi is a game changer in the local broadband scene. At the same time, it is also driving TM's own holistic transformation journey involving our networks, systems and products, and people.

The efficient roll-out of our HSBB network is critical to UniFi, and I am pleased to report that we have to date exceeded all targets on this front. During the year, we increased coverage from 756,000 premises passed in 48 exchange areas to 1.16 million premises passed in 78 exchange areas. According to our HSBB roadmap, we are to cover 95 exchange areas and a total of 1.3 million premises passed by end 2012. This is already well within the horizon as I write. What is particularly pleasing is that HSBB growth is no longer entirely supply driven. Demand for HSBB is further pushing our roll-out. For example, property developers realise that buyers expect to have HSBB access in their new homes/offices and are therefore installing the service in their projects during the construction phase. In 2011, we closed HSBB agreements with 11 developers, and are targeting 20 more in 2012.

Central to the HSBB roll-out is transforming our legacy digital network into an all IP next-generation network. We had established the core of the Next Generation Network (NGN) network in 2010, and in 2011 focused on migrating our Public Switched Telephone Network (PSTN) switches onto it. The entire migration is a lengthy procedure and will be completed only in 2015, but we are making steady headway. At the same time, we are strengthening our international connectivity by way of our

submarine cable systems to ensure seamless internet traffic. During the year, we almost quadrupled our international capacity from 46Gbps to 180Gbps, and once our first private cable network being developed in partnership with NTT Communications Corporation is completed, it will further shore up our capacity. The 6,000 km cable system, Cahaya Malaysia, will link Malaysia to Japan, Hong Kong, the Philippines and Singapore, and is expected to be operational in the second quarter of 2012.

Meanwhile, we are streamlining all our systems and processes in order to create a leaner, more efficient core of operations. As I stated in last year's annual report, we have begun the process of collapsing 300 existing systems in TM to ultimately 70. This ambitious project will be completed in 2015, but we are making good progress and look forward to the long-term operational efficiencies it will create. We are also further fine-tuning our product offerings, making our competitively-priced bundled packages even more simple, attractive and affordable to the consumer.

We seem to have hit the right formula for UniFi, for which 41.0% of the subscribers are new customers who have never before subscribed to any of our broadband services. UniFi is being marketed in a VIP triple play value proposition that includes Video (ie our Internet Protocol Television HyppTV), Internet and Phone. Leveraging on our truly interactive IPTV, we have been continuously adding more to our HyppTV offerings. Over the year, we introduced 11 new channels and made the Video-on-Demand (VoD) service more flexible, hence more attractive. We also introduced nine new interactive services and for the first time introduced paid interactive content,



B-Smart TV, which caters to students. To date, we now have 85 HyppTV channels – including 32 premium channels and 18 free channels of which 12 are in high definition (HD), 17 VoD channels and 18 interactive channels.

While UniFi, as our premier broadband service made headlines in 2011, we continued to see steady growth in our broadband for the general population, Streamyx. As Malaysia's broadband champion we continue to focus on further promoting Streamyx in semi-urban and rural areas. Our efforts were not in vain; according to the Malaysian Communications and Multimedia Commission (MCMC) by the end of February 2012, the national household penetration of broadband had reached 62.6%, up from 55.0% as at end 2010. We are pleased that we have contributed 50.0% of this. We are also intensifying our efforts to cater to the nomadic user, and in 2011 increased the number of our WiFi hotspots by 80.3% from 10,982 sites to 19,799 sites. We are pleased by the recent announcement by the Kuala Lumpur city council that all food and beverages outlets bigger than 120 sq m need to provide their clientele with WiFi, as this will necessarily create greater demand for this service.

In 2011, our broadband subscription – including UniFi and Streamyx – increased by 12.3% to 1.92 million, and we are confident of continued growth as broadband is no longer a luxury, but a necessity.

PEOPLE ARE OUR PASSION

Of all the positive enhancements taking place at TM, none perhaps is more important to our current success than the transformation of our people.

We realise that in order to have a winning company we need to have a winning team – an energised and dynamic team that is motivated to collaborate and conquer the market. And I believe we have come a long way towards nurturing such a team of champions via numerous programmes that have built a strong sense of unity within TM, discovered and developed hidden talents, created a strong leadership pipeline and elevated the level of our professionalism.

If I had to single out one programme that has brought about a real change in mindset and behaviour at TM it would be *Teaming With Passion (TWP)*. Ever since running this programme with staff nationwide, we have noticed a perceptible increase in energy levels and creativity across the Company. Not only are individuals motivated to perform, but they are also teaming together more effectively to achieve greater synergies. An example of this would be the formation of action teams for our broadband services, which pulls in the resources of Customer Service Management, Network Operation and the different Lines of Business to manage several initiatives. As a result of their teamwork, we have achieved amazing results for installation and restoration of Streamyx and UniFi services. To encourage the spirit of collaboration, we now offer State Performance Bonuses as a subset of the Group bonus. This recognises and rewards teamwork at the state level, which results in smoother business processes and greater customer experience.

While motivation on its own can achieve wonders, we are also equipping our employees with the relevant technical and soft skills to increase their capabilities and empower them to realise their true potential. Training

modules are adapted to fill our internal human resources gaps as well as to feed the Company's strategic needs. For example, in 2011, we introduced the Customer Service Academy to train a cadre of polished and well-informed frontliners able to engage effectively and efficiently with customers. Each employee at TM is required to spend a minimum of 40 hours a year in training and professional development. To help our employees achieve their target, we are making it more convenient for them by expanding our menu of e-learning modules which they can utilise as and when it suits them. In 2011, we introduced 22 new e-learning course programmes which proved very popular; no less than 26.0% of total staff training was conducted online.

Meanwhile, the Fast Track Programme introduced in 2010 to accelerate the career progression of new recruits who show potential as part of our talent development program is progressing well. By end 2011 there were 24 executives in this programme, who have been given a structured development plan that includes job rotation to build their leadership skills. At more senior levels, we employ various assessment methodologies to identify talented managers and potential leaders who are given the opportunity to acquire positions of greater responsibility within the organisation and are encouraged to broaden their horizons by taking on cross assignments at other GLCs. We are constantly introducing new programmes to maintain the highest level of professional development and in 2011 we launched a Business Leadership Programme to enhance the decision-making and leadership capabilities of our management team while ensuring they serve as role models of TM's corporate values.

SERVICE WITH HEART

In a highly competitive market, customer service is key to attracting and retaining customers, and is a major focus at TM. About 28.0% of all our training for the year focused on uplifting our customer service to a new level, at a cost of RM15.4 million.

One significant initiative introduced is project SMILE, which stands for Superb and Meaningful Interaction Leading to Excellence. This is a comprehensive three-semester programme which aims not only to equip frontline staff with the hardware for good service, but also stresses the importance of 'heart ware' to create a positive and lasting impression on our customers.

To ensure true 'service with heart', we have redesignated the CEO of our TMpoint operations as the Customer Experience Officer whose primary function is to oversee the transformation of all our TMpoints into models of customer service excellence. This transformation was successfully piloted at our Kelana Jaya outlet, where cosmetic changes – such as a more casual and approachable uniform worn by staff and redesignation of outlet managers as Customer Experience Managers – has been coupled with fundamental improvements in service delivery. These include more meeter-greeters who will assist customers as soon as they step in, and 24/7 Payment Kiosks to increase the channels through which customers can complete their transactions, hence reduce the queues and waiting time. The transformation is to be replicated at all TMpoints nationwide by the second quarter of 2012.

Behind the scenes, we are improving our systems and programmes such as Towards Operational Excellence (TOP) and iCare Prime, to significantly reduce our customer's pain points. TOP integrates our sales channels and customer service with Network Operation to create consistency and speed in service delivery. iCare Prime, meanwhile, is an advanced customer relationship management tool that collates information on customers, sales, marketing effectiveness, responsiveness and market trends to afford a 360-degree view of the customer across departments. Initiatives such as these have been producing results. Our mean time to restore (MTTR) voice and Streamyx services have improved by 50.0% and 70.0% respectively, with the MTTR for HSBB services in particular improving by 81.0%. The mean time to install (MTTI) Voice and Streamyx services have reduced by 59.0% and 48.0% respectively, with that for HSBB improving by 54.0%. We also implemented a new UniFi operating model, which has reduced the waiting time for UniFi provisioning by 80.0%, at no additional cost.

The outcome of all these efforts, I'm pleased to say, was a customer satisfaction score of more than 70, which tops the global telco average of 67.

UNITING OUR PASSION

After proving the power of passion in galvanising all 26,667 people in the Company, we sought to spread its positive impact to the rest of the country. Building on our partnership with the Football Association of Malaysia (FAM) in support of our national football team, we launched a powerful programme during the year, called Team Malaysia.

In partnership with the National Sports Council (NSC) and the Olympics Council of Malaysia (OCM), Team Malaysia provides a platform for sports fans in the country to unite in a way they've never been able to before. It champions our national pride through sports and galvanises the support from 28 million Malaysians towards national teams to scale greater heights and achieve better performance. It is our hope that this effort will unite the passion of Malaysian sports enthusiasts transcending race, creed, gender and age under one flag in cheering on our national athletes, which will definitely ignite the spirit of the athletes to strive towards excellence and stamp Malaysia's name on the world sports map.

LAYING THE FOUNDATIONS OF AN INFORMATION EXCHANGE

Developments at TM in recent years, and particularly over the last year, have seen TM begin the transformation from a Voice Exchange to become an Information Exchange. What we mean by this is that whenever there is a flow of information from one user to another user in Malaysia, regardless of what device they use, anytime, anywhere, we want that information to touch TM, no matter whose customers they are. Several of our current initiatives and services are already laying the foundation for us to realise this aspiration in the near future. These include wholesale arrangements, ICT and BPO services, cloud computing, hosting services and global connectivity services.

Via Wholesale, we offer products and services to other licensed local network operators, thereby continue to fulfil our promise to keep our HSBB network open. In 2011, two leading service providers signed up for our HSBB



Access. Opening up our network to other service providers allows us to monetise our infrastructure while offering a cost-effective infrastructure solution to other telcos, creating more choice and, ultimately, benefiting the end user.

We have also entered into various collaborations that serve to promote the country's ICT and BPO services. Through VADS, we signed an agreement with Cisco to build the first TelePresence Exchange infrastructure which will allow customers in the region to conduct virtual meetings. VADS also entered into a collaboration with MIMOS to offer customers, and particularly SMEs, cloud computing services. This represents a new high-growth area in ICT which is expected to exhibit a CAGR of 42.0% from 2010 to 2015 in Malaysia, according to Frost and Sullivan. We have also created the opportunity to draw more internet traffic into the country by forging a partnership with US-based global netstorage provider, Akamai Technologies, which is hosting a netstorage centre in Malaysia. This is Akamai's only storage facility to serve this region after Japan and the US.

At the same time, we have unparalleled international connectivity. TM either co-owns or leases capacity on more than 10 submarine cable systems spanning more than 60,000 fibre-route km around the world. Most recently, we have invested in two significant cable systems linking us with Indonesia and other countries in the Far East. We collaborated with PT XL Axiata Tbk and PT Mora Telematika of Indonesia to deploy a 400km Batam Dumai Melaka Cable System connecting Melaka with Batam and Dumai in Indonesia via two routes. This Batam-Dumai-Melaka

Cable System came online on 30 December 2011. As I mentioned earlier, we also invested in our first private cable system, Cahaya Malaysia, which connects Malaysia with Japan, Hong Kong, the Philippines, and Singapore, and will be ready-for-service in the second quarter of 2012.

Our aspiration towards becoming an Information Exchange forms the next phase of our transformation journey, and I hope to be able to provide more updates on this in our next few annual reports.

CORPORATE RESPONSIBILITY

Over the years, TM has established ourselves as a model organisation in terms of corporate responsibility. We have had a head start over many other companies in this regard given that we began our journey as a state-owned enterprise with the interest of Malaysia and Malaysians at heart. Nation-building continues to form a core component of our CR initiatives, under which we endeavour to bridge the digital divide and provide support to underprivileged communities to create greater socio-economic equity. As I noted in our last annual report, we are also giving more priority to preserving the environment and contributing towards the Government's ambition of reducing the nation's carbon emissions by 40.0% by year 2020. More details of these efforts – which fall under our Community and Environment CR platforms – can be found in the CR section of this annual report.

What I would like to emphasise here are our contributions as a responsible corporate citizen to the marketplace and our own workplace.

I have already elaborated on the professional development opportunities and the spirit of camaraderie or teamwork in TM. However, we do much more than that in order to attract and retain the best talents. We believe in empowering our employees by engaging with them at a personal and group level. We have in place various platforms that allow for free and open communication between management and all other employees. Individuals within the Group Leadership Team, including myself, regularly host *teh tarik* sessions with staff at which we obtain valuable feedback from people on the ground as to how the Company is progressing. Our leaders also take the time to go to the ground themselves and visit our people at TM offices, TMpoints and exchanges in the different states. They also share personal experiences and knowledge at Leaders Dialogues, which are open to everyone in the Group.

As a result of these initiatives, our Employee Engagement Index conducted in 2011 showed a higher level of engagement at 89.0% as compared to 86.0% in 2010. To me, this figure is very heartening as it is much higher than the global telco average of 74.0% and global high performing companies' average of 84.0%.

TM currently shoulders a huge responsibility in the marketplace as the national Broadband Champion. But I am pleased to note that we are managing to carry off this role exceptionally well. Already, we are a major contributor towards surpassing the Government's National Broadband Initiative target of 50.0% household broadband penetration by end 2010. More importantly, we did this while upholding the highest standards in governance and integrity. In our operation, we ensure fairness for our customers, suppliers, partners and other stakeholders.

OUTLOOK FOR 2012

Overall, the economic climate will certainly be challenging. MIER has revised downwards its GDP growth forecast for 2012 from 5.0% to 3.7%. This is due to continuing debt crisis in the US and Euro zone, as well as a slowdown in China. On a more positive note, inflation is predicted to ease slightly to between 2.5% and 2.8% compared to 3.2% year-on-year recorded in November 2011.

This will be even more pronounced in the telecommunications market, where competition will continue to grow along with further liberalisation and the entry of new players. Interestingly, however, we will also see greater collaboration among telcos along with convergence as players ride on each other's resources to derive maximum cost efficiencies. Given Malaysians' exposure

to broadband and their appetite for more content, demand for broadband will continue to grow. According to IDC, the broadband market is expected to reach RM6.23 billion by 2012, while the overall telecommunication market is forecasted to grow to RM30 billion by 2012 from RM27.4 billion in 2010. As the established national Broadband Champion, we are of course excited by such figures.

Indeed, TM is optimistic about the year 2012 and beyond. We are confident of being able to leverage on our pioneering presence, infrastructural strengths and international connectivity to take a leadership position in the telecommunications space in the country as we transform into an information exchange. To us, the future is very exciting. We are energised by the current spirit of collaborative competition in the market and are all geared to make the most of it to bring ever more benefits to our customers and other end users.

ACKNOWLEDGEMENTS

On behalf of the management, I would like to express our appreciation to our various stakeholders who have contributed to TM in their own way, ensuring our continued success. The Group is beholden to the investment support of our shareholders, whom we remain committed to rewarding in return with our dividends and high level of return on equity. We are also truly grateful to the loyalty and support of

our customers, who spur us to keep innovating and reinventing ourselves. We would also like to acknowledge our numerous business partners and suppliers who have proven their commitment to walk our talk and to work together for our common benefit. We are also grateful to the support shown by the media, regulators and especially by the Government, with whom we enjoy a long-standing partnership.

But most of all, I would like to express my sincere appreciation to all 26,667 members of the TM family – from our esteemed Board of Directors to our employees at all levels. Our Board has continued to be a pillar of strength to TM, guiding us with its uncommon wisdom through the years. As for our employees, I speak for the entire management when I say we are proud of you. We are proud of your hard work, dedication and commitment to the Company. And we are proud of how you have truly united with passion to make TM what we are today.



Dato' Sri Zamzamzairani Mohd Isa
Group Chief Executive Officer

Group Financial Highlights



connect
communicate
collaborate

In RM Million

OPERATING RESULTS

	2007	2008	2009	2010	2011
1. Operating revenue [^]	8,296.0	8,674.9	8,608.0	8,791.0	9,150.7
2. Profit before taxation and zakat [^]	918.7	353.8	921.6	1,360.2	1,001.2
3. Profit for the financial year					
– Continuing operations	892.9	276.2	673.3	1,245.0	1,237.1
– Discontinued operations	1,738.7	624.9	–	–	–
4. Profit attributable to equity holders of the Company					
– Continuing operations	856.7	229.3	643.0	1,206.5	1,191.0
– Discontinued operations	1,691.0	562.6	–	–	–

KEY DATA OF FINANCIAL POSITION

1. Total shareholders' equity#	19,802.1	10,248.1	6,987.5	7,709.4	6,968.8
2. Total assets#	44,221.3	22,533.2	19,942.5	20,780.0	21,371.8
3. Total borrowings#	11,924.4	7,000.0	6,713.5	5,532.0	6,410.4

SHARE INFORMATION

1. Per share					
Earnings (basic)	74.4 sen	23.0 sen	18.3 sen	33.9 sen	33.3 sen
Gross dividend*	113.0 sen	26.3 sen	23.0 sen	26.1 sen	19.6 sen
Net assets	575.7 sen	296.5 sen	197.2 sen	216.1 sen	194.8 sen
2. Share price information					
High>	RM11.80	RM3.70	RM4.00	RM3.60	RM5.09
Low	RM9.20	RM2.54	RM2.60	RM3.04	RM3.50

FINANCIAL RATIO

1. Return on shareholders' equity	12.8%	5.3%	7.5%	16.4%	16.2%
2. Return on total assets	6.0%	4.0%	3.4%	6.0%	5.8%
3. Debt equity ratio	0.6	0.7	1.0	0.7	0.9
4. Dividend cover*	0.7	0.9	0.8	1.3	1.7

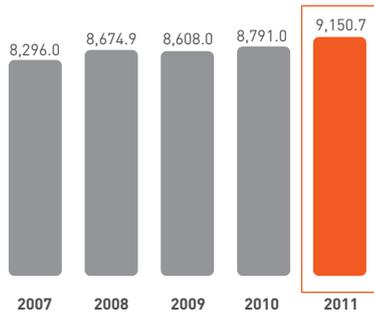
[^] Operating revenue and profit before taxation and zakat for 2007 were represented to exclude the results of Axiata Group pursuant to the demerger.

Significant reduction in these items from 2007 to 2008 were due to exclusion of balances of Axiata Group pursuant to the demerger.

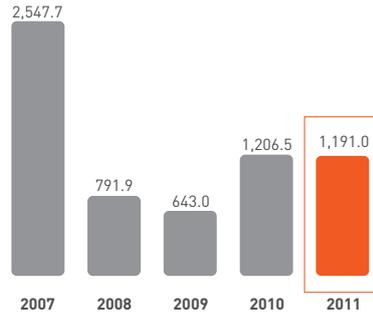
* 2007 includes special gross dividend of 65.0 sen per share declared on 10 December 2007 and paid on 31 January 2008.

> Share price information for 2008 was based on the adjusted share price pursuant to the demerger.

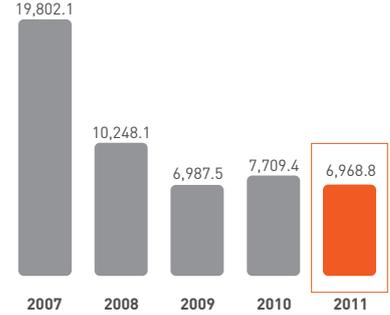
OPERATING REVENUE
[RM Million]



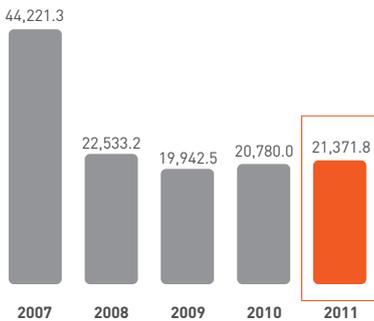
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
[RM Million]



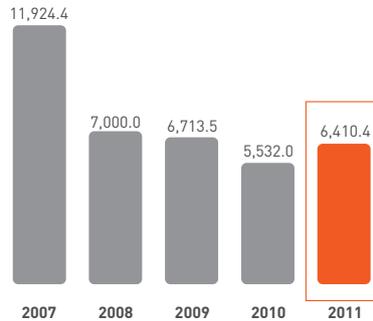
TOTAL SHAREHOLDERS' EQUITY
[RM Million]



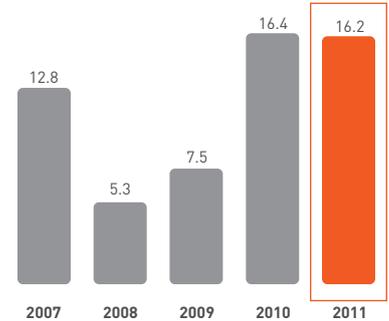
TOTAL ASSETS
[RM Million]



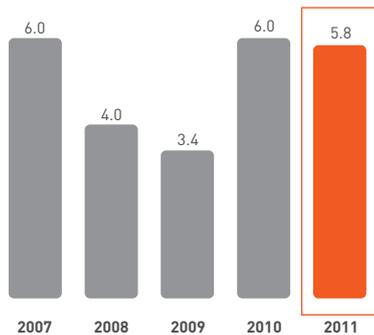
TOTAL BORROWINGS
[RM Million]



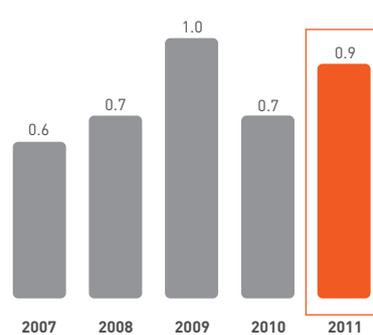
RETURN ON SHAREHOLDERS' EQUITY
[%]



RETURN ON TOTAL ASSETS
[%]



DEBT EQUITY RATIO

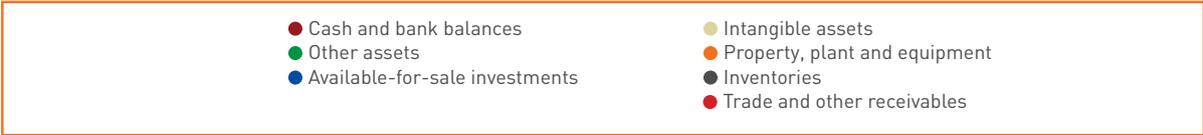
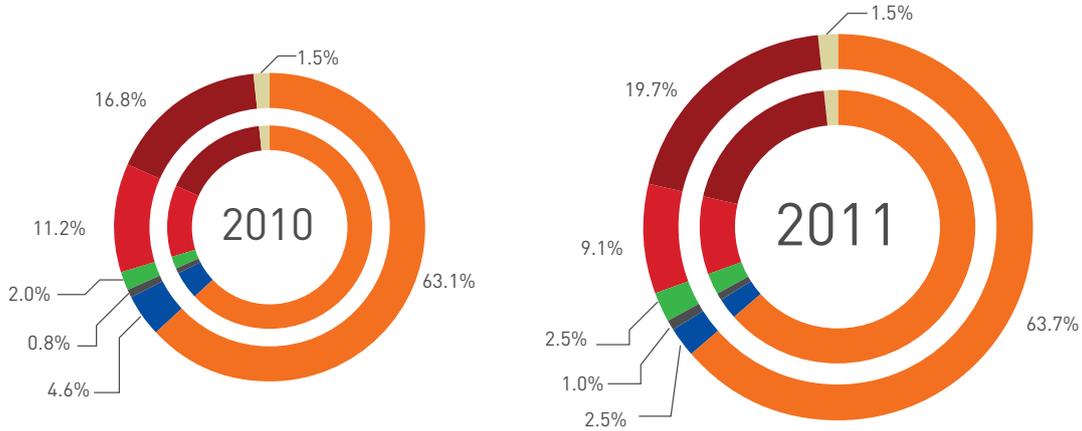


Simplified Group Statement of Financial Position & Segmental Analysis

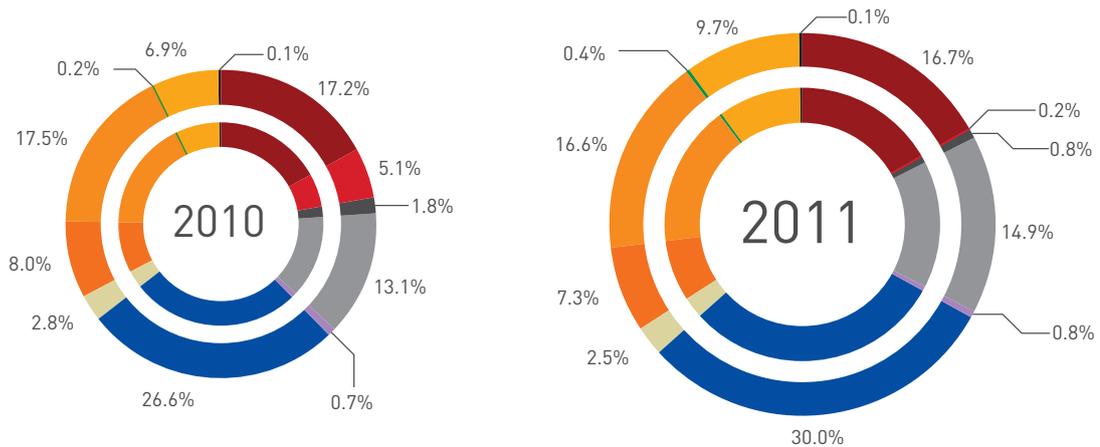


connect
communicate
collaborate

TOTAL ASSETS

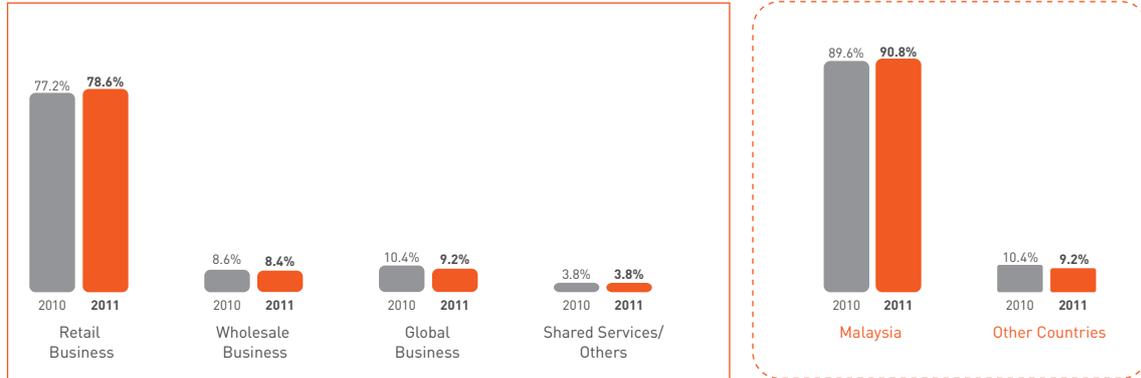


TOTAL LIABILITIES & SHAREHOLDERS' EQUITY

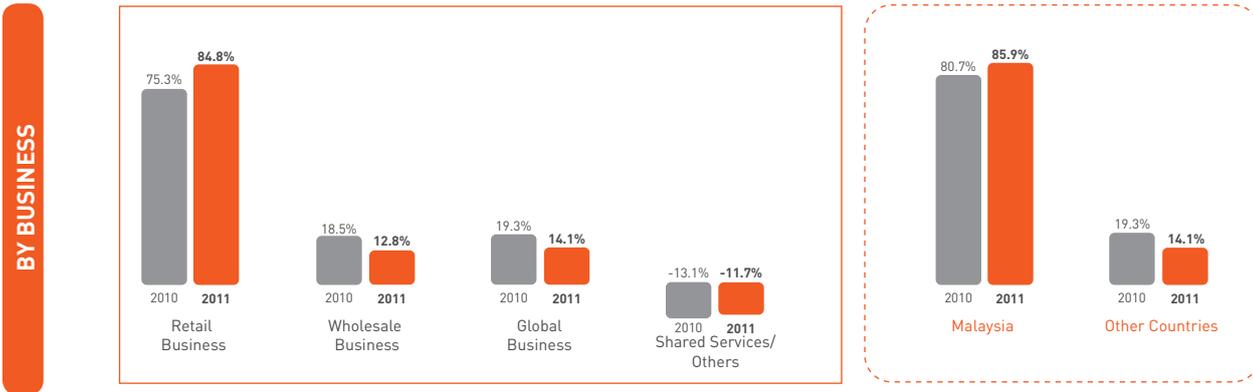


Simplified Group Statement of Financial Position & Segmental Analysis

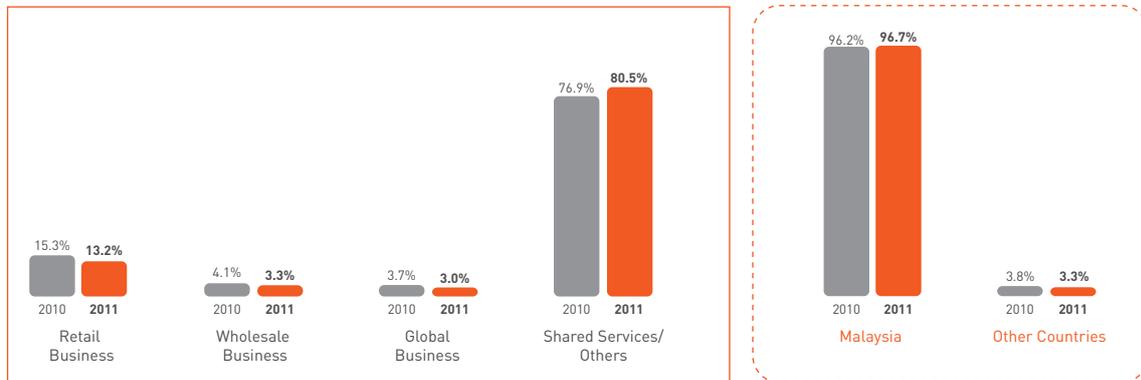
SEGMENT OPERATING REVENUE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER



SEGMENT RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER



SEGMENT ASSETS AS AT 31 DECEMBER



BY BUSINESS

BY GEOGRAPHICAL LOCATION



2011

In RM Million

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2011
Operating revenue	2,148.2	2,233.6	2,321.7	2,447.2	9,150.7
Operating profit before finance cost	231.6	237.5	510.1	265.7	1,244.9
Profit before taxation and zakat	227.3	207.1	337.2	229.6	1,001.2
Profit attributable to equity holders of the Company	163.3	127.2	302.2	598.3	1,191.0
Basic earnings per share (sen)	4.6	3.6	8.4	16.7	33.3
Single-tier dividend per share (sen)	-	9.8	-	9.8	19.6

2010

In RM Million

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2010
Operating revenue	2,124.9	2,150.9	2,194.6	2,320.6	8,791.0
Operating profit before finance cost					
- as reported	258.5	212.4	396.5	408.3	1,275.7
- reclassification*	9.1	(4.9)	21.9	-	26.1
- as restated	267.6	207.5	418.4	408.3	1,301.8
Profit before taxation and zakat	352.6	166.9	505.9	334.8	1,360.2
Profit attributable to equity holders of the Company	242.9	124.4	438.5	400.7	1,206.5
Basic earnings per share (sen)	6.9	3.5	12.3	11.2	33.9
Gross dividend per share (sen)	-	13.0	-	13.1	26.1

* During 4th quarter 2010, the Group reclassified fair value changes on forward foreign exchange contracts from other gains (net) to net finance cost to better reflect the effective cost of borrowings.

COMMITMENT TO SHAREHOLDERS

TM remains steadfast in our commitment to continuously creating value for our shareholders in our pursuit to become Malaysia's leading next-generation communications provider.

In the financial year 2011, we demonstrated this commitment by declaring a paid and proposed total net dividend payout of RM701.2 million to our shareholders, which consisted of:

- A single-tier interim dividend of 9.8 sen per share amounting to RM350.6 million which was paid on 23 September 2011; and
- A proposed single-tier final dividend of 9.8 sen per share amounting to RM350.6 million.

Shareholder Returns

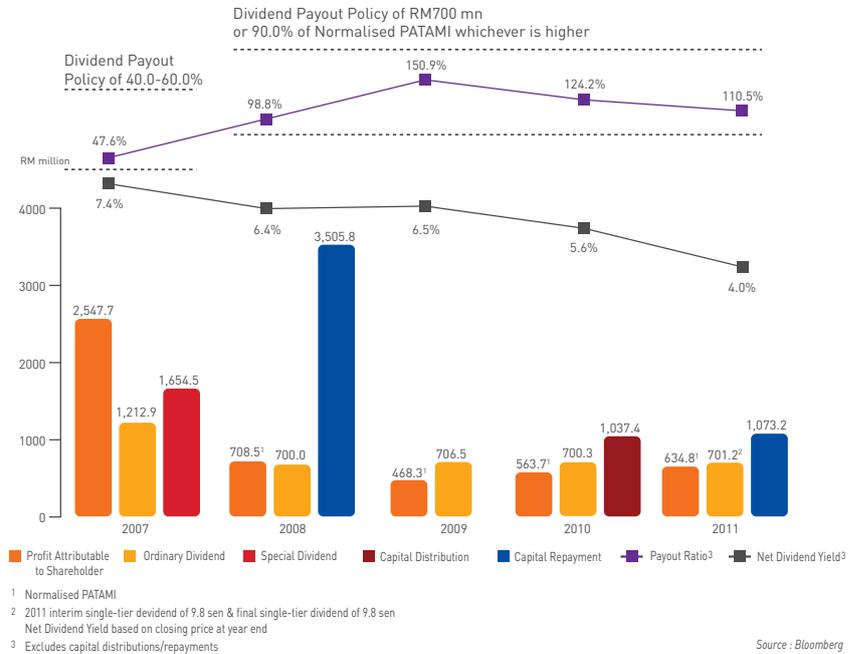
We continue to outperform our peers and remain amongst the highest in terms of total shareholder returns. Our 12-month Total Shareholder Returns as at 31 December 2011 stood at 60.1% and from the date of our demerger (25 April 2008) up to 31 December 2011, it was 153.9%.

In addition to the dividend payment, this year we are proposing a capital repayment of RM1,073.2 million or 30.0 sen per share to our shareholders by way of a capital reduction. This is in line with TM's capital management framework which includes returning excess cash to shareholders, if any, thus providing immediate value enhancement and improving our shareholders' long-term rates of return. The proposed capital repayment exercise is expected to be completed in the third quarter of 2012.

Shareholder Base

TM has a large shareholder base comprising 27,054 institutional and private/retail shareholders as at 31 January 2012. Our substantial shareholders are Khazanah Nasional

SHAREHOLDERS' RETURN



Berhad, the Employees Provident Fund Board (EPF) and Amanah Raya Trustees Berhad – Skim Amanah Saham Bumiputera, which together account for 51.5% holding of the Group. Meanwhile, our foreign shareholding base grew from 10.03% as at 31 December 2010 to 20.59% as at 31 January 2012.

Transparency

TM applies high standards of transparency in our financial reporting, and is equally stringent in our corporate governance. We apply the guidelines of the Malaysia Code of Corporate Governance, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) as well as international best practices in our operations.

As a responsible corporate citizen committed to conserving the environment, TM published our third Sustainability Report in 2011, which was accorded the Global Reporting Initiative (GRI) rating of A+.

In addition, in the Minority Shareholders Watchdog Group (MSWG) survey on the level of governance and transparency among public listed companies (PLCs) in Malaysia in 2011, TM was presented with the Distinction Award, Best CSR and Industry Excellence Award in Telecommunications and Media. Besides that, TM was the winner of the Social Performance Category in ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2011.

TM was the Runner Up for the Overall Category of CIMA Enterprise Governance Awards 2011 as well as the recipient of the Merit Award for Corporate Social Responsibility. These awards were then followed by a 3rd place 'Risk Manager of the Year 2011' in conjunction with the 'Risk Management Conference' for Group Business Assurance.



Last but not least, TM was a big winner in the prestigious NACRA 2011, winning Platinum in the Overall Excellence Awards for the Most Outstanding Annual Report of the Year, Silver in Best Corporate Social Responsibility Award, Silver in Best Annual Report in Bahasa Malaysia, Silver in Best Designed Annual Report as well as Industry Excellence Award.

DIVIDEND POLICY

We reiterate our dividend commitment through the dividend policy statement as follows:

"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."

TM CREDIT RATING

TM continues to exhibit strong fundamentals and a sound balance sheet. This is evident from the credit rating accorded by both local and international

TM EXISTING DEBTS

LOCAL CURRENCY DEBT

	TMISIS A	TMISIS B
Coupon	6.20%	4.19%
Tenure	Due 2013	Due 2018
Principal(RM)	2,000,000,000	925,000,000

Note: TMISIS is an abbreviation for TM Islamic Stapled Income Securities

	MTN 250621	MTN 130921	MTN 101221
Coupon	4.50%	4.20%	4.20%
Tenure	10 years	10 years	10 years
Yield	103.53	101.11	100.9
Price	4.05	4.06	4.09
Principal(RM)	300,000,000	300,000,000	200,000,000

Note: MTN is an abbreviation for Medium Term Note.

FOREIGN CURRENCY DEBT

	Global Bond 2014 ¹	Global Bond 2025 ¹
Coupon	5.25%	7.875%
Yield	106.96	135.8
Price	2.58	4.35
Principal(USD)	465,055,000	300,000,000

¹ Bond price as of 31 December 2011

rating agencies. The credit ratings are as follows:

- Rating Agency of Malaysia AAA
- Moody's Investors Service A3
- Standard & Poor's Rating Services (standalone credit profile of "a-") A-
- Fitch A-

We remain committed to maintaining our investment grade credit ratings and will continue with our prudent approach to financial and capital management.

INVESTOR RELATIONS

We place great emphasis on maintaining a strong relationship between the Company and its investors. To ensure that our investors are kept abreast of our

strategies, performance and key business activities, we maintain a continuous engagement with investors through a planned programme of investor relations activities.

This role is carried out by the Investor Relations unit, whose key function is to proactively disseminate relevant and timely information on TM to the investing community.

To ensure compliance with best practices, all communication with the capital market is governed by our Investor Relations Policy and Guidelines and guided by the Bursa Malaysia Corporate Disclosure Guide 2011, guaranteeing fair and timely disclosure of information to all shareholders.

Quarterly Financial Results Announcement and Briefing

TM briefs analysts and fund managers on our quarterly earnings via teleconferencing subsequent to the release of its disclosures to Bursa Securities. These sessions are chaired by the Group CEO together with the Group CFO and attended by Senior Management representing TM's key Lines of Business. The objective is to provide an avenue for clear understanding of the financial and operational performance of the Group.

Presentations on Financial Results

In an ongoing quest to improve the level of our disclosure, emphasis is placed on presentation materials used to disseminate information on TM. Presentation slides of our results are prepared in an investor-friendly manner to aid understanding of the Group's financial results and performance. These are made available promptly on the Company's website following the release of information, first to Bursa Securities. A copy of the presentation slides is also distributed by e-mail to analysts and investors who are on the Investor Relations unit's distribution list.

Investor Engagement

- **One-on-one Meetings, Conference Calls and Investor Conferences**

The Group CEO, Group CFO and Investor Relations team are actively involved in Investor Relations activities such as regular meetings and conference calls with fund managers, analysts, rating agencies and other stakeholders held in Malaysia and abroad.

In 2011, we reached out to a wider investor audience internationally by participating in non-deal roadshows and conferences in Singapore, Hong Kong, London, Edinburgh and Glasgow.

Locally, TM also participated in small group meetings as well as large group presentations organised by local research houses. Throughout the year, close to 300 meetings and conference calls with investors and analysts were conducted.

- **Investor Relations Portal**

In our efforts to enhance access of stakeholders to the Company, the Investor Relations unit maintains a portal, <http://www.tm.com.my/ap/about/investor/Pages/home.aspx>, on TM's corporate website, which serves as an excellent platform of communication and source of information for shareholders and the general public. 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.

- **Feedback**

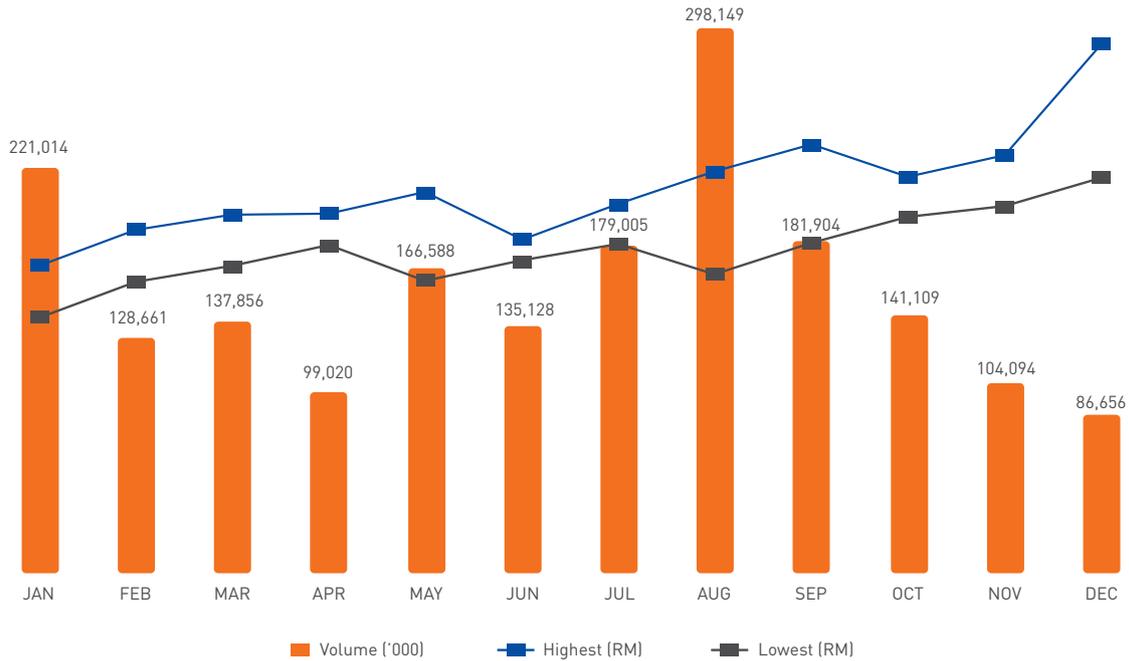
TM recognises and highly values feedback from the investing community, as it ensures that the Company is able to furnish important information as required by shareholders in a timely fashion. To further enhance our Investor Relations function, we seek constructive ideas through ongoing meetings with stakeholders as well as to provide an avenue through which they may communicate with the team at investor@tm.com.my.



We have been listed on Bursa Malaysia since 1990. In 2011, TM shares recorded a total turnover of RM7,609 million, with 1,879 million shares traded as compared to a total turnover of RM4,602 million with 1,440 million shares traded in 2010.

SHARE PRICE & VOLUME TRADED

2011 Monthly Trading Volume & Highest-Lowest Share Price

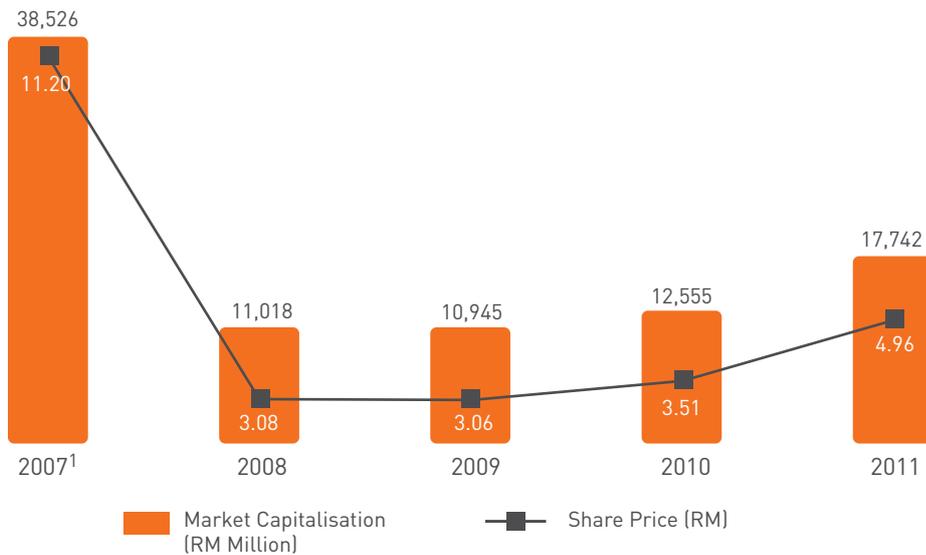


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume ('000)	221,014	128,661	137,856	99,020	166,588	135,128	179,005	298,149	181,904	141,109	104,094	86,656
Highest (RM)	3.80	4.01	4.09	4.10	4.22	3.95	4.15	4.34	4.50	4.31	4.44	5.09
Lowest (RM)	3.50	3.70	3.79	3.91	3.71	3.82	3.92	3.75	3.93	4.08	4.14	4.31

TM SHARE PRICE PERFORMANCE VS FBM KLCI 2011



MARKET CAPITALISATION/ SHARE PRICE



¹ Before demerger



FINANCIAL CALENDAR



25 FEBRUARY 2011

Announcement of the audited consolidated results, declaration of final gross dividend of 13.1 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010 and Proposed Capital Distribution to Shareholders of 29.0 sen per share (Capital Distribution).

15 APRIL 2011

Issuance of the 26th AGM and EGM Notices together with the Annual Report for the financial year ended 31 December 2010 and Circular to Shareholders.

10 MAY 2011

26th AGM and EGM of the Company.

25 MAY 2011

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2011.

26 MAY 2011

Date of entitlement to the final gross dividend of 13.1 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010 and date of entitlement for the Capital Distribution.

15 JUNE 2011

Date of payment of the final gross dividend of 13.1 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010 and Capital Distribution.

24 AUGUST 2011

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2011 and declaration of an interim single tier dividend of 9.8 sen per share for the financial year ended 31 December 2011.

12 SEPTEMBER 2011

Date of entitlement to the interim single tier dividend of 9.8 sen per share for the financial year ended 31 December 2011.

23 SEPTEMBER 2011

Date of payment of the interim single tier dividend of 9.8 sen per share for the financial year ended 31 December 2011.

24 NOVEMBER 2011

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2011.

24 FEBRUARY 2012

Announcement of the audited consolidated results, declaration of final single tier dividend of 9.8 sen per share for the financial year ended 31 December 2011 and Proposed Capital Repayment of 30.0 sen per share to Shareholders.

13 APRIL 2012

Issuance of the 27th AGM and EGM Notices together with the Annual Report for the financial year ended 31 December 2011 and Circular to Shareholders.

8 MAY 2012

27th AGM and EGM of the Company.

24 MAY 2012

Date of entitlement to the final single tier dividend of 9.8 sen per share for the financial year ended 31 December 2011.

8 JUNE 2012

Date of payment of the final single tier dividend of 9.8 sen per share for the financial year ended 31 December 2011.

CORPORATE PROFILE

- 32 Corporate Profile
- 34 Milestones Over Two Centuries
- 38 Media Milestones In 2011
- 40 2011 Corporate Events
- 44 Awards & Recognition
- 46 Past Awards
- 52 Corporate Information
- 54 Group Corporate Structure
- 55 Group Organisation Structure



PASSION is... pushing beyond your limits and achieving the impossible

CELEBRATION
AMBITION SUCCESS HIGHLIGHTS
determination LEGACY transformation
PRIDE
RECORD
victory
EXCELLENCE
CONSISTENCY
RECOGNITION
GLORY
DRIVE CHAMPION



About Us

TM is the largest integrated communications solutions provider in Malaysia, and one of Asia's leading communications companies, with a market capitalisation of RM17.7 billion and a workforce of 26,667 employees. Since signing a private public partnership with the Government to roll out high speed broadband (HSBB) in September 2008, the Company has been responsible for Malaysia having the highest HSBB subscription rate in Southeast Asia. Its implementation of the new-generation fibre network is acknowledged as being one of the fastest and most cost-efficient in the world; given the project's ambitious and comprehensive scope.

Just a year and a half since it was launched in four exchange areas in March 2010, the HSBB network has been laid in 65 residential and 14 industrial areas, having passed 1,160,000 premises. At the same time total subscription to TM's brand of HSBB, UniFi, reached 236,501 as at end 2011, representing a take-up rate of 15-20%, which far exceeds global figures. The aim is to increase subscription to 400,000 and for HSBB to pass 1.3 million premises by end 2012.

TM's foray into broadband began in 2001 with Streamyx, its offering on broadband for general population. Leveraging on Streamyx and UniFi, TM played an integral role in achieving 50.0% household broadband penetration by 2010, under the National Broadband Initiative. The Company is now further supporting the Government's vision of propelling the economy into high-income status by building a world-class ICT infrastructure, and transforming the country into a multimedia hub.

TM is also playing a major role in the development of the industry. Acknowledging Malaysians' appetite for the rich content and applications that are enabled by HSBB, TM has opened access services to its new-generation network to other service providers and is encouraging the development of a vibrant Content Service Delivery Platform in collaboration with other industry players and the Multimedia Development Corporation (MDeC). In 2011, two more leading telco players have signed up for HSBB access, bringing the total number of users to three. At the same time, TM is forging more partnerships with leading ICT providers locally and internationally such as Google, Cisco, Akamai Technologies, NTT Communications Corporation, Microsoft and MIMOS to feed growing demand for more varied and sophisticated products and services. Its aim, ultimately, is to transform its legacy to leave a legacy as it evolves into an information exchange, enabling all communication within and traversing Malaysia.



In order to achieve this next phase in its transformation journey, TM is upgrading its network, systems and products to be able to deliver an enhanced and integrated digital lifestyle. It is migrating its legacy Public Switched Telephone Network (PSTN) network into an all Internet Protocol (IP)-based core for more efficient internal connectivity. To improve its international network capacity, TM is expanding its submarine cable systems. On 30 December 2011, the Batam-Dumai-Melaka Cable System was completed, connecting Malaysia with Indonesia; and in 2012 the Company's first private cable network, Cahaya Malaysia, will be operational. Developed with NTT Communications Corporation, this cable system will link Malaysia to Singapore, Hong Kong, Japan and the Philippines.

Internally, TM is streamlining its systems and processes so as to achieve greater cost efficiencies and promote a culture of sustainability. It is collapsing the 700 systems currently employed to 70. At the same time, employees are being trained with the knowledge and skills required of a next-generation telco. TM is also reinforcing a customer-centric mindset and, in 2011, 28.0% of all training centred on uplifting TM's service delivery. To further enhance the customer experience, the Company is transforming all its TMpoints nationwide to be more customer-friendly. At the same time, technological and human resource enhancements have led to improved installation and restoration times for all services, placing TM among the top quartile of telcos in the world. Various initiatives together have led to TM achieving a customer satisfaction score of more than 70, surpassing the global telco average of 67.

The entire business model of the organisation is aligned according to TM's seven principal customer segments of Consumer, Small & Medium Enterprise (SME), Enterprise, Government, Wholesale, Global and New Media. This business structure enables greater synergies to be created between the various divisions, and allows TM to target its product and service offerings more specifically to the needs of the different niches. This includes communities in rural and remote areas, who are reached via 15 mobile TMpoint-on-Wheels (TMOW).

The Company's commitment to serving the people reflects a deep-rooted sense of corporate responsibility (CR) that underlines all its actions. TM's CR initiatives cover the four dimensions of the marketplace, workplace, community and the environment. As a former state-owned enterprise, TM continues to bridge the digital divide. It also places much emphasis on education, which has been the focus on its foundation, Yayasan TM (YTM), since this was established in 1994. To date, YTM has disbursed a total of RM444.8 million in scholarships that have benefited a total of 12,878 students. At the same time, the Multimedia University, set up 15 years ago as the country's first private university, has produced a total of 30,484 graduates. As a responsible corporate citizen, TM is also conscious of its duty to reduce its carbon footprint and takes into consideration the environmental impact of all its business decisions to ensure a sustainable future. In 2011, it launched a Carbon Management Plan and carried out a group-wide audit of carbon emissions to serve as a baseline for future activities to reduce this.

TM has evolved significantly since its establishment as the Telecommunications Department of Malaya in 1946. Its journey in recent years has been fuelled by a quest to become Malaysia's leading new generation communications provider, embracing customer needs through innovation and execution excellence.

Excellence in TM is an ongoing theme that cuts across the board, and is reflected in awards for almost every aspect of the Company's operations. In 2011, TM won Frost & Sullivan Malaysia Excellence Awards for its Broadband Service, Data Communications Service, Managed Service and Managed Security Service. It also won a Platinum award from Reader's Digest Trusted Brands Awards 2011 for Internet Broadband Service. Its human resources policies were acknowledged by the Company winning the 2nd Asia's Best Employer Brand Awards 2011; while it was also recognised for corporate governance, Corporate Social Responsibility (CSR) and quality of reporting by winning the Industry Excellence in Telecommunications & Media as well as Best CSR awards at the Malaysian Corporate Governance (MCG) Index & Awards; and the Platinum award for the Most Outstanding Annual Report of the Year at the National Annual Corporate Report Awards (NACRA) 2011.

Milestones Over Two Centuries

1800s

- 1874** The telephone makes its debut in Perak
- 1882** Perak and Penang are linked by telephone via a submarine cable
- 1891** The first telephone exchange is commissioned in Kuala Lumpur
- 1894** A submarine cable links Labuan with Singapore and Hong Kong



Our Journey

1900s

- 1900** The first magneto telephone service is introduced in Kudat, Jesselton (Kota Kinabalu) and Sandakan
- 1908** Incorporation of postal and telegraph services
- 1926** Advent of radio communications in the country
- 1946** Establishment of the Telecommunications Department in Malaya
- 1962** Introduction of Subscriber Trunk Dialling (STD) between Kuala Lumpur and Singapore via the first long-distance microwave link
- 1963**
 - Expansion of the microwave network throughout Malaysia
 - Launch of television services in Peninsular Malaysia
- 1968** The Telecommunications Department of Sabah and Sarawak merges with Peninsular Malaysia, forming the Telecommunications Department of Malaysia

- 1970** The first international standard satellite earth station is commissioned in Kuantan, marking the advent of live telecasts in Malaysia
- 1975** Establishment of the Automatic Telex Exchange
- 1979** Introduction of International Direct Dial (IDD) facilities
- 1980** Malaysia commissions its own submarine cable linking Kuantan and Kuching
- 1982** Introduction of Telefax and International Maritime Service
- 1983** Introduction of data communications
- 1984** Introduction of packet switch technology, leading to Malaysia's own public data network
- 1985**
 - Commissioning of the ATUR service using 450 analog cellular radio technology, a first in Asia
 - Introduction of the Multi Access Radio System, providing rural customers with easier access to telephone services
- 1987** Jabatan Telekom Malaysia (JTM) is corporatised, forming Syarikat Telekom Malaysia Berhad (STMB), the nation's first privatised entity
- 1988** Introduction of digital INTELSAT Business Service
- 1989** Introduction of the 800 toll-free service
- 1990**
 - Introduction of international toll-free and prepaid cardphone (Kadfon)
 - Listing of STMB on the Main Board of Bursa Malaysia Securities Berhad and introduction of the new company logo
- 1991**
 - The Company is rebranded as Telekom Malaysia
 - Introduction of Malaysia Direct, Home Country Direct
- 1992** Introduction of Video Conferencing and CENTREX
- 1993** Introduction of ISDN services
- 1996** Introduction of 1800 MHz digital TMTOUCH cellular services
- 1997** Introduction of Corporate Information Superhighway (COINS), Telekom Malaysia's state-of-the-art, high-capacity enterprise solution

2000s

- 2001**
 - Launch of BlueHyppo.com, Telekom Malaysia's lifestyle Internet portal, which records more than 290 million searches a year
 - Introduction of broadband services
 - Telekom Malaysia becomes a major partner in the launch of the state-of-the-art submarine cable Asia Pacific Cable Network 2 (APCN2)
 - Establishment of TM Net as the largest Internet Service Provider in the South-East Asian region
 - Launch of CDMA fixed wireless telephony service
- 2002** Award of the 3G spectrum to Telekom Malaysia
- 2003** Merger of Celcom and TMTOUCH, forming Malaysia's largest cellular operator
- 2004** Restructuring of TM TelCo into two Strategic Business Units (SBUs) – TM Wholesale and TM Retail
- 2005**
 - Telekom Malaysia undergoes a major rebranding exercise and TM is adopted as the new brand
 - Launch of 3G Services – first in Malaysia
 - Acquisition of 27.3% interest in PT Excelcomindo Pratama Tbk of Indonesia
- 2006**
 - TM forges strategic partnership with Vodafone, becoming a Vodafone Partner Network with a global reach of an estimated 179 million mobile customers worldwide
 - TM implements the second phase of its restructuring exercise, organising the Group's business into Malaysia Business, Celcom, TM International and TM Ventures
 - XL, TM's Indonesian subsidiary, secures a 3G licence while Dialog, TM's subsidiary in Sri Lanka, launches South Asia's first 3G service
 - Acquisition of the remaining 49.0% in Telekom Malaysia International (Cambodia) Company Limited (formerly known as Cambodia Samart Communications Ltd), Cambodia and 49.0% interest in Spice Communications Private Limited, India

Milestones Over Two Centuries

- TM initiates a consortium to develop an undersea cable system, Asia-America Gateway (AAG), linking South-East Asia and USA
- 2007**
 - TM becomes the first Malaysian company to be named Service Provider of the Year at 2007 Frost & Sullivan Asia Pacific ICT Awards
 - The first commemorative book titled Transforming a Legacy, is launched by Dato' Seri Abdullah Hj Ahmad Badawi, Prime Minister of Malaysia
 - Divestment of TM's Payphone business to Pernec Corporation Berhad
 - TM's affiliate in India, Spice Communications Limited, commences trading on the Bombay Stock Exchange and receives the National and International Long Distance licences
 - TM Group undertakes a Demerger exercise resulting in two distinct entities – TM and TM International (TMI)
- 2008**
 - TM Group is officially demerged in April and TMI listed as a separate entity on Bursa Securities
 - IRDA and TM sign an MOU for TM to be the preferred Telecommunications Provider for the Iskandar Malaysia region
 - TM privatises VADS as part of its strategic growth plan
 - TM bags three awards at 2008 Frost & Sullivan Malaysia Telecom Awards including The Alternative Voice Service Provider of The Year for the first time
 - TM signs a Public-Private Partnership (PPP) agreement with the Government to roll out the High Speed Broadband (HSBB) project
 - TM grabs five NACRA 2008 awards, including the Gold Award for Overall Excellence, Silver for Corporate Social Responsibility and Best Designed Annual Report
 - TM and Verizon collaborate to develop and improve Local IP capabilities
- 2009**
 - TM discloses Indicative Terms & Conditions for HSBB (Wholesale) service
 - TM wins three awards at the 2009 Frost & Sullivan Malaysia Telecom Awards, including Broadband Service Provider of the Year for the fifth year
- MMU makes the Top 200 Asian Universities in QS.com Asia Universities Rankings 2009
- TM signs Wi-Net on as its first HSBB (Wholesale) customer
- TM joins a new submarine cable consortium to develop the Asia Pacific Gateway (APG)
- TM's core network infrastructure is upgraded to Next-Generation-Network (NGN) technology
- TM commences physical work for HSBB access infrastructure
- AAG, a new undersea cable linking South-East Asia to USA, starts commercial traffic
- TM wins four awards at NACRA 2009, including Gold for Overall Excellence, Corporate Social Responsibility and Best Annual Report in Bahasa Malaysia
- 2010**
 - TMpoint-On-Wheels (TMOW) is launched for added convenience of customers in under-served areas
 - TM signs a pact with Manchester United to be the Official Integrated Telecommunications Partner of the English football club in Malaysia
 - 20 content partners join hands with TM to provide a diverse mix of content for TM's IPTV service
 - TM delivers its promise of launching the next generation High Speed Broadband (HSBB) service with the brand name UniFi
 - The inaugural TM Earth Camp for school children, organised in collaboration with the Malaysian Nature Society (MNS), is held
 - TM is conferred the Anugerah Majikan Prihatin from the Ministry of Human Resources for the first time, in conjunction with the 2010 Labour Day celebration
 - HyppTV, TM's IPTV service, offers UniFi customers linear, premium and VoD titles
 - TM wins the First Runner Up Overall award at the Malaysian Business – CIMA Enterprise Governance Awards 2010
 - TM signs Maxis on as the first service provider to subscribe to TM's HSBB (Access) service





- Deployment of TM's HSBB service, UniFi, reaches more than 750,000 premises passed and 48 coverage areas
- TM wins five awards at NACRA 2010, including Golds for Overall Excellence and Best Design and Platinum for Corporate Social Responsibility
- 2011**
 - TM collaborates with NTT to establish a new submarine cable system, Cahaya Malaysia, connecting Malaysia to Hong Kong and Japan
 - TM records profit of RM1,206.5 million in 2010, an increase of 87.6% from the previous year and meets all three Headline KPIs
 - Menara Kuala Lumpur Sdn Bhd signs a 10-year concession agreement with the Government of Malaysia for the operation, management and maintenance of Menara Kuala Lumpur
 - UniFi celebrates its first anniversary
 - TM clinches four awards at the 2010 Frost & Sullivan Malaysia Telecoms Awards – Broadband Service Provider of the Year, Data Communications Service Provider of the Year, Managed Service Provider of the Year and Managed Security Service Provider of the Year
 - TM galvanises the nation's sports spirit with the launch of Team Malaysia
 - TM offers the first Managed Telepresence services in Malaysia in collaboration with Cisco
 - UniFi's 100,000th customer receives a trip of a lifetime to Wembley Stadium, London, to watch Manchester United FC's Champions League match
 - As part of its environment conservation activities, TM plants 200 trees at Zoo Negara and adopts two Malayan tapirs
 - VADS becomes the country's first cloud provider by partnering with MIMOS to offer cloud computing services
 - TM further entrenches its support for national football by becoming the official partner of the national football team
 - TM signs a partnership with NAZA TTDI to install HSBB in the first UniFi township project in the Central region
- UniFi reaches Melaka and Kedah, ahead of schedule
- TM partners with Google to offer Google AdWords to SMEs in Malaysia
- TM introduces its geomatic application – TM SmartMap
- TM inks HSBB Wholesale service agreements with Celcom Axiata Berhad and Packet One Networks Sdn Bhd
- TM establishes a strategic partnership with Akamai to host Akamai's NetStorage on TM's network
- Launch of *Gemuruh Suara* song and music video, as part of Team Malaysia's campaign, ignites the passion of sports fans
- TM launches its point-based loyalty programme, TM Rewards
- TM signs its second HSBB service agreement with Dynasty View Sdn Bhd to install HSBB in a new phase of the Seri Austin residential development in Johor Bahru
- TM takes home top honours at NACRA 2011 with the Overall Excellence Platinum Award for its Annual Report
- TM is honoured as the ICT Organisation of the Year and also wins the ICT Personality of the Year at PIKOM's 25th Anniversary Gala Dinner and ICT Leadership Awards 2011
- TM signs a deal with GJH Avenue Sdn Bhd to install HSBB in Phases 1 and 2 of Taman Paya Rumput Perdana, making these the first UniFi-equipped townships in Melaka
- TM clinched the Best Wholesale Ethernet Service APAC 2011 award by Metro Ethernet Forum (MEF) at the Carrier Ethernet Service Provider Awards APAC 2011 in Singapore
- TM adds Office 365 to its suite of world-class ICT solutions through a partnership with Microsoft
- The Batam-Dumai-Melaka (BDM) submarine cable system goes live, ready to carry commercial data traffic

Media Milestones in 2011

COVER STORY

'We are now becoming an information exchange'

By Nadia S. Ibrahim

The telecommunications industry has recently seen a long list of mergers and acquisitions. The latest in this list is the acquisition of Telekom Malaysia by the Singaporean firm Singtel. This move is expected to create a new information exchange between the two countries.



Puan Chin Cheong, CEO of Telekom Malaysia, speaking at a press conference.

2012 will be TM's year as HSBB gains traction

By Aishah Mustapha

This may not be the year that Telekom Malaysia Bhd (TM) shines as it will heavily concentrate on the high-speed broadband (HSBB) network that it is rolling out. However, with its HSBB capital expenditure tapering off and its other businesses booming, the telco is expected to come out strong next year.

According to group CEO Dato Seri Zaini Mustafa, TM's global business is targeted to make up to 10% of its revenue within two to three years. The worldwide division, which includes HSBB leasing, is expected to account for 12% to 15% of revenue, up from 8% to 10% in 2011. An industry player says TM will also see soft competition in the relatively open market for HSBB services.

VADS partners Cisco in telepresence service

By Anandharaj

TELEKOM MALAYSIA BHD (TM) has entered into a partnership with Cisco to provide telepresence services. This move is expected to enhance the quality of video conferencing for businesses.

The telco will launch the service in the second half of 2011. The partnership will allow businesses to conduct meetings and conferences more efficiently and cost-effectively.



Representative of VADS or Cisco discussing the telepresence service.

Ring up more growth

TM upbeat despite challenging period



Puan Chin Cheong, CEO of Telekom Malaysia, speaking at a press conference.

Reversal of fortunes

Telekom Malaysia, under group CEO Dato Seri Zaini Mustafa, has transformed from a loss-making company to a profit-making one.



TM undergoes cosmetic and customer-centric changes

By Anandharaj

STARBUCKS held a question and answer session with Telekom Malaysia Bhd group chief executive officer Dato Seri Zaini Mustafa. The session was held to address customer concerns and provide updates on the company's performance.

The session was held at the Telekom Malaysia Bhd headquarters. Dato Seri Zaini Mustafa provided insights into the company's strategic vision and the challenges it faces in the competitive market.

Evolving with the times

Telekom Malaysia Bhd (TM) is evolving with the times by embracing digital technologies and providing innovative services to its customers.

Akamai to host NetStorage on TM network

TELEKOM MALAYSIA BHD (TM) has announced that it will host Akamai's NetStorage service on its network. This move is expected to improve the performance and reliability of Akamai's cloud storage services.



Executives from Akamai and Telekom Malaysia Bhd discussing the NetStorage partnership.

More channels for Unifi subscribers

TELEKOM MALAYSIA BHD (TM) has announced that it will offer more premium channels to its Unifi TV subscribers. This move is expected to enhance the viewing experience for Unifi TV users.

The new premium channels, which can be purchased by Unifi TV subscribers separately, are Al Jazeera, MTV HD, National Geographic Adventure HD, National Geographic Music, Syfy HD, V5 Music, and E! HD. These channels will be available to Unifi TV subscribers in the Klang Valley region.



TM executives at an awards ceremony, receiving recognition for their services.

TM clinches four awards at Frost & Sullivan Malaysia event

KUALA LUMPUR: Telekom Malaysia Bhd (TM) has clinched four of a total 36 awards presented at the 2011 Frost & Sullivan Malaysia Excellence Awards on Wednesday.

The awards were presented to TM for its achievements in various categories, including Broadband Service Provider of the Year, Data Communications Service Provider of the Year, Managed Service Provider of the Year, and Managed Security Service Provider of the Year.

TM and TTDI Land seal broadband deal

TELEKOM MALAYSIA BHD (TM) has announced that it has sealed a broadband deal with TTDI Land. This deal is expected to provide high-speed broadband services to the TTDI Land development.

The deal involves the provision of high-speed broadband services to the TTDI Land development. This move is expected to enhance the connectivity and quality of life for residents in the area.



Image of a telecommunications facility or office, related to the broadband deal.



connect
communicate
collaborate



TM's online marketing tool for SME customers

By EVA YEONG
evay@berita.com.my

KUALA LUMPUR: Telekom Malaysia Bhd (TM) has unveiled a strategic collaboration with Google AdWords, an online marketing tool for its SME customers, to enhance its product offerings for these enterprises.

TM executive vice-president of SME, SME & IBS said the collaboration was aimed at enhancing and expanding its online SME customers to the tools they can use to market their products and services, as well as to create content locally.

He said TM has signed three similar collaborations with local players, in the pipeline to provide more services for the SME customers who currently contribute about 2% to its group revenue.

Google AdWords allows businesses to create and run ads quickly and with ease on Google sites as well as on its partner websites, using a pay-per-click model whereby advertisers only pay when ads are clicked.

Google Malaysia has also signed a similar agreement with Telekom Malaysia to increase its SME advertising reach.

"This collaboration will significantly increase our SME advertising reach."

Through the collaboration, TM is offering Google AdWords marketing campaign to its SME customers in Malaysia which can be used to start an online marketing campaign to promote their products and services locally and internationally.

The program, jointly between TM and Google, will be given free for selected SME customers as a reward for their loyalty, with priority to the chosen TM's subscribers and plans. TM is a best subscriber.

TM SME customers who currently contribute about 2% to its group revenue.

Google AdWords allows businesses to create and run ads

RM100k gold incentive

Paid trip to Wembley

TM's gesture a show of appreciation to loyal customers



Majlis Menandatangani Perjanjian & Pelancaran TEAM MALAYSIA
28 April 2011

The customer, MY Telekom Malaysia, an employee of the an... (text partially obscured)

The customer, MY Telekom Malaysia, an employee of the an... (text partially obscured)

A show of appreciation for the support from its strong customer base, Telekom Malaysia Bhd (TM) will be sending an RM100,000 (RM) customer for a trip of a lifetime to watch Manchester United FC's match against FC Barcelona in the Champions League final at the Wembley Stadium in London tomorrow.

The customer, MY Telekom Malaysia, an employee of the an... (text partially obscured)



Customer receiving gift certificate for a trip to Wembley.

"Being the first and premier high-speed broadband (HBB) service provider in Malaysia has been an extremely challenging and rewarding experience for TM as a company."

"The response to UniFi has been extremely positive, which has led to the stellar take-up numbers that surpassed our most optimistic and expectations."

"The service has proven to be a huge success since its launch on March 24 last year. In date, the number of active UniFi customers nationwide has exceeded 100,000, with the service being used in... and many more."

"We will continue to work hard to bring with us from the beginning and ensuring to deliver professional and exceptional digital lifestyle to their homes. We will always strive to ensure that we continue to give them the best HBB service there is out there," said TM.

He said this was one of the many activities undertaken by TM made possible through its partnership with MCA as a telecommunications partner.

As a gesture of appreciation for the support from its strong customer base, TM is planning about opening up unique possibilities for our customers for them to witness the things in life that they are passionate about, be it through education, building and long-term relationship with our customers," added TM.

Having achieved this milestone so quickly, and with its bid to start its target of 1.3 million premises joined by the end of 2012, TM expects the number of customers signing up for UniFi to increase.

TM sponsors national football team

TELEKOM Malaysia Bhd (TM) has unveiled today to sponsor the national football team for four years beginning 2012.

TM chairman Datuk Dr Hisham Shafiq said the sponsorship, to run until June 30, 2015, gives TM the rights to display its logo on the jersey, captain sports merchandise, equipment and official areas of the national team.

"Under this sponsorship, we will work with the Football Association of Malaysia (FAM) to promote the national team and all the development and management of the national team," said Hisham. "The deal is expected to be the best of the national players to work in sports."

Hisham said TM would work closely with FAM to promote the national team and all the development and management of the national team, "and make it a highly successful action."

"This collaboration is also meant to give everyone through sports, the ability to see everyone through sports."

TM group chief executive officer Datuk Seri



TM officials presenting a trophy to the national football team.

SCHOOLS LEARNING CURVE

A high performing school becomes a model learning institution, thanks to its optimum use of information and communications technology, writes SHARIF AHMAD



A cut above the rest

TELEKOM Malaysia Bhd (TM) has unveiled today to sponsor the national football team for four years beginning 2012.

TM chairman Datuk Dr Hisham Shafiq said the sponsorship, to run until June 30, 2015, gives TM the rights to display its logo on the jersey, captain sports merchandise, equipment and official areas of the national team.

"Under this sponsorship, we will work with the Football Association of Malaysia (FAM) to promote the national team and all the development and management of the national team," said Hisham. "The deal is expected to be the best of the national players to work in sports."

Hisham said TM would work closely with FAM to promote the national team and all the development and management of the national team, "and make it a highly successful action."

"This collaboration is also meant to give everyone through sports, the ability to see everyone through sports."

TM group chief executive officer Datuk Seri

RM1.42b payout for TM shareholders

P1 and TM sign broadband deal

By JOHN LIM
johnlim@rajaweb.com.my

KUALA LUMPUR: Packet One Networks' Sub 60 (P1) has signed an agreement with Telekom Malaysia communication company's high-speed broadband (HBB) network as a product offering that is planned to roll out in the first quarter next year.

The agreement, which is for the provision of Sub60 services and access services, will give P1 access to 1.3 million homes covered by the HBB.

100,000 available to over 1,000,000 premises and TM has set a target of extending this to 1.3 million by mid-2012.

TM group chief executive officer Datuk Seri Hisham Shafiq said the deal is a landmark for the group's new offering, UniFi, that reached over 170,000 subscriptions.

He also said TM's foreign expansion had increased to 175 from 100 in 2010. "This reflects our confidence in our business and the positive take-up of UniFi," he said.

Meanwhile, P1 chief executive

TELEKOM Malaysia Bhd (TM) has unveiled today to sponsor the national football team for four years beginning 2012.

TM chairman Datuk Dr Hisham Shafiq said the sponsorship, to run until June 30, 2015, gives TM the rights to display its logo on the jersey, captain sports merchandise, equipment and official areas of the national team.

"Under this sponsorship, we will work with the Football Association of Malaysia (FAM) to promote the national team and all the development and management of the national team," said Hisham. "The deal is expected to be the best of the national players to work in sports."

Hisham said TM would work closely with FAM to promote the national team and all the development and management of the national team, "and make it a highly successful action."

"This collaboration is also meant to give everyone through sports, the ability to see everyone through sports."

TM group chief executive officer Datuk Seri

TM wins Nacra challenge trophy

KUALA LUMPUR: Telekom Malaysia Bhd (TM) has again won the Challenge Trophy for the Platinum Award of the Most Outstanding Annual Report of the Year at the National Annual Corporate Report Awards (Nacra) 2011. TM bagged the same award in 2006.

Y.B. DATU' SRI ISMAIL SABRI BIN YAKOUB
Minister of Domestic Trade, Co-operatives and Consumerism
15 November 2011



TM receiving the Nacra challenge trophy.

UniFi now available in Melaka

MELAKA: The UniFi high speed broadband service by Telekom Malaysia Bhd (TM) is now available in Melaka.

TM Chairman Hisham Shafiq said the service, which is a high-speed broadband service, is available to 1.3 million premises in 11 housing areas.

UniFi now available in Melaka

MELAKA: The UniFi high speed broadband service by Telekom Malaysia Bhd (TM) is now available in Melaka.

TM Chairman Hisham Shafiq said the service, which is a high-speed broadband service, is available to 1.3 million premises in 11 housing areas.

UniFi now available in Melaka

MELAKA: The UniFi high speed broadband service by Telekom Malaysia Bhd (TM) is now available in Melaka.

TM Chairman Hisham Shafiq said the service, which is a high-speed broadband service, is available to 1.3 million premises in 11 housing areas.

2011 Corporate Events



31 January



22 February



14 March



26 April



11 February



28 February

17 JANUARY

TM Supports 16th Le Tour de Langkawi

TM Chief Marketing Officer Dato' Rozalila Abdul Rahman announced TM's involvement in the 16th edition of Le Tour de Langkawi (LTDL) as the event's telecommunications provider and presented a cheque to LTDL 2011 CEO, Mohd Salleh.

31 JANUARY

TM and NTT Com Collaborate on Cable System

TM announced its collaboration with NTT Communications Corporation (NTT Com) to build a new submarine international cable system, Cahaya Malaysia, which will connect Malaysia to Hong Kong and Japan.

11 FEBRUARY

Enhancing International Capacity

TM signed an agreement with PL Axiata Tbk and PT Mora Shobana Indonesia to build a high-speed submarine Batam-Dumai-Melaka Cable System (BDM) which will link Malaysia and Indonesia.

22 FEBRUARY

Agreement with Celcom Axiata

TM and Celcom Axiata Berhad signed a Memorandum of Understanding (MoU) to provide multi-access, multi-media, fixed and mobile-focused service to all users in Malaysia. The event was attended by Deputy Minister of Information, Communication and Culture (MICC) Dato' Joseph Salang, TM Group CEO Dato' Sri Zamzamairani Mohd Isa and Celcom CEO Dato' Sri Shazalli Ramly.

26-27 FEBRUARY

Promoting Rugby

TM announced its participation as the premier sponsor for the NJ Ryan Trophy rugby tournament hosted by Malay College Kuala Kangsar (MCKK). The tournament attracted teams from 22 local schools and one Thai school.

28 FEBRUARY

Supporting a Healthy Lifestyle

TM announced its participation as the main sponsor and official telecommunications provider of *Siri Jelajah 1Malaysia*, the oldest bicycle race in Malaysia.

14 MARCH

Launch of DBKL*Net

TM launched a network infrastructure for the Kuala Lumpur Town Hall (DBKL), DBKL*Net, which will allow DBKL departments and branch offices to share information. The launch was attended by Kuala Lumpur City Mayor Datuk Seri Ahmad Fuad Ismail and Executive Vice President of TM Government Dato' Kairul Annuar Mohamed Zamzam.

14 MARCH

Menara KL Signs Concession with Government

TM's subsidiary Menara Kuala Lumpur (MKL) Sdn Bhd signed a 10-year concession agreement with the Ministry of Information, Communications and Culture (MICC) to run, manage, plan and maintain MKL and MKL premises in accordance with building maintenance standards.

26 APRIL

Collaboration with Sony

TM signed a Memorandum of Understanding (MoU) with Sony (Malaysia) Sdn Bhd to expand and further enrich the strategic collaboration between the two premier brands.



28 April



10 May



23 May



6 May



15 May



28 May

15 MAY

Aid to Single Mother

Under its CSR initiative, Program Sejahtera, Group Corporate Communications with the support of TM staff in Pahang and residents of Kampung Chempaka, Lanchang, Pahang spruced up the home of Puan Nilam Sari Jaafar, one of three single mothers the Company has adopted. The volunteers painted a newly built cooking shed, planted decorative trees and cooked breakfast and lunch for the entire team.

23 MAY

VADS Signs Agreement with Cisco

VADS Berhad (VADS) and Cisco sealed a collaborative agreement to provide telepresence service management to the public and private sectors in Malaysia and the Asian region.

28 MAY

TM rewards 100,000th UniFi customer

In a show of appreciation for its customers' support, TM flew the 100,000th UniFi customer to watch the final League Championship match between Manchester United and Barcelona at Wembley Stadium in London.

28 APRIL

TM launches Team Malaysia

TM, in collaboration with the National Sports Council (MSN) and Olympic Council of Malaysia (MOM), launched the first national sports campaign, Team Malaysia, which aims to rally support for all national athletes. The agreement gives TM exclusive rights to the Panthera jersey and Olympic ring which will be used throughout the campaign, together with rights to market, promote and sell merchandise as well as to produce and distribute merchandise bearing the MSN and MOM logos.

6 MAY

TM Signs Integrity Pact

TM signed a Memorandum of Understanding with the Malaysian Institute of Integrity (MII), pledging to plan, execute, monitor and evaluate the

underlined principles of the National Integrity Plan in the Company, with the collaboration of MII. The MoU was signed by MII President Datuk Dr Mohd Tap Salleh and TM Chairman Datuk Dr Halim Shafie, in the presence of Deputy Prime Minister Tan Sri Dato' Haji Muhyiddin Mohd Yassin.

10 MAY

Shareholders Approve Capital Distribution

TM Chairman Datuk Dr Halim Shafie announced shareholders' approval of all the resolutions presented during the 26th AGM and EGM, including the suggested final gross dividend and capital distribution to shareholders.

1 JUNE**Contemporary TV Channel in Malaysia**

TM collaborated with Media Prima to launch a contemporary TV channel, EMAS, at Sri Pentas. The event was attended by TV personalities from the 1980s and 1990s such as Wan Zaleha Radzi, Nurfarahin Jamsari and Dato' Mahadzir Lokman, while Siti Musliha made a special appearance.

1 JUNE**TM Adopts School for Visually Impaired**

Under the PINTAR programme, TM adopted Sekolah Rendah Pendidikan Khas Pekan Tuaran (SRPKPT) as its first adopted school in Sabah, as well as its first special education school. The school is for blind and visually impaired students.

3 JUNE**TM Sells All Equity in Telekom Smart School**

TM, through its wholly-owned subsidiary Telekom Multi-Media Sdn Bhd, sealed an agreement to transfer all its equity in Telekom Smart School to Digital Technologies Sdn Bhd.

27-30 JUNE**IT and Web Design Programme for Teachers**

As part of its CSR initiatives, Group Corporate Communications in collaboration with TM Training Centre Kuala Lumpur held an IT and Web Design Programme for teachers from TM's adopted schools.

1 JULY**VADS the First Cloud Service Provider**

TM subsidiary VADS Berhad (VADS) signed a technology collaboration agreement with MIMOS to build a platform for VADS' Cloud Computing service, a first for the country.

21 JULY**TM launches Skim Latihan 1Malaysia**

TM launched its latest initiative to enhance the employment potential of Malaysian graduates through Skim Latihan 1Malaysia TM Graduate Employability Outreach Programme, or SL1M TM GEOP.

25 JULY**New Home for VADS**

PT VADS Indonesia, a wholly-owned subsidiary of VADS Berhad (VADS), moved to its own building, Puri VADS, in Melia, Jakarta. TM Group CEO Dato' Sri Zamzamairani Mohd Isa officially launched the building, witnessed by customers and staff of PT VADS and a few members of TM Management.

28 JULY**UniFi Goes to Melaka**

TM's HSBB service, UniFi, was launched in Melaka earlier than scheduled, by Melaka Chief Minister Datuk Seri Haji Mohd Ali Mohd Rustam, and witnessed by Deputy Minister of Information,

Communications and Culture (MICC) Senator Datuk Maglin Dennis D'Cruz, TM Chairman, Datuk Dr Halim Shafie and Group Chief Financial Officer Datuk Bazlan Osman.

29 JULY**IT&NT Completes First Legacy Platform Migration**

Transmission Network, IT&NT, hosted a closing ceremony in Menara TM to mark the full migration from MLCN to DDN, and completion of AIN and 4 Soft Switch Class. This was the first legacy network migration to be fully completed.





22 August



11 October



1 November



27 September



14 October



29 November

3 AUGUST

TM Collaborates with Google

TM sealed a strategic partnership with Google to offer an online marketing tool - Google AdWords - to SME customers.

22 AUGUST

TM Continues to Support Ops Sikap

TM once again joined forces with the Royal Malaysia Police in the annual road safety campaign held in conjunction with the festive season. The theme this year was *Arriving Safely at Your Destination*.

17-18 SEPTEMBER

Everyone Connects with WFFC

TM Everyone Connects presented the World Freestyle Football Championships (WFFC) at Sunway Pyramid Shopping Centre when Malaysia hosted the new world championship series in an effort to attract sportsmen interested in freestyle football.

27 SEPTEMBER

Introducing TM SmartMap

TM launched a first-of-its kind web-based SmartMap to the SME market. SmartMap

merges TM's digital map with important business data to enable users to perform geo-spatial analysis to support their business decision-making.

11 OCTOBER

VADS chosen as PosLaju ODP partner

TM was awarded a three-year contract by Pos Malaysia Berhad to provide a customer service centre for PosLaju ODP. TM will provide the communications infrastructure for this contact centre while VADS Berhad (VADS) will manage its operations, from equipping the centre with the right technology to recruiting and training the staff.

14 OCTOBER

TM provides HSBB infrastructure to P1

TM and Packet One Networks (Malaysia) Sdn Bhd (P1) teamed up in an effort to expedite the HSBB service to all Malaysians.

1 NOVEMBER

TM to Host Akamai's Netstorage

TM signed a strategic collaboration with leading platform provider Akamai to host Akamai's Netstorage on its network.

20 NOVEMBER

UniFi Goes to Kedah

TM launched UniFi in Kedah earlier than scheduled, in an event officiated by State Government Exco Dato' Ir Haji Amiruddin Hamzah and witnessed by State General Manager of TM Kedah & Perlis Puan Pauziah Taib.

26 NOVEMBER

RM10 Million for Human Capital Development

TM pledged RM10 million for programmes to be coordinated by TM Foundation over the next five years.

29 NOVEMBER

TM Launches School and CR Websites

TM launched websites for five of its PINTAR adopted schools as well as a revamped Corporate Responsibility site on its www.tm.com.my corporate website. It also gave out presents to the winners of a school website design competition held among its PINTAR adopted schools.

Awards & Recognition

11 JANUARY

The BrandLaureate Top Ten Masters Awards 2011

- SMEs' Most Preferred Brand in the Media category – won by TMIM's Yellow Pages

17-19 FEBRUARY

Malaysia Technology Expo 2011

TM R&D won the following Invention & Innovation Awards:

- Gold award for RFID Portracs
- Silver awards for EC0s and RFID Smart Fridge

25 FEBRUARY

PC.Com 11th Product Awards

- Best Fixed Broadband

23 MARCH

The BrandLaureate Country Branding Awards 2010-2011

- won by Menara Kuala Lumpur

24 MARCH

NEF-Awani ICT Awards

- Favourite Telecommunications Company 2010

24 MARCH

Ministry of International Trade and Industry's Industry Excellence Award 2010

- Brand Excellence for Multimedia University

13 APRIL

Frost & Sullivan Malaysia Excellence Awards

- Broadband Service Provider of the Year
- Data Communications Service Provider of the Year
- Managed Service Provider of the Year
- Managed Security Service Provider of the Year – VADS Berhad

7 MAY

Labour Day Celebrations 2011

- Outstanding Employee (Executive)
- Outstanding Employee (Non-Executive)
- Best Slogan

NACRA AWARDS 2011

- Most Outstanding Annual Report of the Year – Platinum Award
- Industry Excellence Award – Trading & Services
- Best Corporate Social Responsibility Award – Silver Award
- Best Designed Annual Report – Silver Award
- Best Annual Report in Bahasa Malaysia – Silver Award



Achievements

20 MAY

Arcstar Quality Award From NTT Communication

- Best Quality Improvement 2010

1 JUNE

Reader's Digest Trusted Brands Awards 2011

- Platinum Award – Internet Broadband Service
- Gold Award – Phone Service

21 JUNE

Kuala Lumpur Mayor's Tourism Awards 2011

- Outstanding Achievement in Tourist Attraction – won by Menara Kuala Lumpur

4 JULY

SOCSO's Return to Work Platinum Award – won by VADS Berhad

22 JULY

The BrandLaureate Top Ten Masters Awards 2011

- Asia's Best Employer Brand Award 2011
- Asia's Best Brand Award 2011

14 SEPTEMBER

Malaysia 1000's Industry Excellence Award for Computer Products – won by VADS Berhad

27 SEPTEMBER

CIMA Enterprise Governance Awards 2011

- Second Runner-Up in the Overall Category
- Merit Award for Corporate Social Responsibility

27 SEPTEMBER

Fly the *Jalur Gemilang* Competition by Kuala Lumpur City Hall (DBKL)

- Third place in Private Business Complex / Building (including Hotels and Banks) category – won by Menara TM

4 OCTOBER

ACCA Malaysia Sustainability Reporting Awards – Reporting on Social Performance

4 OCTOBER

Most Innovative SAP Business for Supplier Relationship Management

19 OCTOBER

Risk Management Conference

- Third place in Risk Manager of the Year 2011 – won by Group Business Assurance

26 OCTOBER

1st MEF Certified Service Provider in Malaysia

17 NOVEMBER

Wilayah Persekutuan Kuala Lumpur 2011 Most Beautiful Premises Competition – Second place won by Menara TM

18 NOVEMBER

PIKOM 25th Anniversary Gala Dinner & ICT Leadership Awards 2011

- ICT Organisation Excellence Award
- ICT Personality of the Year – Dato' Sri Zamzamairani Mohd Isa, Group CEO

23 NOVEMBER

IMM Malaysian Women Marketeer Award 2011 – won by Rozalila Abd Rahman, Chief Marketing Officer

1 DECEMBER

Best Wholesale Ethernet Service APAC 2011

7 DECEMBER

Malaysian Corporate Governance (MCG) Index Awards

- Industry Excellence in Telecommunications & Media
- Best CSR
- Distinction (A+)



2010

ANUGERAH PELANCONGAN KEBANGSAAN MALAYSIA 2008-2009

- Tarikan Pelancongan Terbaik – Tarikan Berinovasi (Buatan Malaysia)

PC.COM AWARD

- Best Fixed Broadband

12TH ANNUAL CHINESE NEW YEAR (CNY) GREETING ADVERTISEMENT AWARDS

- Grand Prize

STARBIZ-ICR MALAYSIA CORPORATE RESPONSIBILITY (CR) AWARDS 2009

- Community Category

PRIME MINISTER'S CSR AWARDS 2009

- Best Workplace Practices Category

PUTRA BRAND AWARDS

- Best Communication Network

BRANDLAUREATE TOP 10 MASTERBRAND AWARDS 2009-2010

- Communications Category
- BrandLaureate Product Branding – Media: Digital Directory (Yellow Pages)

READER'S DIGEST TRUSTED BRAND 2010

- Streamyx – Platinum

LABOUR DAY CELEBRATIONS 2010

- Anugerah Majikan Prihatin

2010 FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

- Data Communications Service Provider of the Year

INTERNATIONAL INVENTION, INNOVATION AND TECHNOLOGY EXHIBITION (ITEX)

- Most Innovative Products Award
- Three Gold Awards
- Two Silver Awards
- Six Bronze Awards

MALAYSIAN MEDIA AWARDS

- Advertiser of the Year
- Three Gold Awards
- Two Silver Awards
- Two Bronze Awards

ASIA HRD CONGRESS

- Award for Company's Human Capital Development programmes

2010 TOP RANKING PERFORMERS AWARDS APAC REGION FINAL

- Highly Commended Award
- Gold Award
- Silver Award

10TH MALAYSIA HR AWARDS 2010 – HR EXCELLENCE – GOLD AWARD

SHARE GUIDE ASSOCIATION MALAYSIA (SGAM) 21ST ANNUAL CONFERENCE AND ICT AWARDS

- Unified Communications Excellence

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS 2010

- 1st Runner Up Overall

COMPUTERWORLD READER'S CHOICE AWARDS

- Managed Connectivity Services Provider

IT INSPIRATION AWARDS

- CIO of the Year
- CIO of the CIOs

PRIME MINISTER'S CSR AWARD 2010

- Best Workplace Practices
- Honourable Mention in the Environment Category

MALAM PENGHARGAAN JALUR LEBAR 1MALAYSIA

- Pakej Jalur Lebar Terbaik
- Penglibatan Paling Aktif dalam Kembara Jalur Lebar

MALAYSIAN CORPORATE GOVERNANCE INDEX AWARDS 2010

- Industry Excellence
- Best Conduct of Annual General Meeting
- Corporate Governance

NATIONAL ANNUAL CORPORATE REPORT AWARDS (INACRA) 2010

- Most Outstanding Report of the Year – Gold Award
- Industry Excellence – Trading & Services
- Best Corporate Social Responsibility – Platinum Award
- Best Designed Annual Report – Gold Award
- Best Annual Report in Bahasa Malaysia – Silver Award

2009

THE BRANDLAUREATE AWARDS 2008-2009

- Best Brands

HEWITT BEST EMPLOYERS

- 10 Best Employers in Malaysia 2009

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

- Data Communications Service Provider of the Year
- Broadband Service Provider of the Year

READER'S DIGEST AWARD

- Trusted Brand – Platinum

MALAYSIAN ASSOCIATION OF RISK AND INSURANCE MANAGEMENT (MARIM) AWARD

- Risk Management Award of Excellence



ABU ASIA-PACIFIC ROBOT CONTEST 2009 TOKYO – TOYOTA AWARD

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS

- 1st Runner Up Overall
- 1st Runner Up CSR Category

CONTACTCENTERWORLD.COM AWARD

- Best Contact Center (250 + Agents)

CISCO AWARD

- Managed Services Partner of the Year (Revenue)

INTERNATIONAL BUSINESS REVIEW AWARDS

- Excellence in the Telecommunications Sector

ANUGERAH PELANCONGAN LIBUR

- The Best Monument Award

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2009

- Industry Excellence – Trading & Services
- Most Outstanding Annual Report of the Year – Gold
- Overall Excellence – Gold
- Best Corporate Responsibility – Gold
- Best Annual Report in Bahasa Malaysia – Gold

MALAYSIAN CORPORATE GOVERNANCE INDEX AWARDS 2009

- Distinction
- Best AGM Conducted in 2009

STARBIZ-ICRM CR AWARDS 2009

- Community Category

2008

STRATEGIC PARTNERSHIP & ENTREPRENEURSHIP DEVELOPMENT FOR ICMC BUSINESS AWARD

- Fixed Telephone Line Category

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

- 2008 Broadband Service Provider of the Year Award
- 2008 Alternative Service Provider of the Year Award

MSC MALAYSIA 'CYBERCENTRE'

- Menara TM was awarded MSC Malaysia 'Cybercentre' status

MALAM ANUGERAH CEMERLANG KESELAMATAN DAN KESIHATAN PEKERJAAN 2007

- TM Sarawak was presented with a Gold Award for the telecommunications sector

THE BRANDLAUREATE AWARDS 2007-2008

- Corporate Brand in ICT-Service Provider category by the Asia Pacific Brands Foundation (APBF)

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS 2008

- Merit Award winner
- Corporate Social Responsibility Category winner

MALAYSIA 1000 TOP TEN AWARDS

- TM received recognition for its outstanding financial performance

STARBIZ-ICR MALAYSIA CORPORATE RESPONSIBILITY AWARD 2008

- Workplace category

COMPUTERWORLD MALAYSIA READERS CHOICE AWARDS

- Data Centre & Hosting Service Provider Award
- Managed Connectivity Service Provider Award

THE TECHNOLOGY BUSINESS REVIEW ASEAN AWARDS 2008

- Telekom Sales & Services Sdn Bhd (TSSSB), a subsidiary of TM, was honoured with the Corporate Award for Telecommunications Retail Services

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA MALAYSIA 2007

- Anugerah Citra Iklan Radio
- Hadiah Galakan Industri Komunikasi & Multimedia

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2008

- Overall Excellence for the most outstanding Annual Report – Gold Award
- Industry Excellence under the Trading & Services sector
- Best Designed Annual Report – Silver Award
- Best Annual Report in Bahasa Malaysia – Gold Award
- Corporate Social Responsibility Report – Silver Award

CORPORATE GOVERNANCE SURVEY 2008 AWARD FROM THE MINORITY SHAREHOLDERS WATCHDOG GROUP (MSWG)

- TM was named the Most Excellent in the Trading/Services Sector
- Third place for Overall Excellence

MULTIMEDIA DEVELOPMENT CORPORATION (MDEC)

- TSSSB was one of the recipients of Capability Development Programme (CDP) Software Testing Recipients Year 2008

LIBUR MAGAZINE

- Menara KL won The Best Monument Awards

2007

THE BRANDLAUREATE AWARD 2006-2007

- Corporate Brand
 - Telecommunications Industry Category

PC.COM MAGAZINE

- Most Popular Broadband Internet Service Provider
- Best Broadband Internet Service Provider of 2006

GSM GLOBAL MOBILE AWARDS

- Dialog Telekom PLC (Dialog) of Sri Lanka received a Commendation Award from the GSM Association

LANKA MONTHLY DIGEST

- Dialog won top spot in the Finance Brand Index

STANDARD CHARTERED-FINANCIAL EXPRESS CSR AWARD 2006

- Won by TM International Bangladesh Ltd

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

- 2007 Data Communications Service Provider of the Year Award
- 2007 Service Provider of the Year Award
- TM Net won the 2007 Broadband Service Provider of the Year Award

READER'S DIGEST TRUSTED BRANDS 2007 SURVEY

- Trusted Brand in Telecommunications – Platinum Award

TM R&D INTERNATIONAL INVENTION, INNOVATION, INDUSTRIAL DESIGN AND TECHNOLOGY EXHIBITION (I-TEX) 2007

- Platform for All-Service Multi-Access or PLASMA – Gold Award & Innovative Product Award

- XstreamX Home Media Centre – Gold Award
- Vertical Cavity Surface Emitting Laser or VCSEL – Gold Award
- Advanced Tracking System Using RFID – Silver Award & Innovative Product Award
- EDFA In-Line – Silver Award
- Simple & Efficient Software Radio Development Platform – Bronze Award
- Distribution Point or DP – Innovative Product Award

MALAYSIA BRAND EQUITY AWARD 2007

- Celcom won 4th place for Brand Visibility

2007 FROST & SULLIVAN ASIA PACIFIC ICT AWARDS

- Service Provider of the Year

ADASIA

- TM's 2007 Chinese New Year TV Commercial (TVC) received the 'Silver-Phoenix Award' for Cinematography

CUSTOMER RELATIONSHIP EXCELLENCE (CRE) AWARDS – ASIA PACIFIC CUSTOMER SERVICE CONSORTIUM (APCSC)

- Dialog won the Outstanding Achievement in Customer Relationship Excellence

MOST ADMIRER KNOWLEDGE ENTERPRISE (MAKE) AWARD

- Won by PT Excelcomindo Pratama Tbk (XL)

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

- TM received the Platinum for Trainee Development – Approved Employer Programme

DEWAN BAHASA DAN PUSTAKA – ANUGERAH CITRA WANGSA MALAYSIA 2006

- Celcom (M) Berhad emerged the Grand Prize Winner – Telecommunications Category

UNI-APRO OUTSTANDING EMPLOYEE- PARTNER AWARD

- TM was one of five regional companies to receive the award

RED HERRING ASIA TOP 100 TECHNOLOGY COMPANIES AWARD

- Won by Aogos Network Sdn Bhd, a start-up company nurtured by the Multimedia University

BEST OUTSOURCED SERVICE CONTACT CENTRE ASSOCIATION OF MALAYSIA (CCAM)

- Gold Award for the Celcom Customer Premier Service Team
 - Bronze Award for the TM Net Customer Interaction Centre Management Team
- Additionally, VADS secured five individual achievements:
- Best Contact Centre Manager – Bronze and Gold Awards
 - Best Contact Centre Team Leader – Silver Award
 - Best Contact Centre Professional Outsourced – Gold and Bronze Awards

MINISTER OF ENERGY, WATER AND COMMUNICATIONS, MALAYSIA

- Celcom was awarded the *Anugerah Program Time 2: Syarikat Pemberi Perkhidmatan Terbaik*

SIXTH OSKAR AWARDS 2007 – FILM WORKERS ASSOCIATION OF MALAYSIA

- Best Cinematography for TM Merdeka 2007 TVC
- Best TVC for TM Chinese New Year 2007 advertisement

MALAYSIA'S MOST VALUABLE BRANDS 2007

- Celcom secured fifth place



CORPORATE GOVERNANCE SURVEY REPORT 2007

- TM was ranked second

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2007

- Overall Excellence – Gold Award
- Industry Excellence under the Trading & Services sector
- Best Designed Annual Report – Gold Award

PIKOM ICT SERVICE PROVIDER OF THE YEAR AWARD

- Won by VADS Berhad

NATIONAL AWARD FOR MANAGEMENT ACCOUNTING (NAFMA) EXCELLENCE AWARD

2006

PC.COM MAGAZINE

TM Net won:

- Best WiFi Hotspot Operator of 2005
- Broadband Internet Service Provider of 2005
- Most Popular Broadband Internet Service Provider

THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

- Commendation for Social Reporting in an Annual Report – Gold Award

READER'S DIGEST TRUSTED BRANDS AWARD 2006

- Platinum – Telecom Company Category

THE READER'S DIGEST TRUSTED BRANDS AWARD

- Mobile Service Provider Category – Gold Award

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

- 2006 Data Communications Service Provider of the Year
- 2006 Service Provider of the Year

CORPORATE GOVERNANCE SURVEY 2005 AWARD FROM THE MINORITY SHAREHOLDERS WATCHDOG GROUP (MSWG)

INTERNATIONAL INVENTION INNOVATION INDUSTRIAL DESIGN & TECHNOLOGY EXHIBITION (I-TEX) AWARD 2006

Telekom Research & Development (TMR&D) won four awards:

- KenalMuka – Gold Award
- XstreamX P2P – Gold Award
- Innovative Product Award
- Genius Prize Budapest

TMR&D also won the Bronze Award for two products – the EPON Network Solution and Micro Probes

MALAYSIAN BUSINESS MAGAZINE

- Second Runner-Up in the Malaysian Business Corporate Governance Award 2005

ANUGERAH PERKHIDMATAN KAUNTER TERBAIK FOR 2005 – MINISTRY OF ENERGY, WATER AND COMMUNICATIONS

- Won by TMpoint in Alor Star, Kedah

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2006

- Overall Excellence Award for the Most Outstanding Annual Report
- Industry Excellence Award under the Trading & Services sector for the 10th consecutive time
- Best Designed Annual Report – Gold Award
- Best Annual Report in Bahasa Malaysia – Silver Award

THE BRAND LAUREATE AWARDS 2006-2007

- Corporate Brand – Telecommunications Industry category by the Asia Pacific Brands Foundation (APBF)

TELELINK TELECOMMUNICATION AWARD 2006

- Best Mobile Service Provider in Bangladesh, won by AKTEL

JFB PERFORMANCE AWARD 2005

- Won by AKTEL
- AKTEL also won in the Best Advertisement Award Category

GSM GLOBAL MOBILE AWARDS

- Commendation Award won by Dialog Telekom, Sri Lanka

2005

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA 2005

- *Anugerah Citra Iklan Radio* won by Celcom

GSM ASSOCIATION AWARDS 2005

- Best Broadcast Commercial Award won by TM Regional Company-M1

MALAM ANUGERAH KUALITI YB MENTERI TENAGA, AIR DAN KOMUNIKASI TAHUN 2004

- *Hadiah Utama Anugerah Kualiti YB Menteri Tenaga, Air dan Komunikasi 2004* won by Kedai Telekom Pelangi, Johor Bahru
- Excellent Customer Service Counter won by Celcom's Bandar Baru Klang Branch and TM Net Clickers in Kelana Jaya Park View

ASIAMONEY MALAYSIA'S BEST ANNUAL AWARD CEREMONY

- Overall Best Corporate Governance Award
- Most Improved Management Practice Award
- Most Improved Investor Relations Award
- Regional Deals of the Year Award

ACCA MALAYSIA ENVIRONMENTAL AND SOCIAL REPORTING AWARDS 2004

- Commended for Social Corporate Reporting in Annual Report

EUROMONEY MAGAZINE

- Asian Deals of the Year 2005
- Asia's Best Managed Companies 2005

FROST & SULLIVAN AWARD 2005

- TM won the Data Communications Provider Category
- TM Net won the Broadband Service Provider Category

INNOVATIVE LEARNING & DEVELOPMENT AWARD 2004

- Won by TM R&D

MALAYSIAN BOOK OF RECORDS

- Malaysia's highest altitude public payphone at 3,661.81 metres above sea level – installed at Syarat-syarat Gunung Kinabalu

16TH INTERNATIONAL INVENTION INNOVATION INDUSTRIAL DESIGN & TECHNOLOGY EXHIBITION (I-TEX) AWARDS 2005

- Handwritten Signature Verification KENALSIGN – Gold Award
- VoIP-based Communications Applications (Simes Network) – Bronze Award
- I-TEX Industry Design – Gold Award
- I-TEX Industry Design – Bronze Award

INTERNATIONAL REAL ESTATE FEDERATION (FIABCI) PRIX D'EXCELLENCE 2005

- Best of the World Office/Industry Category won by Menara TM

ARTHAKANTA BUSINESS MAGAZINE

- Arthakanta Business Award for Most Outstanding Company won by AKTEL

IBM AWARDS

- IBM Platinum Club Award
- IBM Strategic Win Award

MICROSOFT IMAGINE CUP MALAYSIA 2005 – SOFTWARE DESIGN CHALLENGE

- Top 3 prizes won by Multimedia University

BEST PRACTICES COMPETITION OF ENERGY EFFICIENT BUILDINGS ORGANISED BY ASEAN ENERGY EFFICIENCY AND CONSERVATION

- New and Existing Building Category – 2nd place

BEST INTERNAL AUDIT PRACTICE AWARD (BIAPA)

- Company with Shareholders Equity of more than RM200 million

ASEAN COMMUNICATIONS EXPO AND FORUM 2005

- Best Booth Design Award

CISCO BEST MANAGED SERVICES PARTNER AWARD FOR MALAYSIA

- Won by VADS

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2005

- Industry Excellence Award for Trading and Services – 9th year
- Best Designed Annual Report – 3rd year

10 AWARDS WON BY TM REGIONAL COMPANY – AKTEL:

- Best Operator for Product Innovation and Technology 2005 by the Indonesian Association Press
- Most Reference-able Customer Services 2004 by SAP Indonesia
- Favourite Innovative Marketing 2004 by Selular Magazine
- Top 10, Best Investor Relations 2004 and 2005 by Finance Asia

2004**MAJLIS PERASMIAN SAMBUTAN HARI KASTAM SEDUNIA XXII BY THE MALAYSIAN ROYAL CUSTOMS**

- Largest Paymaster of Service Taxes Award

CHINA PRESS AND THE NANYANG SIANG PAU

- Award for Corporate Chinese New Year Advertisement – Moved

READER'S DIGEST

- Superbrands of 2004 – Gold Award

SUPERBRANDS MALAYSIA MAGAZINE

- Superbrands of the year (Telecommunications Industry) – Gold Award

CISCO SYSTEMS

- Silver Certification

THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA (IIA MALAYSIA)

- Industry Excellence Award for Trading and Services – 8th year
- Best Designed Annual Report – 2nd year

COMPUTERWORLD MAGAZINE – CORPORATE BROADBAND SERVICE READERS CHOICE AWARD 2004

- Won by TM Net



2003

INTERNATIONAL ARCH OF EUROPE AWARD

- Platinum Award by Telekom Networks Malawi Limited (TNM)

GSM AWARD FOR BEST USE OF WIRELESS FOR EMERGENCY SITUATIONS

- Won by MTN Networks Pvt Ltd, Telekom Malaysia subsidiary in Sri Lanka

HEWITT ASSOCIATES SURVEY CONDUCTED IN ASSOCIATION WITH THE ASIAN WALL STREET JOURNAL AND THE FAR EASTERN ECONOMIC REVIEW

- 9th among the Top 20 Best Employers in Asia 2003
- 3rd among the Top 10 Employers in Malaysia

LAUNCH OF THE MALAYSIA 1,000 DIRECTORY

- Leader in Telecommunications Sector
- Most Improved Company by Absolute Increase in Profit Awards

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2003

- Industry Excellence Award – Trading & Services
- Best Designed Annual Report Award

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA IKLAN

- Billboard Advertisement Good 2 Talk

PUSPAKOM (PUSAT PEMERIKSAAN KENDERAAN BERKOMPUTER SDN BHD)

- *Anugerah Emas Juara Keseluruhan* – Won by TM Facilities Sdn Bhd

MAJLIS PERASMIAN SAMBUTAN HARI KASTAM SEDUNIA XXII BY THE MALAYSIAN ROYAL CUSTOMS

- Largest Paymaster of Service Taxes Award

ANUGERAH KUALITI MENTERI TENAGA KOMUNIKASI & MULTIMEDIA

- Best Customer Service Award – Won by Celcom, Jalan Ampang branch

2002

SAMBUTAN HARI KASTAM SEDUNIA KE-20 BY THE MALAYSIAN ROYAL CUSTOMS

- Highest Service Tax Payer

GSM WORLD AWARDS 2002

- Won by MTN Network

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA

- Most Outstanding Award for the Private Sector Annual Report 2001

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2002

- Industry Excellence Award for Trading and Services
- Best Annual Report in Bahasa Malaysia

2001

GSM ASSOCIATION WORLD AWARD 2001

- Won by MTN Networks – subsidiary of Telekom Malaysia in Sri Lanka

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2001

- Industry Excellence Award for Trading and Services
- Best Annual Report in Bahasa Malaysia

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA LAPORAN TAHUNAN SEKTOR SWASTA 2001

- Most Outstanding Annual Report Award
- Billboard Advertisement Good 2 Talk – Special Jury Award
- TV Advertisement – Jury & Grand Award

2000

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2000

- Industry Excellence Award for Trading and Services
- Best Annual Report in Bahasa Malaysia

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA LAPORAN TAHUNAN SEKTOR SWASTA 2000

- TV Advertisement Amazing Telekom – Most Outstanding Award
- TV Advertisement Tunaikan Zakat Fitrah – Special Jury Award
- Annual Report – Special Jury Award

KLSE CORPORATE SECTOR AWARD 2000

- Main Board Trading and Services Category

BOARD OF DIRECTORS**Datuk Dr Halim Shafie**

Chairman
(Non-Independent Non-Executive Director)

Dato' Sri Zamzamzairani Mohd Isa

Managing Director/Group Chief Executive Officer
(Non-Independent Executive Director)

Datuk Bazlan Osman

Executive Director/Group Chief Financial Officer
(Non-Independent Executive Director)

Dato' Mat Noor Nawawi

(Non-Independent Non-Executive Director)

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

(Non-Independent Non-Executive Director)

Dato' Danapalan T.P Vinggrasalam

(Senior Independent Non-Executive Director)

Datuk Zalekha Hassan

(Independent Non-Executive Director)

YB Datuk Nur Jazlan Tan Sri Mohamed

(Independent Non-Executive Director)

Dato' Ir Abdul Rahim Abu Bakar

(Independent Non-Executive Director)

Quah Poh Keat

(Independent Non-Executive Director)

Ibrahim Marsidi

(Independent Non-Executive Director)

Davide Giacomo Benello & David Benello

(Independent Non-Executive Director)

Eshah Meor Suleiman

Alternate Director to Dato' Mat Noor Nawawi
(Non-Independent Non-Executive Alternate Director)

SENIOR INDEPENDENT DIRECTOR

Dato' Danapalan T.P Vinggrasalam
Email : sid@tm.com.my

SECRETARIES

Idrus Ismail
(LS0008400)

Hamizah Abidin
(LS0007096)

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

go online at www.tm.com.my

HEAD OFFICE

Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia

Tel : 603-2240 9494 (General Line)
Website : www.tm.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad (Listed since 7 November 1990)

SHARE REGISTRARS

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Tel : 603-2264 3883
Fax : 603-2282 1886
Website : my-etricor.com

AUDITORS

Messrs PricewaterhouseCoopers
(Chartered Accountants)
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur
Malaysia

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

PRINCIPAL BANKERS

- CIMB Bank Berhad
- Malayan Banking Berhad



HEAD OF INVESTOR RELATIONS

Rohaila Mohamed Basir

Aged 36, she is responsible for investor relations and reporting to the Executive Director/Group Chief Financial Officer. She graduated with an LLB (Hons) from the University of Malaya in 1999. She spent five years in private practice before joining Malaysian Airlines System Berhad (MAS) in 2004 as the Legal Counsel. She moved on to MMC Corporation Berhad as a Legal Advisor in 2008 and her last position there was Senior Manager, Group Managing Director's Office, heading the Corporate Communications and Investor Relations. She joined TM as General Manager, Investor Relations Unit in February 2011.

Tel : 603-2240 4848
 Fax : 603-2240 0433
 Email : rohailabasir@tm.com.my

CHIEF INTERNAL AUDITOR

Hazimi Kassim

Aged 48, he is responsible for management of internal control and review of its effectiveness, adequacy and integrity. He obtained his Bachelor of Arts in Accounting from the University of Canberra, Australia. Details of his profile are disclosed on page 81 of this Annual Report.

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

CHIEF LEGAL, COMPLIANCE AND COMPANY SECRETARY

Idrus Ismail

Aged 58, he is responsible for legal, compliance and company secretarial matters. He obtained his degree in Economics from the University of Malaya in 1977 and a Bachelor of Law from the National University of Singapore in 1987. Details of his profile are disclosed on page 81 of this annual report.

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

CHIEF CORPORATE & REGULATORY OFFICER

Ahmad Ismail

Aged 51, he is responsible for the Group's corporate and regulatory matters. He obtained a Bachelor of Science (Hons) in Electrical and Electronic Engineering from the University of Aston in Birmingham, United Kingdom and an MBA from the Multimedia University in Cyberjaya. He joined TM in 1983 and has held various managerial positions during his 28 years with the Group. Ahmad was appointed as Chief Corporate and Regulatory Officer on 1 October 2010.

Tel : 603-2241 4966
 Fax : 603-2241 5769
 Email : ahmisa@tm.com.my

VICE PRESIDENT, CUSTOMER SERVICE MANAGEMENT

Hamidah Mahmud

Aged 56, she is responsible for customer service management. She obtained a BSc in Electrical and Electronic Engineering from the University of Birmingham, United Kingdom, in 1980 and an MBA from the Multimedia University in Cyberjaya, in 2000. She joined TM since 1989 holding various managerial positions. Hamidah was appointed as Vice President of Customer Service Management on 15 July 2010.

Tel : 603-2240 8960
 Fax : 603- 22412155
 Email : hamidah@tm.com.my

CARELINE & FEEDBACK

For enquiries on TM

- Call 100 (if you are in Malaysia)
- Call 1 300 888 123 (if you are calling from mobile)
- Call +603-2241 1290 (if you are calling from overseas) or
- Email: help@tm.com.my

For telephone directory enquiries

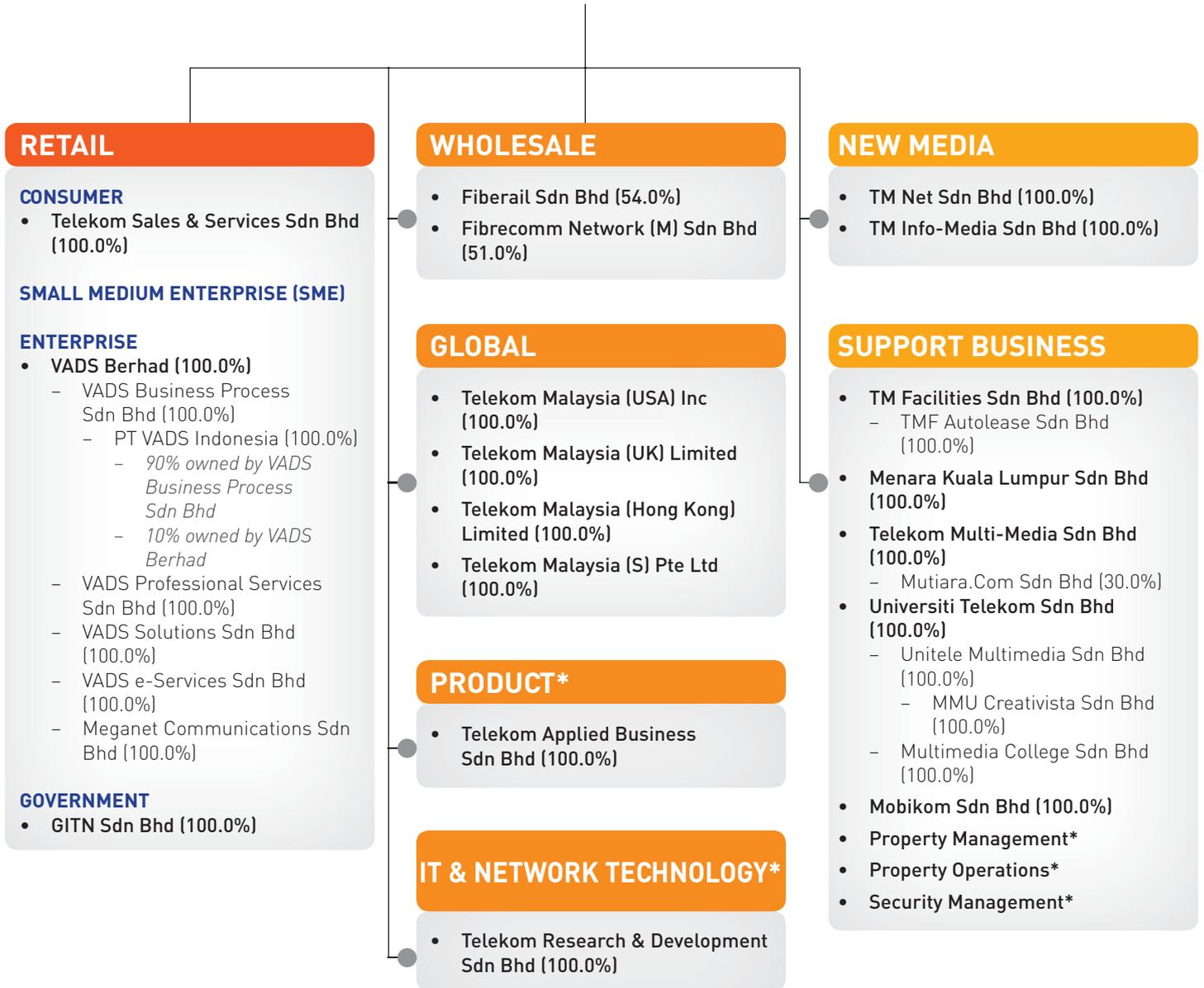
- Call 103

For any enquiries on UniFi

- Call 1300 88 1221 (pre sales/to subscribe)
- Call 1300 88 1222 (for current subscribers)

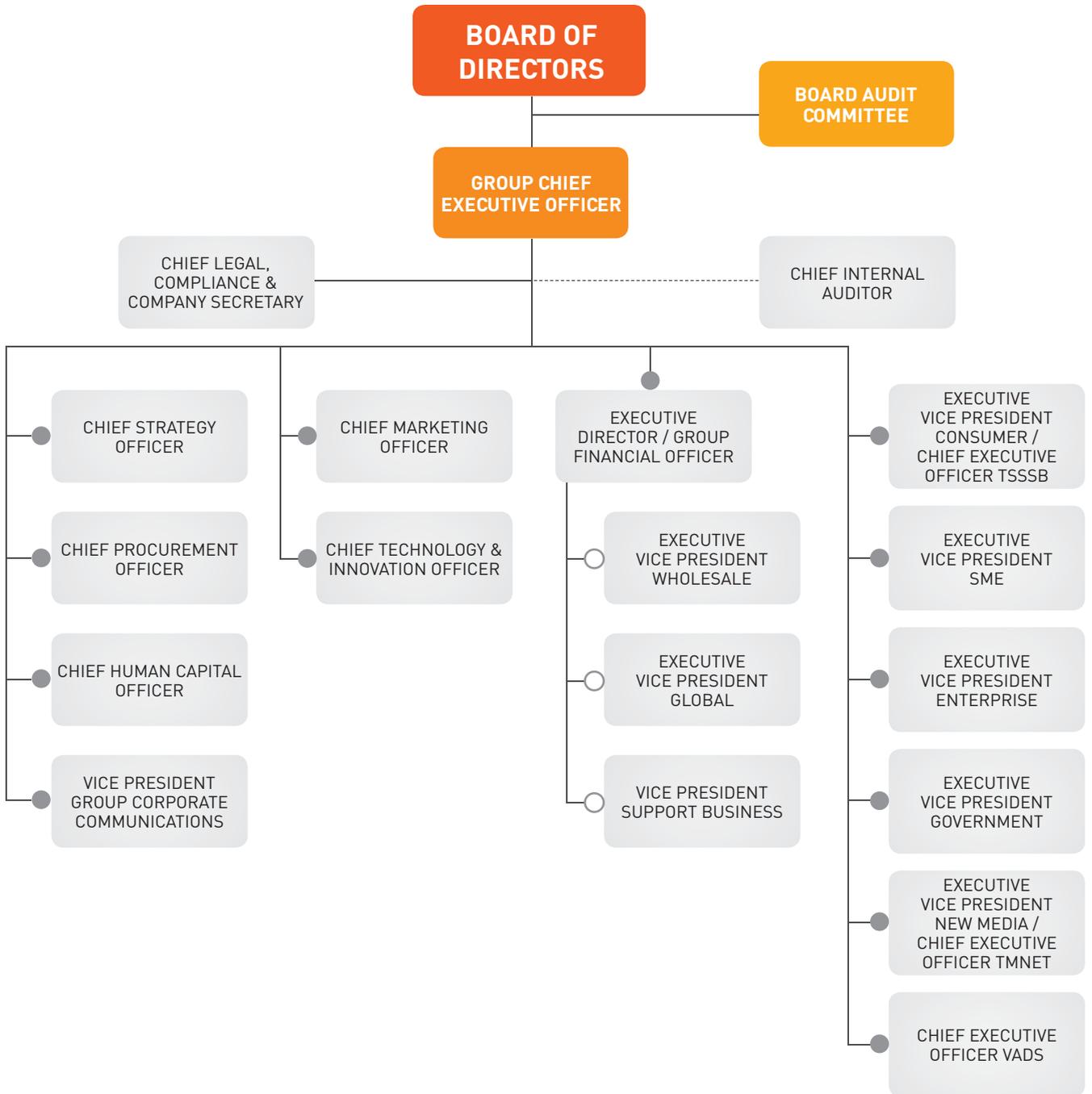
Group Corporate Structure as at 16 March 2012

This chart presents TM's active subsidiaries, associates and Strategic Business Units (SBU) categorised under major business segments/lines of business



* Business Support

Group Organisation Structure (as at 16 March 2012)



PERFORMANCE REVIEW

- 58 Group Financial Review
- 63 Statement Of Value Added
- 64 Distribution Of Value Added
- 65 TM Group Products & Services

EXCEPTIONAL progress

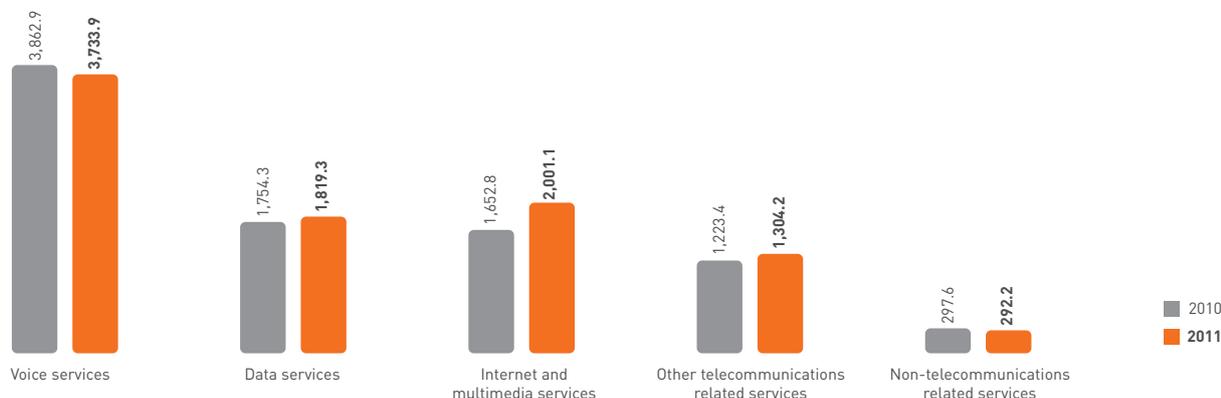
PASSION is... standing united and raising the bar

of fit investment
DELIVER \rightarrow GROWTH



Group Financial Review

Operating Revenue (RM Million)



OPERATING REVENUE

For the financial year ended 31 December 2011, the Group's operating revenue stood at RM9,150.7 million which represented an increase of 4.1% as compared to RM8,791.0 million in 2010. The revenue growth was largely driven by higher revenue for Internet and multimedia, data and other telecommunications related services net of lower decline in voice services.

Internet and multimedia services

The Group continued to win new broadband customers, in particular UniFi, and strengthen its position as the broadband champion in 2011, despite fierce competition with new entrants, aggressive promotions and competitive offerings in the broadband market during the financial year. UniFi customers increased to 236,501 at the end of 2011 as compared to 32,896 at the end of 2010. Together with Streamyx, its broadband customer base grew by 12.3%, from 1.71 million at the end of 2010 to 1.92 million at the end of 2011. Consistent with a higher customer base, Internet and multimedia revenue increased by 21.1% to RM2,001.1 million in 2011.

Internet and multimedia services contributed 21.9% to the Group's operating revenue in the current financial year, higher than the 18.8% contribution in 2010.

Data services

Data services which mainly comprise leased services, IPVPN and IP services, grew by 3.7% to RM1,819.3 million in 2011 as compared to RM1,754.3 million in 2010. Growth in these services was driven by demand for higher bandwidth and scalable services with better value-add service offerings in various market segments.

Contribution from data services to the Group's operating revenue in 2011 was 19.9%, comparable to the 20.0% contribution in 2010.

Other telecommunications related services

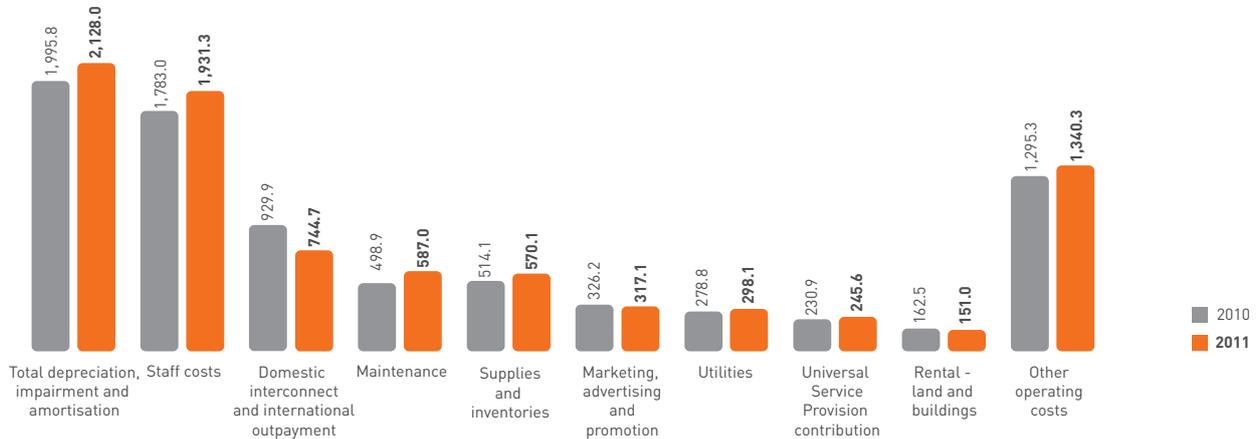
Revenue from other telecommunications related services include primarily customer projects, recoverable work orders (RWO), maintenance, broadcasting, restoration of submarine cables, managed ICT, business process outsourcing and enhanced value-add telecommunications services. Revenue from these services rose by 6.6% to RM1,304.2 million as compared to RM1,223.4 million recorded in the last financial year. The increase was largely attributed to higher revenue from customer projects.

In line with revenue growth, contribution from other telecommunications related services to the Group's operating revenue increased to 14.2% as compared to 13.9% in 2010.

Non-telecommunications related services

Non-telecommunications related services comprise services of subsidiaries with core businesses in education, printing and publication of directories, property development, trading in customer premise equipment, etc. Revenue from these services decreased by 1.8% to RM292.2 million in 2011 primarily due to lower revenue registered by Universiti Telekom Sdn Bhd consequent from different semester structure, change of fee structure, fewer courses offered during the short semester in 2011 and fewer international students. Lower revenue contribution from Telekom Smart School Sdn Bhd, which was disposed during the current financial year, is another

Operating Costs (RM Million)



contributing factor. Higher revenue registered by Menara Kuala Lumpur Sdn Bhd in line with more visitors and revenue from events, partially offset the reduction.

This class of services contributed 3.2% (2010: 3.4%) to the Group's operating revenue in the current financial year.

Voice services

Voice services comprise business telephony (also includes ISDN, interconnect and international inpayment) and residential telephony. In tandem with the global trend of continuing migration to cellular and Internet-based communications, voice services registered a decline of 3.3% (2010: 4.5%) to RM3,733.9 million in the current financial year.

Consequent from the above decline, voice services' contribution to the Group's operating revenue also declined to 40.8% as compared to 43.9% in 2010.

OPERATING COSTS

For the financial year ended 31 December 2011, the Group's operating costs increased by 3.7% to RM8,313.2 million primarily due to higher staff costs, depreciation, impairment and amortisation, maintenance and supplies and inventories. Lower domestic interconnect and international outpayment partially offset the increase.

Depreciation, impairment and amortisation

Depreciation, impairment and amortisation charges comprise depreciation, impairment and write-off of property, plant and equipment (PPE) as well as amortisation of intangible assets. This group of expenditure accounted for 25.6% of the Group's operating costs, which increased by 6.6% to RM2,128.0 million in the current financial year. Higher depreciation charge, higher write-off/retirement of assets as well as higher amortisation of intangible assets, in particular programme rights which increased by RM13.8 million, jointly contributed to the increased cost.

The depreciation charge increased by 4.8% to RM2,015.5 million in line with additions during the financial year, particularly High Speed Broadband (HSBB) assets as well as a higher brought forward asset base. Depreciation deferment arising from revision of useful lives of certain network assets of RM58.6 million partially offset the higher charge.

2011 also recorded higher write-off/retirement of PPE of RM97.4 million as compared to RM71.1 million in 2010, which comprise mainly the provision for assets not identified during physical verification as well as for normal asset retirement due to technology obsolescence and decommission of services.

Staff costs

In the current financial year, staff costs rose by 8.3% to RM1,931.3 million as compared to RM1,783.0 million in 2010. The increase was mainly attributed to higher salaries and allowances in line with annual increment for 2011 and increase in staff headcount in line with business growth. The Group's staff costs accounted for 23.2% of total operating costs.

Domestic interconnect and international outpayment

For the current financial year, domestic interconnect and international outpayment reduced by 19.9% to RM744.7 million from the preceding financial year and accounted for 9.0% of the Group's operating costs. The lower costs were due to operational improvement initiatives of voice and content localisation and revised Mandatory Standard Access Pricing (MSAP) that came into effect since July 2010.

Maintenance

Maintenance cost increased by 17.7% to RM587.0 million in the current financial year, mainly due to higher costs incurred for network maintenance as well as customer projects in line with higher revenue.

Supplies and inventories

Supplies and inventories cost rose by 10.9% to RM570.1 million as compared to RM514.1 million in 2010. The increase was primarily due to higher customer acquisition cost in line with UniFi customer growth as well as higher cost for various customer projects in line with higher revenue. Another contributing factor was higher cable costs in line with an increase in cable price. Lower subscriber equipment costs following lower number of dect phones and modems utilised for Streamyx installation as well as lower costs for equipment parts partially offset the increase.

OTHER OPERATING INCOME

Other operating income declined by 20.9% to RM120.9 million in the current financial year primarily due to lower service tax refund, income from sales of scrap, insurance claims and rental income from vehicles. Higher dividend income from quoted equity securities partially mitigated the above reduction.

OTHER GAINS

Other gains comprise fair value changes and gains or losses on disposal of available-for-sale investments and financial assets at fair value through profit or loss. For the current financial year, other gains decreased to RM286.5 million from RM373.3 million in the last financial year as only the gain on disposal of investment in Axiata Group Berhad (Axiata) of RM283.5 million was included in 2011, which was lower than the total gain of RM365.3 million in 2010 arising from the disposal of investment in Axiata and MEASAT Global Berhad. Another contributing factor was the decrease in fair value of financial assets at fair value through profit or loss (quoted shares).

NET FINANCE COST

2011 registered a net finance cost of RM243.8 million as compared to a net finance income of RM58.5 million in the preceding financial year, primarily due to unrealised foreign exchange loss on the translation of borrowings as explained below.

Finance cost

Finance cost dropped by 12.9% to RM318.2 million in the current financial year mainly due to the repayment of US Dollar bonds in December 2010 amounting to USD260.3 million. Lower finance cost on US Dollar denominated borrowings following a weaker US Dollar against Ringgit Malaysia during the first half of 2011 also contributed to the reduction. Finance costs incurred for Islamic Commercial Papers and Islamic Medium Term Notes that were drawn down progressively since April 2011 and lower savings from interest rate swaps partially offset the above reduction.

Finance income

Finance income increased by 10.8% to RM133.0 million in 2011, mainly contributed by higher income from deposits following an increased rate as well as yield enhancement initiatives. The average yield in 2011 was 3.46% as compared to 3.22% in 2010.

Foreign exchange on translation of borrowings

In line with the strengthening US Dollar, the Group recorded a foreign exchange loss of RM62.5 million in the current financial year on translation of US Dollar denominated borrowings as compared to a gain of RM332.3 million in 2010.

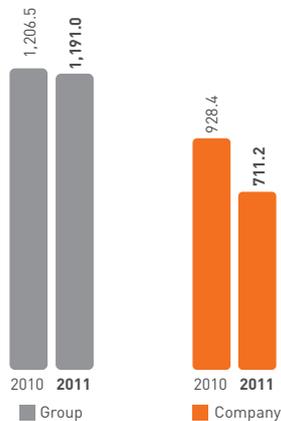
Fair value loss on forward foreign exchange contracts entered to hedge US Dollar bonds is presented within the foreign exchange on the translation of borrowings. For the current financial year, the Group recorded a fair value gain of RM3.9 million as compared to a loss of RM28.6 million in 2010.

Consequent from the above, current financial year recorded a net foreign exchange loss of RM58.6 million as compared to a net gain of RM303.7 million in the preceding financial year.

TAXATION

For the current financial year, the Group recorded a net tax income of RM242.4 million as compared to a charge of RM115.8 million in 2010 mainly due to tax credits for prior years and the recognition of deferred tax asset on unutilised last mile tax incentive of RM142.2 million and RM335.6 million respectively.

Profit attributable to equity holders of the Company (RM Million)



PROFITABILITY

Despite recording a 4.1% growth in operating revenue, the Group's profit before taxation and zakat of RM1,001.2 million was 26.4% lower than in 2010, attributable mainly to higher operating costs, lower other operating income and other gains coupled with foreign exchange loss on borrowings. The recognition of tax credits and deferred tax asset mitigated the net impact and cushioned the reduction in the Group's profit attributable to equity holders for the financial year to 1.3% from the previous financial year of RM1,191.0 million as compared to RM1,206.5 million in 2010.

TOTAL ASSETS

Total assets of the Group stood at RM21,371.8 million at the end of 2011, an increase of 2.8% over the last financial year, mainly contributed by increase in cash and bank balances and property, plant and equipment, partially offset by lower available-for-sale investments.

Cash and bank balances

Cash and bank balances increased by 20.8% to RM4,213.0 million as compared to RM3,488.5 million at the end of 2010. The increase was primarily due to a net cash inflow generated from operating activities, receipt of government contribution for the purchase of PPE and proceeds from the disposal of Axiata shares, which was higher than the cash outflow for capital distribution, payment of interim and final dividend for the financial year 2011 and 2010 as well as payment for the purchase of PPE.

Property, plant and equipment (PPE)

The Group's PPE grew by 3.8% to RM13,613.0 million at the end of 2011 as compared to RM13,112.1 million at the preceding financial year end in line with higher capital expenditure incurred for the High Speed Broadband (HSBB) project, which was greater than the depreciation charge and write-off/retirement during the financial year.

Available-for-sale investments (within current assets)

Available-for-sale investments (within current assets) reduced substantially to RM418.1 million at the end of 2011 from RM838.1 million at the end of the last financial year following the disposal of 101.5 million Axiata shares held by TM ESOS Management Sdn Bhd in July 2011. These Axiata shares were attributed to the lapsed options and excess unallocated shares under the Special ESOS which had expired in September 2010. The above disposal resulted in total net proceeds of RM513.8 million and a gain of RM283.5 million.

TOTAL LIABILITIES

The Group's total liabilities increased by 10.2% to RM14,240.1 million at the end of 2011 primarily due to higher borrowings and deferred income. Deferred income comprised government funding for Universal Service Provision and HSBB projects, which will be amortised on a straight line basis over the estimated useful lives of the related assets.

Borrowings

At the end of 2011, the Group's borrowings of RM6,410.4 million was up 15.9% as compared to the preceding financial year end. The higher borrowings were mainly due to the issuance of Islamic Medium Term Notes amounting to RM800.0 million during the financial year. The loss on translation of US Dollar borrowings also contributed to the increase.

SHAREHOLDERS' EQUITY

The Group's shareholders' equity reduced by 9.6% to RM6,968.8 million as at 31 December 2011. The decrease was primarily due to the capital distribution, appropriation of 2010 final dividend and 2011 interim dividend and reduction in fair value reserve following the disposal of investments, which were greater than the current financial year profit attributable to equity holders of the Company of RM1,191.0 million. Increase in share capital and share premium upon the disposal of the Company's shares attributed to lapsed Special ESOS in the open market partially offset the reduction.

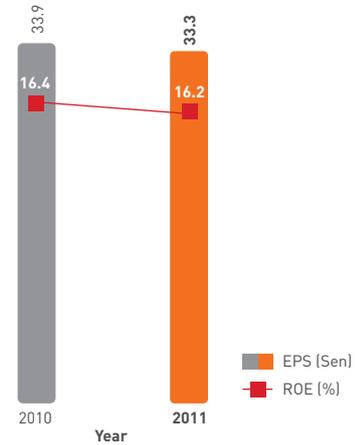
Earnings per share (EPS) and return on shareholders' equity (ROE)

As a result of lower profit attributable to the equity holders of the Company for the current financial year, the basic EPS decreased to 33.3 sen from 33.9 sen in 2010. Accordingly, ROE also reduced to 16.2% in 2011 from 16.4% in 2010.

Dividends

For the current financial year ended 31 December 2011, an interim single-tier dividend of 9.8 sen per share was paid on 23 September 2011 to shareholders whose names appeared in the Register of Members and Record of Depositors on 12 September 2011. Together with the proposed final single-tier dividend of 9.8 sen per share subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, the total dividend payout would be RM701.2 million. This is 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.

EPS and ROE



Statement of Value Added

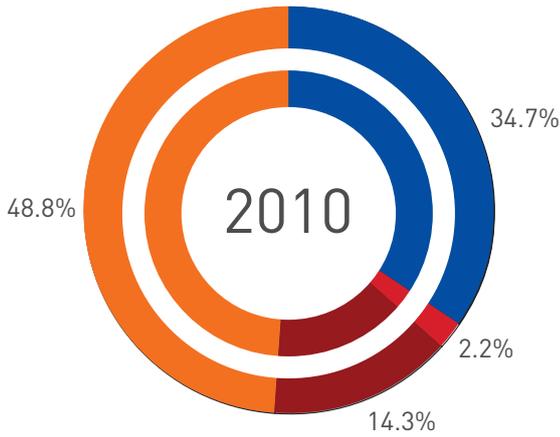


Value added is a measure of wealth created. The following statement shows the Group's value added for 2010 and 2011 and its distribution by way of payments to employees, government/approved agencies and shareholders, with the balance retained in the Group for reinvestment and future growth.

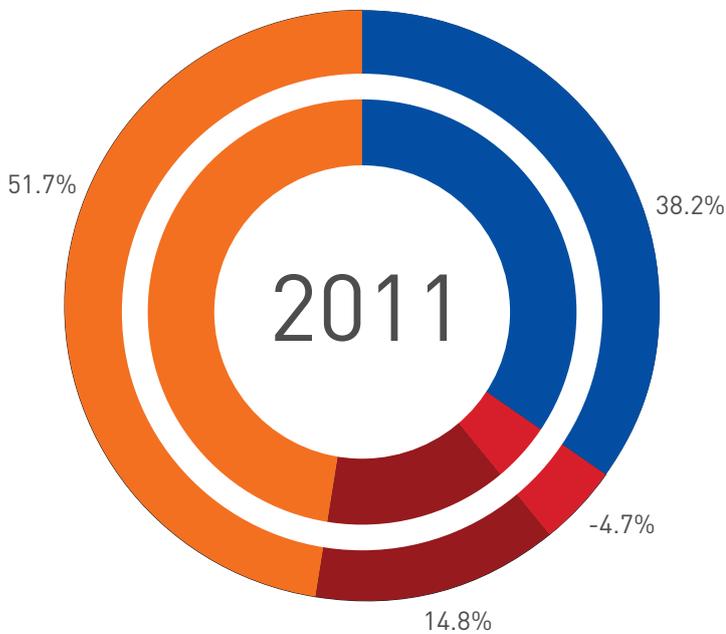
	2010 RM Million	2011 RM Million
VALUE ADDED		
Revenue	8,791.0	9,150.7
Purchase of goods and services	(4,236.6)	(4,253.9)
Value added by the Group	4,554.4	4,896.8
Other operating income (net)	152.9	120.9
Other gains (net)	373.3	286.5
Finance income	120.0	133.0
Finance cost	(365.2)	(318.2)
Foreign exchange gain/(loss) on borrowings	303.7	(58.6)
Share of results of associates	(0.1)	0.1
Value added available for distribution	5,139.0	5,060.5
DISTRIBUTION		
To Employees		
Employment cost	1,783.0	1,931.3
To Government/Approved Agencies		
Taxation and Zakat	115.2	(235.9)
To Shareholders		
Dividends*	697.6	702.1
Non-controlling interests	38.5	46.1
Retained for reinvestment and future growth		
Depreciation, impairment and amortisation	1,995.8	2,128.0
Retained profits	508.9	488.9
Total distributed	5,139.0	5,060.5

* Dividends paid in respect of financial year ended 31 December 2010 included dividends paid on shares held by TM ESOS Management Sdn Bhd amounted to RM3.8 million which was adjusted on consolidation.

Distribution of Value Added



- Employees – Employment cost **RM1,783.0 million**
- Government/Approved Agencies – Taxation and zakat **RM115.2 million**
- Shareholders – Dividends and non-controlling interests **RM736.1 million**
- Retained for reinvestment and future growth – Depreciation, impairment, amortisation and retained profits **RM2,504.7 million**



- Employees – Employment cost **RM1,931.3 million**
- Government/Approved Agencies – Taxation and zakat **-RM235.9 million**
- Shareholders – Dividends and non-controlling interests **RM748.2 million**
- Retained for reinvestment and future growth – Depreciation, impairment, amortisation and retained profits **RM2,616.9 million**



TM Group Products & Services

Retail Business

VOICE SERVICES ACCESS

- Homeline
- Businessline
- CDMA
- ISDN
- Centrex

VALUE ADDED SERVICES

- Infoblast
- BB Phone
- Voicemail
- TollFree 1300/1800

PREPAID SERVICES

- iTalk

CONFERRING SERVICES

- Audio Conferencing
- Video Conferencing
- Audio with Data Conferencing

Internet Services

- Broadband (Consumer)
 - UniFi VIP
 - Streamyx
 - TM WiFi
 - Streamyx Wireless (CDMA/EVDO)
- Broadband (Business)
 - UniFi Biz
 - Business Broadband
 - Direct
 - In-Building Broadband Service (IBS)

INTERNET VAS

- Global Roaming
- iShield Plus
- Online Guard Plus
- Virus Shield & Anti Spamming
- X-Blocker

Data Services

MANAGED NETWORK

- IPVPN Premier
- IPVPN Lite
- IPVPN Value
- IPVPN Classic
- METRO.Ethernet

MANAGED CONNECTIVITY

- DLL – Digitalline 1 (DG)
- DLL – Wideband (DQ)
- DLL – Broadband (BLL)
- VSAT Premier
- VSAT Classic
- VSAT Value
- Hyperband

GEOMATICS

- AVLS (Automatic Vehicle Location)
- SmartMap

Application Service

- Webmail

Content Services

- HyppTV
- Hypp.tv
- HyppTunes

Wholesale Business

VOICE SERVICES

- PSTN Minutes
- Interconnect Minutes
- Wholesale VoIP

ACCESS SERVICES

- High Speed Broadband (Access) Service
- Payphone Access
- Digital Subscribers Line (DSL) Wholesale
- DSL Resale

BACKHAUL SERVICES

- High Speed Broadband (Transmission) Service
- Wholesale Ethernet
- Managed Bandwidth
- Optical Bandwidth
- Interconnect Bandwidth
- Wholesale Internet Access
- Domestic Transit Access
- IP Wholesale

INFRA SERVICES

- Tenancy Services
- Infrastructure Sharing

Global Business

VOICE SERVICES

- Bilateral Voice Services
- Wholesale Voice Services
 - PSTN
 - VoIP
- International Value-Added Services
 - Global Voice Solutions
 - ISDN Hubbing
 - International Freephone Services via VoIP

DATA SERVICES

- Global Ethernet Services
 - Global Ethernet Virtual Private Line (EVPL)
 - International Ethernet Private Line (IEPL)
- International Bandwidth Services
 - International Private Leased Circuit (IPLC)
 - Bandwidth Transit
 - Bandwidth Backhaul
 - Bandwidth Interconnection
 - Global VSAT
- IP Services
 - IP Transit
- VPN Services
 - Global IPVPN

Government Segment

VALUE ADDED SERVICES

- Managed Security Services (MSS)
- Managed Firewall Services
- Managed Intrusion Prevention System (IPS)
- Managed Anti Virus Services
- Managed Content Filtering Services
- Bandwidth Management Services
- Public Key Infrastructure Services

INFRA SERVICES

- Managed Hosting Services

MANAGED IPVPN

LEADERSHIP & ACCOUNTABILITY

- 68 Board Of Directors
- 70 Profile Of Directors
- 78 Group Leadership Team
- 80 Profile Of Management Team
- 84 Statement On Corporate Governance
- 104 Directors' Statement On Internal Control
- 110 Audit Committee Report
- 116 Statement On Internal Audit
- 120 Board Risk Committee Report
- 125 Additional Compliance Information
- 128 PDPA Initiatives
- 129 Corporate Integrity

MANAGE

INTEGR

PASSION is... illuminating the way for others

FORWARD PASSION
DIRECTION DIRECTORIAL
ETHICS
TRANSPARENT
SPOONS
BOLDNESS
MENTOR
DEDICATION
TECHNOLOGY
MOTIVATOR
STRATEGY
TEAM BELIEVE
COMPLIANCE
WORK
TRENDS
SETTER
SAVVY



Board of Directors

Seated from Right to Left

Datuk Dr Halim Shafie

Chairman

(Non-Independent Non-Executive Director)

Datuk Zalekha Hassan

(Independent Non-Executive Director)

Standing from Left to Right

Quah Poh Keat

(Independent Non-Executive Director)

Ibrahim Marsidi

(Independent Non-Executive Director)

Dato' Ir Abdul Rahim Abu Bakar

(Independent Non-Executive Director)

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

(Non-Independent Non-Executive Director)

Datuk Bazlan Osman

Executive Director/
Group Chief Financial Officer

(Non-Independent Executive Director)

YB Datuk Nur Jazlan Tan Sri Mohamed

(Independent Non-Executive Director)



Seated

Dato' Sri Zamzamzairani Mohd Isa
Managing Director/
Group Chief Executive Officer
(Non-Independent Executive Director)

Standing from Left to Right

Dato' Danapalan T.P Vinggrasalam
(Senior Independent Non-Executive Director)

Dato' Mat Noor Nawi
(Non-Independent Non-Executive Director)

David Benello
(Independent Non-Executive Director)

Eshah Meor Suleiman
(Non-Independent Non-Executive Alternate
Director)

Idrus Ismail
Company Secretary

Hamizah Abidin
Joint Secretary

Zaiton Ahmad
Joint Secretary



Profile of Directors



Datuk Dr Halim Shafie

Non-Independent Non-Executive Chairman

Datuk Dr Halim, aged 63, a Malaysian, was appointed Non-Independent Non-Executive Chairman of TM on 31 July 2009. He graduated with a Bachelor of Economics (Hons) from the University of Malaya in 1972 and obtained a Masters in Economic Development from the University of Pittsburgh in 1980. This was followed by a Ph.D in Information Transfer from Syracuse University in 1988. In addition, he also completed professional courses in Systems Analysis and Design at the National Institute of Public Administration (INTAN) in 1976, Management Education Program at the Indian Institute of Management, Ahmedabad, India in 1977 and Advanced Management at Harvard Business School in 2000.

Datuk Dr Halim has served the Government in various capacities. He started his career in the Ministry of Education in 1972 followed by appointments at INTAN in 1976, Malaysian Administrative Modernisation

and Management Planning Unit (MAMPU) in the Prime Minister's Department in 1987 and was assigned as Director of INTAN in 1994. Datuk Dr Halim was thereafter appointed as Deputy Secretary General 1, Communications and Multimedia Sector in 1999 before moving on to become Secretary General, Ministry of Energy, Water and Communications in 2000. He was appointed Chairman of the Malaysian Communications and Multimedia Commission (MCMC) on 3 April 2006, where he served until May 2009.

Over the last 16 years, Datuk Dr Halim has served on many boards, including Tenaga Nasional Berhad, Pos Malaysia Berhad and Multimedia Development Corporation Sdn Bhd. He is currently the Chairman of Universiti Telekom Sdn Bhd and GITN Sdn Bhd, wholly-owned subsidiaries of TM. He also holds office as Adjunct Professor of Universiti Utara Malaysia, Advisory Board Chairman of the National Library, and a board

member of Malaysian Electronic Clearing Corporation Sdn Bhd (a subsidiary of Bank Negara Malaysia), Malaysian Industry-Government Group for High Technology (MIGHT) and IXC Malaysia Berhad.

Datuk Dr Halim currently serves as Chairman of TM's Board Dispute Resolution Committee. He attended all 10 Board of Directors' meetings of the Company held during the financial year. He is a Non-Executive Director/Chairman nominated by the Minister of Finance Incorporated (MoF Inc.), the Special Shareholder of TM and has never been charged for any offence within the past 10 years. He has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



Dato' Sri Zamzamzairani Mohd Isa

*Non-Independent Executive Director
Managing Director/Group Chief Executive Officer*

Dato' Sri Zamzamzairani, aged 51, a Malaysian, was appointed Non-Independent Executive Director and assumed the position of Managing Director/Group Chief Executive Officer (CEO) of TM on 25 April 2008. He holds a Bachelor of Science in Communication Engineering from Plymouth Polytechnic, United Kingdom, and has attended the Kellogg School of Management's programme in Corporate Finance, Strategies for Creating Shareholder Value.

He has vast experience in the telecommunications industry, having held senior management positions in several multinationals, such as Global One and Lucent Technologies (Malaysia). Previous key positions in TM before assuming his current role include Senior Vice President, Group Strategy and Technology and Chief Executive Officer of Malaysia Business.

Dato' Sri Zamzamzairani sits on the Boards of several TM Group subsidiaries, including as Chairman of VADS Berhad and TM Net Sdn Bhd, and Deputy Chairman of GITN Sdn Bhd.

As the Group CEO, he also sits on the Board Tender Committee of TM. He attended all 10 Board of Directors' meetings of the Company held during the financial year. He is an Executive Director nominated by the MoF Inc., the Special Shareholder of TM. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

**Datuk Bazlan Osman**

*Non-Independent
Executive Director/
Group Chief Financial Officer*

Dato' Mat Noor Nawi

*Non-Independent
Non-Executive Director*

Datuk Bazlan, aged 48, a Malaysian, was appointed Non-Independent Executive Director of TM on 25 April 2008. He is currently the Group Chief Financial Officer (CFO) of TM, the position he assumed since 1 May 2005. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA).

He began his career as an auditor with Messrs Hanafiah Raslan Mohamad, a public accounting firm in 1986 and subsequently served the Sime Darby Group, holding various finance positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a stint in American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed Senior Vice President, Finance/Company Secretary. He joined Celcom Axiata Berhad in 2001 as the Senior Vice President, Corporate

Finance and Treasury and was subsequently appointed as the CFO in 2002 prior to his appointment as TM Group CFO in 2005. He also oversees the operations of Global, Wholesale and Support Business. Datuk Bazlan sits on the Boards of several subsidiaries within TM Group including as Chairman of Fiberail Sdn Bhd and TM Info-Media Sdn Bhd.

He is the alternate member to Dato' Sri Zamzamairani Mohd Isa on TM's Board Tender Committee and a member of TM's Board Risk Committee, Board Investment Committee and Board Dispute Resolution Committee. Datuk Bazlan attended all 10 Board of Directors' meetings of the Company held during the financial year. He is an Executive Director nominated by the MoF Inc., the Special Shareholder of TM. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Dato' Mat Noor Nawi, aged 56, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 1 December 2011. He holds a Bachelor of Science in Economic Resource from Universiti Putra Malaysia and a Master of Science in Economic Policy from the University of Illinois, Urbana-Champaign, in the US.

Dato' Mat Noor has served the Government in the public sector over a span of 30 years. His career began as an Agriculture Economist at the Federal Agriculture Marketing Authority (FAMA) in May 1981. In 1983, he joined the Economic Planning Unit (EPU) of the Prime Minister's Department holding various positions, where his last assignment was as Deputy Director General I until October 2011. Currently, he is the Deputy Secretary General (Systems & Controls) at the Ministry of Finance (MoF).

He currently sits on the Boards of Pelaburan Hartanah Berhad and Pengurusan Aset Air Berhad.

Dato' Mat Noor is a member of TM's Board Tender Committee and Board Investment Committee. There was only one Board of Directors' meeting held since his appointment on 1 December 2011. His Alternate Director attended the said meeting on his behalf. He is a Non-Executive Director nominated by the MoF Inc., the Special Shareholder of TM, and has never been charged for any offence within the past 10 years. He has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

*Non-Independent
Non-Executive Director*

Dato' Danapalan T.P Vingrasalam

*Senior Independent
Non-Executive Director*

Tunku Dato' Fawzy, aged 53, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Arts (Hons) in Business Studies from the Polytechnic of Central London, a Masters in Business Administration (MBA) from Warwick University, and a Diploma in Marketing from the Chartered Institute of Marketing. He is also a member of the Malaysian Institute of Management (MIM).

Tunku Dato' Fawzy has accumulated more than 20 years of international work experience in companies spanning various industries, from banking, information technology and investment holdings to shipping, and oil and gas. He joined Khazanah Nasional Berhad (Khazanah) as Director of Investments in May 2007 and was later appointed Executive Director of Investments until his retirement from Khazanah on 9 May 2010. He also sits

on the Board of Kencana Petroleum Berhad, Hong Leong Islamic Bank Berhad, Hong Leong Assurance Berhad, Hong Leong MSIG Takaful Berhad and Sapura-Kencana Petroleum Berhad (formerly known as Integral Key Berhad).

Tunku Dato' Fawzy is currently the Non-Executive Chairman of TM's Board Nomination and Remuneration Committee and Board Risk Committee; and a member of the Board Audit Committee, Board Tender Committee and Board Investment Committee. He attended all 10 Board of Directors' meetings of the Company held during the financial year. Tunku Dato' Fawzy is a Non-Executive Director nominated by the Company's Major Shareholder, Khazanah, and has never been charged for any offence within the past 10 years. He has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Dato' Danapalan, aged 68, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He was made Senior Independent Director of TM on 21 May 2009. He holds a Bachelor of Arts (Hons) from the University of Malaya and a Masters in Public Administration from Penn State University, USA.

He was Chairman of the Malaysian Communications and Multimedia Commission (MCMC) from February 2004 until his retirement in March 2006. Prior to that Dato' Danapalan was Senior Vice President of the Multimedia Development Corporation Sdn Bhd (MDeC) from June 1998 to January 2004. He also served as Secretary-General of the Ministry of Science, Technology and Environment from December 1991 until March 1998 and Deputy Secretary-General of the Ministry of Social and Community Development and Deputy Director of the

National Institute of Public Administration (INTAN).

He is currently a Director of Affin Fund Management Berhad, Sirim QAS International Sdn Bhd, Bank Simpanan Nasional, and a member on the Board of Trustees of M.U.S.T Ehsan Foundation and Maybank Foundation. Dato' Danapalan is also a Board member of Universiti Telekom Sdn Bhd, a wholly-owned subsidiary of TM.

He serves as a member of TM's Board Nomination and Remuneration Committee, Board Audit Committee, Board Risk Committee and Board Dispute Resolution Committee. Dato' Danapalan attended all 10 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

**Datuk Zalekha Hassan**

*Independent
Non-Executive Director*

**YB Datuk Nur Jazlan
Tan Sri Mohamed**

*Independent
Non-Executive Director*

Datuk Zalekha, aged 58, a Malaysian, was appointed as Non-Independent Non-Executive Director to the Board of TM on 9 January 2008. She was re-designated as TM's Independent Non-Executive Director on 1 June 2011, following her retirement from MoF. She graduated with a Bachelor of Arts (Hons.) from the University of Malaya.

Datuk Zalekha began her career in the Malaysian 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 the Ministry of National Unity and Social Development. She later joined the MoF in 1997 as its Senior Assistant Director of the Budget Division and continued to serve in various capacities including with the Government Procurement

Division. She was the MoF's Deputy Secretary-General (Management) until her retirement on 21 May 2011.

Datuk Zalekha is currently the Non-Executive Chairperson of TM's Board Tender Committee. She attended six out of 10 Board of Directors' meetings of the Company held during the financial year, while her alternate then, Eshah Meor Suleiman attended two meetings in her absence. She has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

YB Datuk Nur Jazlan, aged 46, a Malaysian, was appointed Independent Non-Executive Director of TM on 1 June 2004. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom. He was a Council Member and Chairman of the Public Relations Committee of the Malaysian Institute of Accountants (MIA) as well as a Council Member of the ASEAN Federation of Accountants (AFA).

In addition to his corporate experience in the financial arena, YB Datuk Nur Jazlan is also active in politics. He is a Member of Parliament for the Pulai Parliamentary Constituency, Johor, the Head of UMNO Pulai and Chairman of Barisan Nasional for the division. He was an Exco Member of UMNO youth from 1996 until 2004. He is currently Chairman of UDA Holdings Berhad and also a Director of United Malayan Land Berhad, Prinsiptek

Corporation Berhad, Jaycorp Berhad, TSH Resources Berhad and Ekowood International Berhad.

YB Datuk Nur Jazlan serves as an Independent Non-Executive member of TM's Board Tender Committee. He attended seven out of 10 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



Quah Poh Keat
Independent
Non-Executive Director

**Dato' Ir Abdul Rahim
Abu Bakar**
Independent
Non-Executive Director

Quah Poh Keat, aged 59, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He is a Fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants (ACCA); and a member of the Malaysian Institute of Accountants (MIA), the Malaysian Institute of Certified Public Accountants (MICPA) and the Chartered Institute of Management Accountants (CIMA).

Quah was made a partner of KPMG Malaysia on 1 October 1982 and the Senior Partner responsible for the daily operations of KPMG Malaysia from 1 October 2000 to 30 September 2007. Prior to taking up the position of Senior Partner (Managing Partner), he was in charge of the Tax Practice and the Japanese Practice in KPMG Malaysia. He was a member of the KPMG Japanese Practice Council, the governing body within KPMG International that looks after its Japanese Practices worldwide. He was a board member of KPMG Asia Pacific and a member of the KPMG International Council.

Quah was also Vice-President of the Malaysian Institute of Taxation. He retired from KPMG on 31 December 2007.

Quah is also an Independent Non-Executive Director of IOI Corporation Berhad, Public Investment Bank Berhad, Public Bank Berhad, Public Mutual Berhad, Public Islamic Bank Berhad, Lonpac Insurance Berhad and LPI Capital Berhad. He is also a Trustee of Yayasan Tan Sri Lee Shin Cheng and a member of the Federation of Malaysian Manufacturers' Economic Fiscal Policies Committee.

Quah currently serves as an Independent Non-Executive Chairman of TM's Board Audit Committee and a member of Board Investment Committee. He attended nine out of 10 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Dato' Ir Abdul Rahim, aged 66, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He graduated from the Brighton College of Technology, United Kingdom, with a Bachelor of Science (Hons) in Electrical Engineering in 1969. He is a member of the Institute of Engineers, Malaysia and is a Professional Engineer, Malaysia (P.Eng). He also holds the Electrical Engineer Certificate of Competency Grade 1.

Dato' Ir Abdul Rahim began his career in 1969 with the then National Electricity Board, where he held various technical and engineering positions until he joined Pernas Charter Management Sdn Bhd, a management company for the tin mining industry, in 1979. From late 1983 to 1991, he served Malaysia Mining Corporation Berhad (MMC) in various senior positions. Later, from 1991 to 1995, he moved on to MMC Engineering Services Sdn Bhd and subsequently to

MMC Engineering Group Berhad as the Managing Director. In May 1995, he joined Petroliam Nasional Berhad (Petronas) as Managing Director of Petronas Gas Berhad, was made Vice President of Petronas' Petrochemical Business in 1999, and subsequently retired on 31 August 2002. He also sits on the boards of Scomi Group Berhad, Scomi Engineering Berhad and Global Maritime Ventures Berhad.

Dato' Ir Abdul Rahim is currently the Non-Executive Chairman of TM's Board Investment Committee and a member of the Board Nomination and Remuneration Committee and Board Risk Committee. He attended nine out of 10 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Profile of
Directors**Ibrahim Marsidi**

*Independent
Non-Executive Director*

David Benello

*Independent
Non-Executive Director*

Ibrahim Marsidi, aged 59, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Economics (Analytical) (Hons) from the University of Malaya.

He was previously Managing Director and Chief Executive Officer of Petronas Dagangan Berhad until his retirement on 31 December 2007. He joined Petroliam Nasional Berhad (Petronas) in 1979, where he held a number of senior managerial positions. Prior to his appointment as Managing Director and Chief Executive Officer of Petronas Dagangan Berhad, he was the Senior Manager of Eastern and Northern Region, General Manager of the Liquefied Petroleum Gas (LPG) Business and Retail Business in Petronas Dagangan Berhad and General Manager of Crude Oil Group, Petronas.

Ibrahim currently serves as an Independent Non-Executive member of TM's Board Nomination and Remuneration Committee, Board Audit Committee and Board Risk Committee. He attended all 10 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

David Benello, 58, an Italian, was appointed Independent Non-Executive Director of TM on 21 November 2011. He graduated with a Bachelor in Mathematics and obtained a Masters in Mathematics from the University of Oxford in 1976 and later a Masters in Business Administration from Harvard University in 1982.

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 for telcos engagements, mainly in Europe (in addition to the US and Asia) on corporate strategy, ICT strategy and business turnarounds including focus on operations/customer service.

In the early years of his career, David served as a Senior at Arthur Andersen and a Second Lieutenant at Scuola Militare Alpina, Aosta, Italy.

David attended one out of two Board of Directors' meetings of the Company held since his appointment in 2011. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



Eshah Meor Suleiman

*Non-Independent
Non-Executive
Alternate Director*

Eshah, aged 57, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Dato' Mat Noor Nawi on 1 December 2011. Prior to that, she was Alternate Director to Datuk Zalekha Hassan from 11 March 2009 until 1 June 2011. She was then appointed as Alternate Director to Datuk Dr Rahamat Bivi Yusoff on 20 June 2011 and ceased to act as her alternate upon the latter's resignation as director of TM on 18 November 2011.

She graduated with a Bachelor of Economics (Hons) from the University of Malaya in 1980 and obtained a Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 1981. She later obtained a Masters in Business Administration (MBA) in Finance from the Oklahoma City University, USA, in 1994. Eshah began her career in the Malaysian civil service in 1981 as an Assistant Director, Macro Economic Section in the Economic Planning Unit of the

Prime Minister's Department, and in 1991, she was appointed Assistant Secretary in the Government Procurement Management Division, Ministry of Finance (MoF). Since then, she has held various positions in the MoF, including as Principal Deputy Assistant Secretary and Deputy Under Secretary, before assuming her current position as Under Secretary, Investment, MoF Inc. and Privatisation Division in September 2006.

Eshah is a Director of Pos Malaysia Berhad, Malaysia Airports Holdings Berhad, Global Maritime Ventures Berhad (a subsidiary of Bank Pembangunan Malaysia Berhad) and a number of private companies. She is also an Alternate Director of Malaysian Airlines System Berhad.

Eshah is currently the alternate member to Dato' Mat Noor Nawi on TM's Board Tender Committee and Board

Investment Committee. She has attended three Board of Directors' meetings of the Company held during the financial year in place of her substantive Director, two meetings as alternate to Datuk Zalekha Hassan and one meeting as alternate to Dato' Mat Noor Nawi. She has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Group Leadership Team

Standing from Left to Right

Idrus Ismail*, Mohamad Mohd Zain, Dr Mazlan Ismail, Dr Zainal Abu Zarim, Gazali Harun*, Michael Parker, Mohd Rais Azhar, Badrul Hisham Ahmad, Zaleha Abu Bakar, Dato' Rozalila Abdul Rahman*, Nizam Arshad, Imri Mokhtar*

Seated from Right to Left

Dato' Sri Zamzamzairani Mohd Isa*, Ahmad Ismail, Rafaai Samsi*, Nazidah Ahmad Azli, Asmawati Yusof



* Management Team

The profiles of the Management Team are set out on pages 80 to 83 inclusive, of this Annual Report.

Standing from Left to Right

Izlyn Ramli*, Giorgio Migliarina*, Hamidah Mahmud, Jeremy Kung*, Azizi A Hadi*, Nor Akmar Md Yunus, Mohamad Rozaimy Abd Rahman*, Dr Farid Mohamed Sani*, Ahmad Azhar Yahya*, Hazimi Kassim*, Zam Ariffin Ismail*, Khaidhir Elias

Seated from Left to Right

Datuk Bazlan Osman*, Mohd Khalis Abdul Rahim*, Dato' Kairul Annuar Mohamed Zamzam*, Ghazali Omar*



Profile of Management Team

Dato' Sri Zamzamzairani Mohd Isa *Managing Director/ Group Chief Executive Officer*

Dato' Sri Zamzamzairani, 51, holds a Bachelor of Science in Communication Engineering from Plymouth Polytechnic, United Kingdom, and has attended the Kellogg School of Management's programme in Corporate Finance, Strategies for Creating Shareholder Value. He has vast experience in the telecommunications industry, having held senior management positions in several multinationals, such as Global One and Lucent Technologies (Malaysia). He was appointed as TM's Managing Director/Group Chief Executive Officer on 25 April 2008. Previous key positions in TM before assuming his current role include Senior Vice President, Group Strategy and Technology and Chief Executive Officer of Malaysia Business. Dato' Sri Zamzamzairani sits on the Boards of several TM subsidiaries, including as Chairman of VADS Berhad and TM Net Sdn Bhd, and Deputy Chairman of GITN Sdn Bhd.

Datuk Bazlan Osman *Executive Director/ Group Chief Financial Officer*

Datuk Bazlan, 48, is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He began his career in 1986 as an auditor with Messrs Hanafiah Raslan Mohamad, a public accounting firm, and subsequently served the Sime Darby Group, holding various positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a stint in American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was appointed Senior Vice President, Finance/Company Secretary. He joined Celcom Axiata Berhad in 2001 as the

Senior Vice President, Corporate Finance and Treasury and subsequently as the Chief Financial Officer (CFO) in 2002, prior to his appointment as TM Group CFO on 1 May 2005. Datuk Bazlan also oversees the operations of Global, Wholesale and Support Business. He sits on the Boards of several subsidiaries within the TM Group including as Chairman of Fiberail Sdn Bhd and TM Info-Media Sdn Bhd.

Dr Farid Mohamed Sani *Chief Strategy Officer*

Dr Farid, aged 36, holds a PhD in Chemical Engineering, a Masters in Engineering and a Bachelor of Arts with first class honours specialising in Chemical Engineering, all from the University of Cambridge. He was appointed TM's Chief Strategy Officer effective 1 January 2012. Prior to joining TM, he 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 Senior Vice President, Managing Director's Office. Dr Farid was a consultant at McKinsey & Company for two years before joining Khazanah in 2004.

Giorgio Migliarina *Chief Technology and Innovation Officer*

Giorgio, 43, holds a Masters (Sc) in Electronic Engineering from the Polytechnic University of Turin, Italy and a Masters in Business Administration (MBA) from INSEAD, France. He was previously a Partner at McKinsey & Company, based in London and Beijing. There, he served some of the world's leading operators and high-tech companies. Prior to joining McKinsey, Giorgio helped launch Infostrada SpA, Italy's second fixed line operator, where he held positions at network planning

and corporate development. Before Infostrada, he worked in Olivetti SpA as a business development manager for its telecom ventures. Giorgio was appointed TM's Chief Technology and Innovation Officer on 1 May 2009.

Dato' Rozalila Abdul Rahman *Chief Marketing Officer*

Dato' Rozalila, 50, holds a Bachelor in Food Science and Technology from Universiti Putra Malaysia. She has 23 years of experience in multinational companies particularly in marketing and sales of fast moving consumer goods. She started her career in 1989 as a management trainee with Unilever Malaysia, where she spent 10 years before moving on to Kellogg Asia Marketing as Marketing Manager Innovations for South East Asia. In 2001, she joined Reckitt Benckiser as Marketing Manager (Malaysia/Singapore) before moving to Bank Simpanan Nasional as Director of Sales and Marketing. In 2006, Dato' Rozalila joined Maxis Communications Berhad as General Manager (Media, Research and Events) in the Consumer Business Division and later headed the Segment Marketing team, managing the Malay market, East Malaysia and Migrant segment in 2008. She joined TM as Chief Marketing Officer on 17 February 2010 and is responsible for Group Marketing, Retail Product and Customer Service Management.

Mohd Khalis Abdul Rahim *Chief Human Capital Officer*

Khalis, 49, holds a Masters in Human Resource Management from the University of Canberra, Australia. He has extensive exposure in human capital management, having served in several multinational companies. This includes over 20 years of experience in the field of human resource management across

different industries. 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. Khalis was the Human Resources Director of Colgate Palmolive Malaysia from June 2000 until October 2006. He later moved to Freescale Semiconductor as Human Resources Director responsible for Malaysia, Singapore and Asia Supply Chain for three years. He joined TM as the Chief Human Capital Officer on 17 August 2009.

Idrus Ismail

Chief Legal, Compliance and Company Secretary

Idrus, 58, obtained his degree in Economics from the University of Malaya in 1977 and a Bachelor of Law from the National University of Singapore in 1987. He has a Certificate in Translation from the National Translation Institute of Malaysia, an Executive Masters in Islamic Banking and Finance from Asia e University and is currently pursuing an online Chartered Islamic Finance Program at the International Centre for Islamic Finance (INCEIF). He was called to the Malaysian Bar in 1988. He started his career as a management trainee with Petronas and brings with him over 30 years of experience mostly in conventional and Islamic financial institutions, where he served as company secretary as well as in-house counsel. Before joining TM, he was Company Secretary of the CIMB Group, served the PROKHAS secretarial department (providing secretarial services to Minister of Finance, Inc. companies) and was Senior Counsel of Islamic Banking and Finance in a major corporate law practice. Idrus joined TM as Chief Legal and Compliance on

1 December 2009 and assumed the position of Company Secretary with effect from 18 January 2010.

Gazali Harun

Chief Procurement Officer

Gazali, 53, holds a Bachelor of Science in Finance from the Northern Illinois University, USA and in 1982 obtained his MBA from the Governors State University, also in the USA. He is also a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He gained vast experience in corporate banking and corporate finance while serving at a local merchant bank prior to joining TM in 1990. In TM, he has been involved in treasury management, fund raising activities, mergers and acquisitions, investor relations and overseeing the Enterprise Risk Management Programme for the Group. He was the Vice President, Finance of TM Wholesale before assuming his current position as Chief Procurement Officer on 1 June 2005.

Hazimi Kassim

Chief Internal Auditor

Hazimi, 48, holds a Bachelor of Arts in Accounting from the University of Canberra, Australia. He also attended the Wharton Advanced Management Program at the University of Pennsylvania, USA in 2006. He is a Certified Practicing Accountant (CPA) of the Australian Society of Certified Practicing Accountants (ASCPA), a Chartered Member of the Malaysian Institute of Accountants (MIA) and the Institute of Internal Auditors Malaysia (IIAM).

He has vast experience in external and internal audit, financial and management accounting, corporate finance as well as strategic planning,

business development and investor relations. His wide-ranging career to date has spanned across audit and consulting services to securities, insurance and banking and, now, telecommunications. Before joining TM on 1 November 2011 as the Chief Internal Auditor, he was Head of Corporate and Strategic Planning at Malayan Banking Berhad. Prior to that, he was the Chief Audit Executive in the Internal Audit Division, where he managed the largest internal audit organisation in Malaysia with over 200 audit professionals under his leadership.

Rafaai Samsi

Executive Vice President, Wholesale

Rafaai, 54, obtained a Masters in Communications Management from the University of Strathclyde, United Kingdom in 2005 and a Bachelor of Science (Hons) in Electronic Engineering from Brighton University, United Kingdom in 1986. His career in telecommunications started with the then Jabatan Telekom Malaysia in 1978 as Technical Assistant, following which he assumed roles of increasing responsibility within the TM Group. He was appointed Chief Executive Officer of Meganet Communications Sdn Bhd, a subsidiary of TM, in July 1997 before returning to TM mainstream 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 appointed Vice President, Marketing and Sales for the Wholesale segment in October 2006 and subsequently promoted to lead the wholesale Line of Business on 1 July 2008.



**connect
communicate
collaborate**

Imri Mokhtar

Executive Vice President, Consumer/CEO, Telekom Sales & Services Sdn Bhd

Imri, 38, graduated in 1996 with First Class Honours in Electronics Engineering and Management Studies (BEng) from the University College of London, where he was on a TM scholarship. He started his career in TM's ASEAN joint-venture company, ACASIA, before joining the Kuala Lumpur office of McKinsey & Company, an internationally renowned management consulting firm, serving clients in the financial and telecommunications sectors. He later joined Astro, a pay-TV operator, to establish and head its interactive TV business before re-joining TM in August 2005 as the General Manager of Strategy Development. He was made the General Manager, Programme Management Office in 2006 and later Vice President, Programme and Performance Management Office in June 2008. Imri was promoted to his current position as Executive Vice President, Consumer on 15 July 2010 and is responsible for managing the Consumer business of TM Group. Imri was appointed CEO of Telekom Sales & Services Sdn Bhd effective 1 January 2012.

Azizi A Hadi

Executive Vice President, SME

Azizi, 47, holds an MBA from Universiti Putra Malaysia and a Bachelor of Science in Electrical Engineering from Wichita State University, USA. He has more than 20 years of experience in the telecommunications industry, which has included engineering, operations, sales and product development and management. Azizi started his career with the Malaysian Army as an

Engineering Officer in the Royal Malaysian Signals Regiment from 1987 to 1996, where his main responsibilities were in planning tactical radio networks, evaluating new equipment and training. He was also the Country Business Development Manager of Global One, an international telecommunications service provider where he was entrusted with the country's MNC sales in 1999. Prior to joining TM in 2006 as General Manager, Technology and Innovation, he was with Maxis Communications Berhad as the Head of Broadband Business Unit and in Network Engineering and Operations. Azizi was made Vice President, Retail Product of TM in February 2009 before assuming his current position as Executive Vice President, SME on 20 June 2011.

Ghazali Omar

Executive Vice President, Enterprise

Ghazali, 54, holds a Bachelor (Hons) in Electrical and Electronic Engineering from the University of Leeds, United Kingdom and an MBA from the Multimedia University, Cyberjaya. He has more than 30 years of experience in the telecommunications industry, beginning his career with the then Jabatan Telekom Malaysia in 1980 as a Planning and Development Engineer specialising in Data Communications. He was later appointed General Manager, Marketing and Sales, TM Net Sdn Bhd in 2002 and Vice President of Enterprise and Government Sales, TM Retail in 2007 before assuming his current position as Executive Vice President, Enterprise on 1 February 2009. He was also the CEO/Executive Director of VADS Berhad, a wholly-owned subsidiary of TM, from March 2009 until December 2011.

Dato' Kairul Annuar Mohamed Zamzam

Executive Vice President, Government

Dato' Kairul Annuar, 48, holds a Bachelor in Engineering Science from the University of Western Ontario, Canada. He completed his MBA at the Multimedia University, Cyberjaya and attended an Advanced Management Training at INSEAD in 2003. He has over 20 years of experience in the telecommunications industry, beginning with the then Jabatan Telekom Malaysia in 1985 as a Human Resources Planning Executive. He has since held various positions in local access, switching and transmission networks. He was appointed General Manager of the Terengganu Operations Area in 1998 and in 2002, was appointed as Personal Assistant to the Group Chief Executive. In 2004, he was appointed General Manager of Corporate Affairs and later appointed as Vice President, Consumer & Business Sales Division in TM Retail. Prior to his current appointment as Executive Vice President, Government in 2009, he was the CEO of Telekom Sales & Services Sdn Bhd.

Mohamad Rozaimy Abd Rahman

Executive Vice President, Global

Rozaimy, 40, obtained a Bachelor in Distributed Computing from the University of East London, and a Masters of Science in Technology Management from Staffordshire University, United Kingdom. He attended a programme on Advanced IP and Technology Management at the AT&T School of Business and Technology, and trained in telecommunications technology at AT&T Bell Labs in New Jersey, USA. He also attended the Advanced Leadership Management



Programme in Madinah, Saudi Arabia under the Madinah Institute of Leadership and Entrepreneurship. He has more than 17 years' experience in the telecommunications industry. He was the AT&T Sales Director, AT&T Global Wholesale, responsible for markets in South East Asia and South Asia, before joining TM in 2006 as General Manager of Product Marketing. He was then appointed Executive Vice President of TM Global on 1 July 2009, responsible for TM Regional offices in the United Kingdom, USA, Hong Kong and Singapore.

Jeremy Kung Eng Chuang

Executive Vice President, New Media/CEO, TM Net Sdn Bhd

Jeremy, 48, holds an Honours Degree in Computer Science from the University of Ottawa, Canada. He has more than 20 years' experience in technical and managerial roles in IT systems development for media, telecommunications and Business-to-Consumer (B2C) business. He spent three years at J. Walter Thompson (JWT) and seven years at Star-TV, before serving more than 10 years at PCCW Limited (PCCW), Hong Kong and its group of companies. His last positions there were as Senior Vice President of Customer Advocacy and Chief Information Officer of PCCW Global, a business unit of PCCW that provides telecom services globally. Jeremy joined TM Group as CEO of TM Net Sdn Bhd on 20 May 2008 and was appointed Executive Vice President, Consumer of TM on 1 February 2009. He was appointed as Executive Vice President, New Media effective 15 July 2010 and remains as CEO of TM Net Sdn Bhd.

Ahmad Azhar Yahya

CEO, VADS Berhad

Ahmad Azhar, 47, holds a Bachelor of Science in Electrical Engineering from Oklahoma State University, USA. He began his career in 1987 as an engineer in Agilent Technologies (formerly known as Hewlett Packard). He then joined management consultants 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. In 2008, Ahmad was appointed TM's Programme Director of High-Speed Broadband (HSBB) Programme and contributed to the successful launch of UniFi in March 2010. He was then appointed the Chief Strategy Officer of TM on 15 July 2010 before assuming his current position as CEO of VADS Berhad, a wholly-owned subsidiary of TM, effective 1 January 2012.

Zam Ariffin Ismail

Vice President, Support Business

Zam Ariffin, 48, holds a Masters in Professional Accounting from St. Louis University, and a Bachelor of Science in Accounting from Emporia State University, both in the USA. He is also a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He started his career in 1987 as a Bond Officer at Cagamas Berhad. In 1989, he joined TM in the Corporate Finance Division and was the Assistant General Manager of Financing and Special Projects, before joining Telekom Cellular Sdn Bhd as General Manager

of Finance in 1996. From 2000 to 2006, he served in Maxis Communications Berhad as Head and Senior Manager in the Business and Financial Planning Department, Networks Engineering and Operation Division and later in the Contract Management Department, Finance and Administration Division, before returning to TM as General Manager, TM Ventures. Prior to his current position as Vice President, Support Business, he was the General Manager, Subsidiary Management of Group Business Development and Transformation.

Izlyn Ramli

Vice President, Group Corporate Communications

Izlyn, 41, holds an MBA with Distinction from City University (Cass) Business School, London, specialising in Strategic Management of Technology and E-Business, and a Bachelor of Science (Hons) in Economics from University College London. She started her career in 1992 with 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 2006-2008, 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 (ABAC) and United Nations Global Alliance (UNGAID), focused on ICT Development and ICT for Development. Following the TM demerger in 2008, Izlyn moved to TM's sister company, Axiata Group Bhd and was promoted to head the Corporate Communications 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 Vice President, Group Corporate Communications on 1 October 2010.

Statement on Corporate Governance

“Today, what investors and the public need most, over and above compliance with the rules and regulations, is assurance and accountability in the broadest sense; and this includes taking into account the company’s continuing viability as an enterprise, conduct which embraces moral and ethical considerations, understanding and management of risks and the creation of sustainable value. In other words, investor and public confidence are premised on a strong and viable corporate culture that focuses on the best long-term interests of the company and its ability to return value to shareholders while preserving the interests of all other stakeholders.”

YBhg Tan Sri Zarinah Anwar

*Chairman, Securities Commission Malaysia,
at the launch of the Corporate Governance Blueprint 2011*

It is clear that corporate governance forms the heart of the system by which companies are directed and controlled, hence the Board of Directors of Telekom Malaysia Berhad (TM) is firmly committed to maintaining the highest level of governance in the Company. The Board ensures that TM’s corporate governance framework and governance best practices remain robust, relevant and continuously strengthened as the Company realises its vision of becoming Malaysia’s leading new generation communications provider.

Corporate governance is not only about commitment to values, ethical conduct and the implementation of best practices, but also understanding and managing stakeholders’ expectations. Recognising that governance is not just a matter for the Board, the Board ensures that TM’s internal processes, guidelines and systems are reviewed and/or aligned with sound corporate governance practices.

TM also implements relevant programmes to educate and enhance governance awareness of its employees at all levels. The objective of these actions is to increase efficiency, transparency and accountability with the ultimate goal of entrenching corporate governance within the organisation.

TM further acknowledges that expectations with regard to corporate governance have heightened in light of the changing global financial and regulatory landscapes. The recent launch of the Corporate Governance Blueprint (CG Blueprint) by the Securities Commission on 8 July 2011, for example, sets out the policies and strategic directions as well as detailed recommendations for strengthening corporate governance in the Malaysian capital market over the next five years.

The Board supports the 35 recommendations of the CG Blueprint which aims at complementing regulation by reinforcing self-discipline and market discipline to promote greater internalisation of the culture of good corporate governance. The Board will regularly review the said recommendations, taking into account their impact on the Board and the Company and the appropriate timing of such implementation.

TM abides by the principles and best practices of corporate governance as prescribed by the following:

- Malaysian Code on Corporate Governance (Revised 2007) (CG Code);
- Guidelines to Enhance Board Effectiveness as codified in the ‘Green Book’ of the Putrajaya Committee on GLC High Performance (PCG);

- Bursa Malaysia Securities Berhad’s (Bursa Securities) Main Market Listing Requirements (Main LR);
- Bursa Securities’ Corporate Governance Guide: Towards Boardroom Excellence (CG Guide);
- Bursa Securities’ Corporate Disclosure Guide; and
- International best practices and standards on corporate governance.

TESTIMONY TO CORPORATE GOVERNANCE

The Malaysian Corporate Governance Index (MCGI) Awards are given to companies in recognition of their exemplary corporate governance practices during the year. The MCGI 2011 Survey Findings and Awards Ceremony organised by the Minority Shareholders Watchdog Group (MSWG) was held on 7 December 2011. As testimony to TM’s continuous efforts in ensuring transparency, accountability and equality in its governance and stakeholder management, TM won the following awards:

- Industry Excellence Award for Telecommunications/Media
- Distinction (A+) Award under the Corporate Governance Hall of Fame Award
- Best Corporate Responsibility

Transparency

In addition, TM was accorded the Challenge Trophy for winning the Platinum Award for the Most Outstanding Annual Report of the Year at the National Annual Corporate Report Awards (NACRA) 2011, which it last won in 2006. TM won the highest number of awards during the event, receiving various awards under the following categories:

- Industry Excellence for Main Board Companies in the Trading and Services category
- Best Corporate Social Responsibility – Silver Award
- Best Annual Report in Bahasa Malaysia – Silver Award
- Best Designed Annual Report – Silver Award

NACRA is the collaborative effort of three institutions – Bursa Malaysia Berhad, the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA). The 2011 awards ceremony held on 15 November 2011, themed *Towards Accountability and Excellence* was aimed at promoting greater corporate accountability and more effective communication by organisations. The Board is proud to note that such winnings substantiate TM's commitment to high corporate governance practices and transparency by making relevant disclosures in its annual reports.

Details of other local and international awards received by TM Group in 2011 are provided on pages 44 to 45 inclusive, of this annual report.

BOARD OF DIRECTORS

MAINTAINING A STRONG, BALANCED AND EFFECTIVE BOARD

TM Group continues to be led and controlled by an active and experienced Board consisting of local and foreign Directors with a wide range of business, financial, technical, regulatory and public

service backgrounds, and experience in the telecommunications industry abroad.

The CG Blueprint provides for a balanced and diverse Board, which can be achieved if there is sufficient focus on the recruitment and retention of the best people, including women. The CG Blueprint expresses a goal for women participation on Boards to reach 30.0% by 2016. Currently, TM has one woman Director as well as one woman Alternate Director. The Board recognises that diversity is critical to a well functioning Board and an essential measure of good governance.

However, the appointment of a new Board member will not be guided solely by gender but rather the skills-set, experience and knowledge of the candidate.

The Board consists of 12 members, comprising a Non-Independent Non-Executive Chairman, two Executive Directors designated as the Managing Director/Group Chief Executive Officer (MD/Group CEO) and the Executive Director/Group Chief Financial Officer (ED/Group CFO), two Non-Independent Non-Executive Directors and one Alternate and seven Independent Non-Executive Directors including one foreign Director. The Board has reached its maximum size as provided under its Articles of Association.

The current Board composition complies with paragraph 15.02 of the Main LR as more than half of the members are Independent Directors and they also fulfill the criteria of independence as defined under paragraph 1.01 of the Main LR. The high proportion of Independent Non-Executive Directors also provides for effective check and balance in the functioning of the Board.

The Board is satisfied with its existing number and composition, which is appropriate given the complexity and scale of operations of the Group's

business. The Board's mix of skills and experience adds value to governing the strategic direction and performance of TM as it forges ahead to become a leading new-generation communications provider and prepares itself to transform into an Information Exchange.

The Directors' biographies, which appear on pages 70 to 77 inclusive of this annual report, demonstrate a wealth of experience and skills vital for the efficient management of the Group's business.

In addition to eight scheduled meetings during the year to deliberate and decide on core issues and quarterly financial results based on the predetermined agendas, two special meetings were held where immediate or strategic decisions needed to be made. A Board retreat was also held in the fourth quarter to deliberate specifically on strategic and key business priorities as well as financial targets of the Group. The attendance of individual Directors is stated within the Directors' biographies appearing on pages 70 to 77 inclusive, of this annual report. Besides the Board Meetings, urgent decisions were approved via seven Directors' Circular Resolutions during the year.

DUTIES AND RESPONSIBILITIES OF THE BOARD

In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of the Group's customers, investors and all other stakeholders.

The Board assumes the following six core responsibilities:

- Review and adopt a strategic plan for the Group
- Oversee and evaluate the conduct of the Company's business
- Identify and manage principal risks
- Monitor succession planning
- Develop and implement an investor relations programme
- Review the adequacy and integrity of the Company's internal controls

Apart from these core responsibilities, the Board also takes full independent responsibility and accountability for the smooth functioning of core processes involving Board governance, business value and ethical oversight. To facilitate the effective discharge of these responsibilities, dedicated Board Committees have been established with clear terms of reference, comprising Directors who have committed their time and effort as members. The Board Committees are chaired by Non-Executive Directors whose leadership comes with the benefit of in-depth knowledge of the relevant industry.

Authority Limit Matrices for TM and its Lines of Business as well as subsidiaries are in place to ensure that Board approvals are obtained for different categories of transactions and activities of the Group within various levels of authority such as Shareholding and Capital Structure, Investments, Mergers and Acquisitions, Corporate Finance, Procurement, Human Resources, Property, Plant and Equipment, Write-off and Sponsorship. These matrices were reviewed as and when required to reflect the changes in the organisation structure, consistent with existing process flows and guidelines and enhancement to current processes arising from audit reviews.

ROLES OF THE CHAIRMAN, GROUP CEO, NON-EXECUTIVE DIRECTORS AND SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

The roles of the Non-Independent Non-Executive Chairman, Datuk Dr Halim Shafie, and the Group CEO, Dato' Sri Zamzamzairani Mohd Isa, are separated with clear division of responsibilities, in line with best practices and to ensure appropriate supervision of the Management. Such separation accords a balance of power and authority in the Board. Moreover, Datuk Dr Halim Shafie is not previously a CEO or a Management member of the Company.

The Board's principal focus is the overall strategic direction, development and control of the Group. As such, the Board approves the Group's strategic plans and annual budget and, throughout the year, reviews the performance of the Lines of Business and operating subsidiaries against their budgets and targets. The Group CEO is responsible for the implementation of broad policies approved by the Board and is obliged to report and discuss at Board Meetings all material matters currently or potentially affecting the Group and its performance, including strategic projects and regulatory developments.

The Chairman is responsible for the effectiveness of the relationship between the Non-Executive and Executive Directors. With vast experience gained during his employment in the government sector, including as former Chairman of the Malaysian Communications and Multimedia Commission and membership on the Boards of several Government-Linked Companies (GLCs), Datuk Dr Halim is well equipped to interact with global leaders of the industry, build relationships with stakeholders and actively participate in various institutions.

The Non-Executive Directors provide considerable depth of knowledge collectively gained from experience in a variety of public and private companies. They have the necessary qualities and competencies to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long-term interest of TM's shareholders and other stakeholders. They bring with them a wealth of experience which assists the Board in its decisions and policy formulations.

The Independent Non-Executive Directors, by virtue of their roles and responsibilities, in effect represent minority shareholders' interests. They are independent of Management and free from any business or other relationship

which could materially interfere with the exercise of their independent judgment. They play a significant role in bringing impartiality and scrutiny to Board deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective manner. This is particularly so as the Independent Non-Executive Directors chair TM's main Board Committees namely the Board Audit Committee, Board Tender Committee and Board Investment Committee. The robust engagement between Management and the Independent Non-Executive Directors ensures that the strategies proposed by the Management are fully deliberated and examined, in the interest of shareholders, employees, customers and the many communities in which the Group conducts its business. The independence of the Non-Executive Directors is constantly reviewed and benchmarked against best practices and regulatory provisions.

Dato' Danapalan T.P Vinggrasalam was appointed since May 2009 as TM's Senior Independent Non-Executive Director (SID), to whom concerns pertaining to the Group may be conveyed by shareholders and the public. Dato' Danapalan also represents and acts as spokesperson for the Independent Directors as a group.

As the SID, the main responsibilities of Dato' Danapalan are to ensure that the views of each Non-Executive Director are given due consideration and to provide a communication channel between Non-Executive Directors and shareholders. This communication channel is in addition to normal channels already in place. The SID is also expected to promote high standards of corporate governance and ensure that the Company's obligations to shareholders are understood and complied with.



The SID is fully independent of Management, has sufficient standing and significant influence within the Board. The SID shall:

- be available for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole.
- have the authority to call a meeting of the Non-Executive Directors if deemed necessary.
- lead a meeting of the Non-Executive Directors without the presence of the Chairman to appraise the Chairman's performance, taking into account the views of the Executive Directors and on such other occasions as are deemed appropriate.
- maintain sufficient contact with major shareholders to listen to their views in order to assist the Board to develop a balanced understanding of their issues and concerns.
- ensure that the Board is aware of any shareholders' concerns not resolved through the existing mechanism for investor communication.

All concerns relating to the Group can be channelled to the SID's email address, sid@tm.com.my which is posted on the Company's website.

BOARD APPOINTMENT PROCESS

The Company has in place formal and transparent procedures for the appointment of new Directors. Appointment to the Board is made either by the Minister of Finance Incorporated (MOF Inc.), being the Special Shareholder pursuant to Article 109 of the Company's Articles of Association, or by the Board of Directors pursuant to Article 98(1) of the Company's Articles of Association.

All nominees to the Board are first considered by the Nomination and Remuneration Committee (NRC), taking into account the mix of skills,

competencies, experience and other qualities required to manage a highly regulated communications business, before they are recommended to the Board.

While the Board is responsible for the appointment of new Directors, the NRC is delegated the role of screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board. The NRC evaluates the nominees' ability to discharge their duties and responsibilities before recommending their appointments as Directors to the Board for approval.

The Board appointment process was tested extensively in 2011 in conjunction with the appointments of the following Directors:

- Datuk Zalekha Hassan was re-designated as an Independent Non-Executive Director with effect from 1 June 2011 following her retirement from the Ministry of Finance (MoF). Following thereto, she was no longer the MoF Inc.'s Appointed Director. Her re-designation was made after considering the following factors:
 - (i) the Board and TM Group as a whole will benefit from Datuk Zalekha's wealth of experience especially in procurement matters; and
 - (ii) Datuk Zalekha has contributed positively to the Board during her tenure as Director and Non-Executive Chairperson of the Board Tender Committee.
- Datuk Dr Rahamat Bivi Yusoff (MOF Inc.'s Appointed Director) was appointed as Non-Independent Non-Executive Director with effect from 2 June 2011. She later resigned on 18 November 2011.
- Mr David Benello, a foreign Director, was appointed as an Independent Non-Executive Director on 21 November 2011.

His appointment addressed the technical skills gap at Board level that was identified by the Board Effectiveness Evaluation 2010. In addition, Mr David Benello has strong telco expertise with vast experience in foreign fixed line telcos which are beneficial to TM.

- Dato' Mat Noor Nawi (MOF Inc.'s Appointed Director) was appointed as Non-Independent Non-Executive Director on 1 December 2011.

Notwithstanding the recommendation of the CG Blueprint, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs. Similarly, the Board does not set a time-frame on how long an Independent Director should serve on the Board, mainly for the following reasons:

- The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.
- In accordance with the CG Code, the NRC conducts an annual assessment of Independent Directors in respect of *inter alia* their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement.
- The Directors' Peer evaluation results from the Board Effectiveness Evaluation exercise would flag out the Independent Directors' ability or inability to act independently.

BOARD EFFECTIVENESS EVALUATION

As recommended under the PCG Green Book, the Board Effectiveness Evaluation (BEE) was first adopted in 2004 and reviewed in 2006, 2008, 2009 and 2010 by an external consultant. After seven years, in 2011, the Board decided that the BEE should be conducted in-house by the Company Secretary. The Board is of the view that the Company Secretary has the calibre and integrity to conduct the BEE transparently and objectively.

The BEE comprises a Board Evaluation, a Committee Evaluation and a Board of Directors' Self/Peer Assessment, and is designed to improve the Board's effectiveness as well as draw the Board's attention to key areas that need to be addressed in order to maintain cohesion of the Board despite its diversity.

Performance indicators on which the Board's effectiveness is evaluated include the Board's composition, administration and process, conduct, accountability, interaction and communication with Management and stakeholders, responsibility and its evaluation of the Board Chairman and Group CEO. Performance indicators for individual Directors include their interactive contributions, understanding of their roles and quality of input.

The BEE involves the completion of questionnaires on the effectiveness of the Board of Directors as a whole, as well as that of the Board Committees. The Committees' structure and processes as well as accountability and responsibilities are evaluated in assessing the effectiveness of the respective Committees.

Questionnaires are also completed by the Directors on Self and Peer Assessments. These questionnaires were reviewed in 2011 to ensure close scrutiny of the contribution, personality and calibre of individual Directors.

The results of the BEE 2011 were generated based on the Directors' feedbacks on the questionnaires. Subsequently, interviews were held with the Chairman of the Board as well as Chairman of the NRC to obtain a more in-depth analysis of the results, while discussing the detailed BEE results with them. Every Board member was provided with the results of the self-evaluation marked against peer evaluation to allow for comparison.

The 2011 BEE results revealed that the Board had performed well, with most of the areas being rated as "Good" or "Outstanding". The average ratings for most of the areas evaluated had either improved or remained the same as in 2010, indicating the Directors' satisfaction with the Board's overall performance.

A summarised report was presented to the Board on 24 February 2012 with an analysis of previous years' evaluation results to enable the Board to identify areas for improvement in line with the Board Performance Improvement Programme.

Based on the ratings and comments provided by Directors, three areas for further improvement in 2012 are as follows:

- HSBB Execution
- Customer Experience and Quality Improvements
- Competition and Focus on Strategic and Inorganic growth

With regards to the areas for improvement identified in 2010, below are the summarised results of the Board's evaluation on whether these have been addressed in 2011:

- Adequate progress has been achieved for the Human Capital and Succession Planning issues. However, since it is a continuous process, the issues will be monitored via the NRC in 2012.

- Strategy and Execution of HSBB is moving in the right direction with improvements in 2011. The Board will continue to monitor HSBB progress in 2012.
- The technical skills gap at Board level was addressed with the appointment of a new foreign Director.
- Significant improvements were achieved in 2011 with regards to Quality of Service – Customer Service and Marketing/Branding. The Board agreed to further focus on these areas in 2012.
- Investor Relations has been managed efficiently and adequate communication and correct messages have been relayed to all stakeholders.
- Adequate internal controls are in place while quality and integrity have improved. In order to ensure better compliance and continuous monitoring, Board Audit Committee (BAC) will focus on this in 2012.
- TM acknowledges that Strategic and Inorganic Growth is one of the key growth areas for the Group. Hence, more focus will be given to Strategic and Inorganic Growth in 2012, and this will be monitored by the Board Investment Committee (BIC).

The 2011 results on Board Committee evaluation are fairly consistent with the 2010 ratings. Four Board Committees were rated "Good" to "Outstanding", indicating that Committee members believe they have performed effectively as a group. The Board Risk Committee (BRC) members, however, agreed that being a new committee, formed in 2010, there is room for improvement in the work of the BRC.

Directors' Peer evaluation results continued to be high in 2011, indicating healthy Board dynamics and a collectively strong Board.

RE-ELECTION OF DIRECTORS

In accordance with the Main LR and Article 103 of the Company's Articles of Association, all Directors are subject to re-election by rotation once at least every three years and a re-election of Directors takes place at each Annual General Meeting (AGM). Executive Directors also rank for re-election by rotation. According to Article 98(2) of the Articles of Association and the Companies Act 1965 (CA 1965), Directors appointed to fill casual vacancies shall hold office only until the following AGM and shall be eligible for re-election.

The re-appointment and re-election of Directors at the AGM is subject to prior assessment by the NRC and the affected Directors are required to give their consent on their re-election prior to TM Board meeting. The NRC's recommendations are submitted to the Board and thereafter to the shareholders for approval. Particulars of Directors standing for re-election have been provided in the Statement Accompanying the Notice of TM's 27th AGM scheduled to be held on 8 May 2012.

The re-election of Directors ensures that shareholders have a regular opportunity to reassess the composition of the Board.

The Company is proposing to amend its Articles of Association at the forthcoming Extraordinary General Meeting (EGM) to be held on 8 May 2012, to among others, incorporate the provision on the one-third rotation requirement in order to avoid ambiguity in determining the number of Directors to retire each year.

DIRECTORS' REMUNERATION

The policy and framework for the overall remuneration of the Executive and Non-Executive Directors are reviewed regularly against market practices by the NRC, following which recommendations are submitted to the Board for approval.

The respective performances of the Executive Directors (as well as that of the Management in pivotal positions and the Company Secretary) are also reviewed annually by the NRC, and recommendations submitted to the Board on specific adjustments in their remuneration and/or reward payments, reflecting their contributions for the year. These payments are competitive, in line with the Group's corporate objectives, culture and strategy.

As Executive Directors, the Group CEO and Group CFO are paid salaries, allowances, bonuses and other customary benefits as appropriate to Top Management. The Board has also approved a Long Term Incentive Plan (LTIP) in the form of Share Appreciation Rights for the Executive Directors. TM carries out salary benchmarking of equivalent jobs in the market of similar-sized companies to arrive at appropriate base pay levels. In doing so, the NRC and the Board ensure that the Executive Directors' remuneration packages are sufficiently attractive to attract and retain persons of high calibre.

TM has also implemented guidelines as set out in the PCG's Blue Book for GLCs, on "Intensifying Performance Management Practices and Performance-linked Compensation". In accordance with these guidelines, a significant portion of TM's compensation package for the Group CEO, Group CFO and other executives has been made variable to be determined by performance, namely how well the individual has performed in the year based on the approved individual Key Performance Indicators (KPIs), which are aligned to TM Group's Balanced Scorecard. The Group CEO and the management team members are rewarded according to a combination of how well they have achieved their KPIs and their 360-Degree ratings.

In its continuous effort to enhance greater transparency to the public, TM announced its Headline KPIs for 2012 to 2014 in February 2012. These have been set and agreed by the Board and Management as part of the broader KPI framework that TM has in place, as prescribed under the GLC Transformation Programme.

The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration. The remuneration of Non-Executive Directors is based on a standard fixed fee. In addition, allowances are also paid in accordance with the number of meetings attended during the year. Non-Executive Directors are not entitled to participate in the Employees' Share Option Scheme (ESOS) and variable performance-linked incentive schemes pursuant to the Blue Book to maintain appropriate check and balance. They are however entitled to other allowances, such as annual overseas business development trips, reimbursement on business equipment and telecommunications bills as well as insurance and medical coverage.

As Executive Directors, the Group CEO and Group CFO are not paid Director's fees or meeting allowances for Board and Board Committee meetings that they attend. The Executive Directors acknowledged the need to excuse themselves from Board and Board Committee meetings during deliberations on their performance rewards and remuneration review.

Details of the remuneration of each Director of the Company, categorised into appropriate components for the financial year ended 31 December 2011, are as follows:

NAME OF DIRECTORS	SALARY (RM)	BONUS (RM)	FEE (RM)	ALLOWANCE (RM)	BENEFIT IN KIND (RM)	TOTAL AMOUNT (RM)
NON-INDEPENDENT AND EXECUTIVE DIRECTORS:						
Dato' Sri Zamzamairani Mohd Isa	1,531,122.00 ¹	1,422,216.25 ²	-	60,000.00 ³	170,361.10	3,183,699.35
Datuk Bazlan Osman	994,832.00 ¹	635,652.68 ²	-	60,000.00 ³	133,847.90	1,824,332.58
NON-INDEPENDENT AND NON-EXECUTIVE DIRECTORS:						
Datuk Dr Halim Shafie	-	-	312,000.00	34,500.00	34,007.80	380,507.80
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	-	-	120,000.00	76,250.00	8,640.13	204,890.13
Dato' Mat Noor Nawri [Appointed on 1 December 2011]	-	-	10,000.00	-	-	10,000.00
Datuk Dr Rahamat Bivi Yusoff [Appointed on 2 June 2011 and resigned on 18 November 2011]	-	-	50,000.00	6,250.00	-	56,250.00
NON-INDEPENDENT AND NON-EXECUTIVE ALTERNATE DIRECTORS:						
Eshah Meor Suleiman ⁴	-	-	-	5,550.00	3,856.94	9,406.94
Dr Farid Mohamed Sani [Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin] [Resigned on 15 December 2011]	-	-	-	10,200.00 ⁵	-	10,200.00
INDEPENDENT AND NON-EXECUTIVE DIRECTORS:						
Datuk Nur Jazlan Tan Sri Mohamed	-	-	120,000.00	18,350.00	15,000.00	153,350.00
Dato' Ir Abdul Rahim Abu Bakar	-	-	120,000.00	22,100.00	11,174.57	153,274.57
Dato' Danapalan T.P Vinggrasalam	-	-	180,000.00	39,800.00	74,494.70	294,294.70
Datuk Zalekha Hassan ⁶	-	-	120,000.00	18,000.00	69,836.75	207,836.75
Ibrahim Marsidi	-	-	120,000.00	34,800.00	67,411.40	222,211.40
Quah Poh Keat	-	-	120,000.00	37,900.00	35,804.72	193,704.72
Davide Giacomo Benello @ David Benello [Appointed on 21 November 2011]	-	-	13,000.00	-	-	13,000.00
Riccardo Ruggiero [Retired at the Company's AGM on 10 May 2011]	-	-	50,000.00	3,000.00	62,449.87	115,449.87
TOTAL AMOUNT	2,525,954.00	2,057,868.93	1,335,000.00	426,700.00	686,885.88	7,032,408.81

Notes:

- ¹ Inclusive of Company's contribution to provident fund.
- ² Bonus for financial year ended 2010, paid in 2011, LTIP, Merit Award and Variable Payment.
- ³ Car allowances in lieu of provision of company car.
- ⁴ Details of Puan Eshah's directorship are as follows:-
 - Alternate Director to Datuk Zalekha Hassan, resigned on 1 June 2011
 - Alternate Director to Datuk Dr Rahamat Bivi Yusoff, appointed on 20 June 2011 and resigned on 18 November 2011
 - Alternate Director to Dato' Mat Noor Nawri, appointed on 1 December 2011
- ⁵ Paid directly to Khazanah.
- ⁶ Datuk Zalekha was previously a Non-Independent Director and re-designated as an Independent Director on 1 June 2011.

BOARD COMMITTEES

To assist the Board in discharging its duties, the Board has established several Board Committees. The delegation of certain responsibilities of the Board to its Committees is made in accordance with Article 118 of the Company's Articles of Association. This is necessary as there is now greater reliance on the Board Committees in response to the complex challenges of the business.

All Board Committees have written terms of reference, operating procedures and authority delegated and approved by the Board, which are reviewed from time to time to ensure they are relevant and up-to-date.

The Board receives regular reports on the Board Committees' proceedings and deliberations. On matters reserved for the Board and where the Board Committees have no authority to make decisions, recommendations are highlighted in their respective reports for the Board of Directors' deliberation and endorsement. The Chairmen of the various Board Committees report the outcomes of their meetings to the Board and relevant decisions are incorporated into the minutes of the Board of Directors' meetings.

The Board Committees in TM are as follows:

- Board Audit Committee
- Board Nomination and Remuneration Committee
- Board Tender Committee
- Board Risk Committee
- Board Investment Committee
- Board Dispute Resolution Committee

The details and activities of Board Committees during the year are outlined below.

BOARD AUDIT COMMITTEE (BAC)

In addition to the duties and responsibilities set out under its terms of reference, the BAC assists the Board by providing an objective non-executive review of the effectiveness and efficiency of the internal control and governance processes of TM Group.

The BAC also reviews the Internal Audit function in terms of its authority, competencies and scope as defined in the Internal Audit Charter, in addition to ensuring the independence of the internal auditors and their unrestricted access to information, property and people in the Group.

The BAC report detailing its membership, terms of reference, number and attendance of each member at the BAC meetings held during the year, summary

of principal activities as well as training in 2011 is set out on pages 110 to 115 inclusive, of this annual report. In addition, the Statement on Internal Audit is set out on pages 116 to 119 inclusive, of this annual report.

BOARD NOMINATION AND REMUNERATION COMMITTEE (NRC)

Membership

- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin – Chairman
(Non-Independent Non-Executive Director)
- Dato' Danapalan T.P Vinggrasalam
(Member/Senior Independent Non-Executive Director)
- Dato' Ir Abdul Rahim Abu Bakar
(Member/Independent Non-Executive Director)
- Ibrahim Marsidi
(Member/Independent Non-Executive Director)

TM has a combined Nomination Committee and Remuneration Committee for the purpose of expediency, since the same members are entrusted with the functions of both the Nomination and Remuneration Committees. Members of the NRC are mindful of their dual roles, which are clearly reflected and demarcated in the agendas of each meeting.

Principal Duties and Responsibilities

The functions, principal duties and responsibilities of the NRC are as follows:-

FunctionNomination

- Ensure that Directors bring characteristics to the Board which satisfy the required mix of responsibilities, skills and experience.
- Assist the Board to review annually the appropriate balance and size of Non-Executive participation and to establish procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and the contribution of individual Directors and Board Committee members.
- Select candidates with the appropriate expertise and experience as new Executive or Non-Executive Directors. The NRC may use the services of a professional recruitment firm and make its recommendations on the candidates to the Board for approval.
- The same procedure applies to potential candidates identified by the Special Shareholder.

- Take into account of the need for openness and transparency in developing Board appointment procedures and making its recommendations to the Board.

Remuneration

- To set the policy framework and make recommendations to the Board on all elements of remuneration such as the terms of employment, reward structure and fringe benefits of Executive Directors and other selected Senior Management members (identified as pivotal positions) with the aim of attracting, retaining and motivating individuals of the highest quality.
- Make recommendations to the Board on the remuneration and entitlements of Non-Executive Directors, including the Non-Executive Chairman, for the decision of the Board as a whole.

Principal Duties and ResponsibilitiesNomination

- Examine the size of the Board with a view to determine and recommend the number of Directors on the Board in relation to its effectiveness and ensure that every Director, including the Executive Directors, shall be subject to retirement at least once in every three years. A retiring Director shall be eligible for re-election.
- Review annually and recommend the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors shall bring to the Board and disclose the same in the annual report.
- Recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors and disclose type of training attended by Directors during the financial year in the annual report.
- Review, consider and recommend the appointment, upgrading and promotion of the Executive Directors or Group CEO.
- Ensure that the appointment of the Executive Directors or Group CEO shall be for a fixed term not exceeding three years at any one time with power to recommend his reappointment, removal or dismissal thereafter.
- Recommend to the Board candidates for directorship in the Company and Group.
- Review the Board structure and balance between Executive and Non-Executive Directors.

- Review the adequacy of the structure, size and composition of all Board Committees and ensure periodic reviews of their terms of reference.
- Review and consider the recommendations of the Group CEO in the appointment, upgrading and promotion of pivotal positions, as well as the Company Secretary.

Remuneration

- Set, review, recommend and advise on the remuneration policy framework such as reward structure, fringe benefits and other terms of employment of the Executive Directors guided by the overall Group policy guidelines and framework.
- Advise the Board on the performance of the Executive Directors and assess their entitlement to performance-related pay. The NRC shall also advise the Group CEO on the remuneration and terms and conditions of employment of identified pivotal positions.
- Represent the public's interest and avoid any inappropriate use of public funds when considering severance payments for Top Management. The NRC shall also exercise care to prevent the award of any severance package that the public might deem to be excessive.
- Review the history of and proposals for the remuneration package of the Board Committees.

Authority

- In carrying out its duties and responsibilities, the NRC has full, free and unrestricted access to TM's records, properties and personnel. The NRC shall report its recommendations to the full Board for its consideration and approval.
- The NRC may use the services of professional recruitment firms to source for the right candidate for directorship or seek independent professional advice whenever necessary and may obtain the advice of external consultants on the appropriateness of remuneration packages and other employment conditions if required.

Main Activities in 2011

During the year, the NRC fulfilled a number of key activities, as listed below:

Nomination

- Considered and made recommendations to the Board on the proposal to the MoF Inc. regarding extension of the terms of service of the Chairman.
- Considered and made recommendations to the Board on the re-designation of a former MoF Inc's nominee Director as an Independent Non-Executive Director.
- Considered and made recommendations to the Board on the changes of MoF Inc's nominee Directors.
- Considered and made recommendations to the Board on foreign Board member selection process and the ensuing appointment of the said foreign Director.
- Considered and made recommendations to the Board on the re-appointment and re-election of Directors at the AGM.
- Considered and made recommendations to the Board on the appointment of Joint Secretary.
- Considered and made recommendations to the Board on contract renewal of a Management member in a pivotal position.

Remuneration

- Considered and made recommendations to the Board on the review of the remuneration and benefits for the Board of Directors and Alternate Directors.
- Considered and made recommendations to the Board on the proposed remuneration structure for the Chairman of the BAC's Sub Committee formed to conduct internal investigation into the alleged improper payments by Alcatel-Lucent S.A. to TM employees.

- Considered and made recommendations to the Board on the performance evaluation of the Executive Directors, Management in pivotal positions as well as the Company Secretary against pre-set KPIs.
- Considered and made recommendations to the Board on the Board Merit Award 2010 for Group CEO.
- Considered and made recommendations to the Board on certain re-computations in respect of the LTIP of Management members in pivotal positions.

Board Matters

- Considered and made recommendations to the Board on the implementation and scope of the BEE assessment for 2011.
- Monitored closely the status of Directors' training at each NRC meeting.
- Reviewed the Employee Productivity Enhancement programme and was updated of its progress at each meetings held during the year.

Meeting Attendance of the NRC

The NRC had five meetings during the financial year 2011. Besides the said meetings, urgent decisions were approved via four NRC Circular Resolutions during the year. Details of the attendance of members are as follows:

NRC Member	Number of NRC Meetings	
	Attended/ Held	%
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	5/5	100.0
Dato' Danapalan T.P Vinggrasalam	4/5	80.0
Dato' Ir Abdul Rahim Abu Bakar	5/5	100.0
Ibrahim Marsidi	5/5	100.0

BOARD TENDER COMMITTEE (BTC)*Membership*

- Datuk Zalekha Hassan – Chairperson
(Re-designated as Independent Non-Executive Director on 1 June 2011)
- Dato' Sri Zamzamzairani Mohd Isa
(Member/Non-Independent Executive Director)
- Dato' Mat Noor Nawawi
(Member/Non-Independent Non-Executive Director, appointed on 1 December 2011)
- Datuk Nur Jazlan Tan Sri Mohamed
(Member/Independent Non-Executive Director)
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
(Member/ Non-Independent Non-Executive Director, appointed on 15 December 2011)
- Eshah Meor Suleiman
(Alternate Member/Non-Independent Non-Executive Alternate Director)
 - ceased as Alternate to Datuk Zalekha Hassan on 1 June 2011
 - appointed as Alternate to Datuk Dr Rahamat Bivi Yusoff on 20 June 2011 and ceased on 1 December 2011
 - appointed as Alternate to Dato' Mat Noor Nawawi on 1 December 2011
- Datuk Bazlan Osman
(Alternate Member to Dato' Sri Zamzamzairani Mohd Isa/ Non-Independent Executive Director)
- Datuk Dr Rahamat Bivi Yusoff
(Member/Non-Independent Non-Executive Director, appointed on 2 June 2011 and resigned on 18 November 2011)
- Dr Farid Mohamed Sani
(Member/Non-Independent Non-Executive Alternate Director, resigned on 15 December 2011)

Principal Duties and Responsibilities

- To provide a platform for the Board via its Committee to discuss procurement proposals and interact with the Management for further information and clarification before deliberating and approving the proposed purchases.
- To ensure that the procurement process complies with all applicable procurement ethics, policies and procedures.
- To consider and approve or recommend awards which are beneficial to the Company, taking into consideration relevant factors such as pricing, utilisation of products/goods and/or services, quantity and duration of service.

Meeting Attendance of the BTC

The BTC had 11 meetings during the financial year 2011. Details of the attendance of members are as follows:

BTC Member	Number of BTC Meetings	
	Attended/ Held	%
Datuk Zalekha Hassan	11/11	100.0
Dato' Sri Zamzamzairani Mohd Isa	11/11	100.0
YB Datuk Nur Jazlan Tan Sri Mohamed	11/11	100.0
Dato' Mat Noor Nawawi	1/1 ¹	100.0
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin <i>(Appointed on 15 December 2011)</i>	0/0 ²	N/A
Dr Farid Mohamed Sani <i>(Resigned on 15 December 2011)</i>	11/11	100.0
Datuk Dr Rahamat Bivi Yusoff <i>(Appointed on 2 June 2011 and resigned on 18 November 2011)</i>	5/5 ³	100.0

Notes:

- ¹ Since his appointment as additional BTC member effective 1 December 2011, one BTC Meeting was held. His alternate, Puan Eshah, attended the meeting in his stead.
- ² There was no BTC meeting held subsequent to his appointment as additional BTC member on 15 December 2011.
- ³ Datuk Dr Rahamat attended three out of five meetings held during her tenure, while her alternate, Puan Eshah, attended two meetings in her stead.

TM Chief Procurement Officer and Chief Technology and Innovation Officer attended the BTC meetings as permanent invitees. The Management Evaluation Committee members were also invited to brief the BTC on specific issues as and when required.

Minutes of BTC meetings were circulated to all members and significant matters reserved for Board's approval were tabled at Board meetings.

Main Activities in 2011

During the year, the BTC deliberated on, *inter alia*, the procurement status summary, procurement plan and performance year-to-date as well as procurement proposals within the authority limit of BTC and TM Board.

BOARD RISK COMMITTEE (BRC)

The BRC was established to support improvements in the management and monitoring of the Group's risk profile and related corporate governance practices. This resulted in a more integrated and structured approach in managing risks inherent in various aspects of its business.

A detailed BRC report detailing its membership, terms of reference, attendance of each member at the BRC meetings held during 2011 together with the Risk Management Report of the Group, is set out on pages 120 to 124 inclusive, of this annual report.

BOARD INVESTMENT COMMITTEE (BIC)

The BIC was established to assist the Management in evaluating investment and/or divestment related proposals for recommendation to the Board.

Membership

- Dato' Ir Abdul Rahim Abu Bakar – Chairman
(Independent Non-Executive Director)
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
(Member/Non-Independent Non-Executive Director)
- Dato' Mat Noor Nawawi
(Member/Non-Independent Non-Executive Director, appointed on 1 December 2011)
- Quah Poh Keat
(Member/Independent Non-Executive Director)
- Datuk Bazlan Osman
(Member/Non-Independent Executive Director)
- Datuk Dr Rahamat Bivi Yusoff
(Member/Non-Independent Non-Executive Director, appointed on 30 June 2011 and resigned on 18 November 2011)

Principal Duties and Responsibilities

- To guide the Management in considering and deliberating proposals relating to investments, acquisitions and/or divestments.
- To ensure that investment related proposals comply with the approved investment policy and guidelines of TM Group.

Main Activities in 2011

During the year, the BIC deliberated on a few strategic proposals which are in line with market developments and strategic directions of TM.

Meeting Attendance of BIC

The BIC had six meetings during the financial year 2011. Besides the said meetings, urgent decisions were approved via two BIC

Circular Resolutions during the year. Details of the attendance of members of the BIC at meetings held during 2011 are as follows:

BIC Member	Number of BIC Meetings	
	Attended/ Held	%
Dato' Ir Abdul Rahim Abu Bakar	6/6	100.0
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	5/6	83.0
Dato' Mat Noor Nawawi	0/0 ¹	0.0
Quah Poh Keat	4/6	67.0
Datuk Bazlan Osman	6/6	100.0
Datuk Dr Rahamat Bivi Yusoff (Appointed on 2 June 2011 and resigned on 18 November 2011)	2/2	100.0

Note:

- ¹ Dato' Mat Noor Nawawi was appointed as an additional member to the BIC with effect from 1 December 2011. No BIC meeting was held in 2011 after his appointment as BIC member.

BOARD DISPUTE RESOLUTION COMMITTEE (BDRC)

Membership

- Datuk Dr Halim Shafie – Chairman
(Non-Independent Non-Executive Director)
- Datuk Bazlan Osman
(Member/Non-Independent Executive Director)
- Dato' Danapalan T.P Vinggrasalam
(Member/Senior Independent Non-Executive Director)
- Datuk Azzat Kamaluddin
(Permanent Invitee)
- Idrus Ismail
(Ex-officio Member)

Principal Duty and Responsibility

To deliberate on all major and material litigation cases and makes recommendations thereof to the Board.

Meeting Attendance of BDRC

The BDRC meets whenever required or when there are material developments on major litigation matters. During the year, there was no meeting held.

MANAGEMENT COMMITTEES

The Board has established two main management committees, namely the Management Committee and the Group Leadership Team, chaired by the Group CEO, to oversee and monitor the Company's operations.

MANAGEMENT COMMITTEE (MC)

The salient terms of reference of the MC are as follows:

- Formulate Group-level strategies and policies.
- Review, guide and facilitate policy-related matters not limited to investments, divestments, enterprise business management, regulatory and financial policies.
- Endorse company-wide policies inclusive of subsidiaries to ensure a 'One Company Mindset' approach to business.
- Provide strategic direction and recommend a policy framework for TM Group human capital management matters to the Board.
- Review and approve the talent management and succession planning policy frameworks.
- Discuss, review and recommend to the Board changes/revisions to Group-wide compensation and benefits such as bonuses, increments, performance management policies/framework and voluntary separation schemes.
- Formulate Group-level key business strategies and major action plans for implementation.
- Prepare and recommend the Group Business Plan to the Board.
- Discuss matters that have been delegated by the Board and Board Committees for further review and recommendation.

GROUP LEADERSHIP TEAM (GLT)

The salient terms of reference of the GLT are as follows:

- Review the overall monthly business performance of TM Group.
- Discuss, deliberate and challenge the performance improvement reports of TM Group and Lines of Business.
- Discuss and review key business priorities and operational issues of TM Group such as customer service, revenue, cost, capital, network, competitor's landscape and human capital.

SUB-MANAGEMENT COMMITTEES

Apart from the two main management committees, various sub-committees have been established, reporting to the Group CEO, Group CFO or relevant key Senior Management members. The sub-committees include:

- Management Tender Committees
- Enterprise Resource Steering Committee
- Technology Committee
- Audit and Business Assurance Committee
- Finance Committee
- Product Committee
- HSBB Steering Committee

BOARD PERFORMANCE IMPROVEMENT PROGRAMME (BPIP)

The BPIP was implemented in 2006, with a view to improving the Board's functions and structure and ensuring the Board's priorities are aligned with the Group CEO's mandate. Various initiatives were introduced as deliverables under the BPIP to enhance the Board's effectiveness. These deliverables are monitored and reported to the Board annually.

BOARD TRAINING AND KNOWLEDGE ACQUISITION

All Directors have successfully completed the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Securities, save for a new TM Appointed Director whose MAP is only due in April 2012. Directors are required to complete the MAP within four months of their appointment. Induction briefings, which include information on the corporate profile and activities of the Group, as well as business targets and group performance, had been organised for the two newly appointed Directors.

Despite the repeal of Practice Note No. 15 on the Continuing Education Programme (CEP) as prescribed by Bursa Securities, the Board of Directors has continued to evaluate the training needs of its Directors via the Board Training Programme which aids the Directors in discharging their duties.

BOARD TRAINING PROGRAMME (BTP)

The Board has adopted the BTP Guidelines since January 2005, to address the training needs of Directors in the absence of the Bursa Securities' CEP requirements. The move is in line with the CG Blueprint's recommendation on continuous training of Directors.

In 2011, Directors attended various seminars, conferences and international conventions to gain insight into the state of the economy as well as the latest regulatory and technological developments in relation to the Group's business. In view that the BTP Guidelines allow for speaking roles at conferences to be included as training hours, the Directors have also participated as speakers at local and international conventions on topics relevant to their roles. Talks and presentations by external speakers during the Board Retreats/ Meetings are also included as training hours. Based on the BTP records, all Directors have completed the minimum requirement of 36 training hours.



The Company Secretary facilitates the organisation of internal training programmes and Directors' attendance of external programmes, and keeps a complete record of the training received or attended by the Directors.

Conferences, seminars and training programmes attended by Directors in 2011 include the following areas:

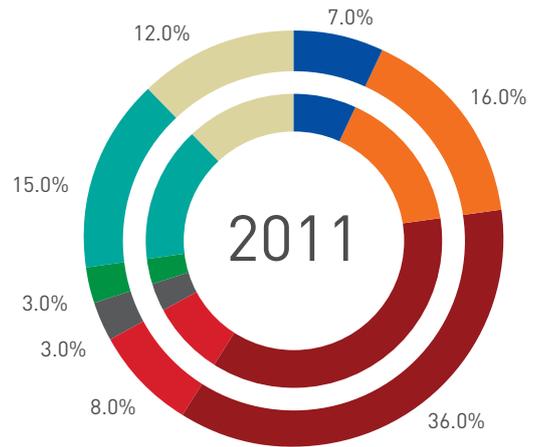
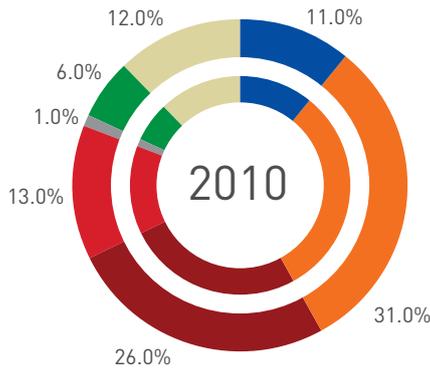
Corporate Governance	<ul style="list-style-type: none"> • Directors Duties and Governance Conference 2011 • The New Corporate Governance Blueprint and Regulatory Updates Seminar 2011 • International Corporate Governance Network (ICGN) Mid Year Spring Conference: Asian Corporate Governance – The Future Steps • Corporate Governance-The Holistic Board • Boston Consulting Group (BCG) Leaders Forum • Governance Series for Directors – The Board's Responsibility for Corporate Culture – Selected Governance Concerns and Tools for Addressing Corporate Culture and Board Performance • Spencer Stuart Directors' Forum 2011
Strategy/Risk	<ul style="list-style-type: none"> • Client Communication Forum Value: Getting it. Giving it. Growing it • CDMA business strategy • HOT "Just Do It" Workshop (Meet and Greet) • Forbes Global CEO Conference • Group Procurement Free Trade Agreement Seminar • The Wealth of Iskandar Malaysia Conference • Corporate Directors Conference 2011: The Resurgence of Corporate Malaysia
Industry	<ul style="list-style-type: none"> • Khazanah Megatrends Forum 2011 • ITU Telecom World 2011 (40th Anniversary) • CommunicAsia 2011
Performance Management	<ul style="list-style-type: none"> • Invest Malaysia 2011 • Deutsche Bank Global Forum
Investor Relations	<ul style="list-style-type: none"> • CLSA Non-Deal Roadshow • CIMB Non-Deal Roadshow • Nomura's ASEAN Corporate Day • Luncheon Presentation with Domestic Fund Managers
Human Capital Management	<ul style="list-style-type: none"> • Cranfield Executive Leadership Forum – the Makings of a Global Leader • FIDE Elective Programme: The Nomination and Remuneration Committee Programme
Finance/Audit	<ul style="list-style-type: none"> • Budget 2012 Tax Seminar • KPMG Malaysian Tax Summit 2011 • FIDE Technical Program: Corporate Finance for Directors • Outcome Base Budgeting (OBB) Seminar • 10 Year Assessment of Financial Master Plan • PWC – Communications Forum

As a result of close monitoring of the BTP by the NRC and in line with the BEE 2010 results, the Directors' training structure 2011 was aligned to their training needs with focus on Industry, Strategy/Risk, Corporate Governance and Investor Relations. The training structure for the Board is continuously reviewed to be relevant to changing business needs.

A comparison of the Directors' training structures in 2011 and 2010 is depicted in the charts below.

Chart 1 – Total Training Hours from January – December 2010

Chart 2 – Total Training Hours from January – December 2011



QUARTERLY INDUSTRY INFORMATION PACKS

Industry Information Packs (Info-packs) on the following matters are compiled and issued every quarter to keep the Board and Senior Management updated on industry knowledge and developments:

- Overview of the telecommunications market
- Competitors' reports
- Regulatory updates
- Analyst views and estimates on quarterly results
- Global and domestic broadband outlook

Since inception up to December 2011, a total of 23 Board Info-packs have been issued.

ENSURING EFFECTIVE BOARD OPERATIONS AND INTERACTION

The effectiveness of the Board is, to a large extent, determined by the quality of its procedures, processes and operations. Board processes were strengthened and enhanced during the year as evidenced below.

BOARD MEETINGS SCHEDULE AND PREDETERMINED AGENDAS

The Company has been practising a process where Board and Board Committee meetings calendar and draft agendas for the ensuing financial year are established before the end of the current financial year and synchronised with Management's business planning cycle and quarterly financial results, to allow the Directors to plan ahead and allocate time in their respective schedules for the next year's Board meetings.

The approved Board meeting agendas are then communicated to the Management in advance and the Group Strategy Division acts as a facilitator to ensure papers and presentations are in line with the Board's expectations.

The Board meeting agenda is structured to address priority strategic issues aligned with the Company's vision and mission, consistent with the Board's key roles and the mandate that the Board provides to the Group CEO as well as areas identified in the BEE findings. The said mandate specifies what the Group CEO needs to accomplish within clear parameters. A structured agenda aims to facilitate productive and meaningful deliberations by the Board. The distribution of actual time spent by the Board of Directors on various broad agenda topics at Board Meetings in 2011 compared to 2010 is as depicted in the charts below.

Chart 3 – Distribution of Time Spent on Board Agenda in 2010

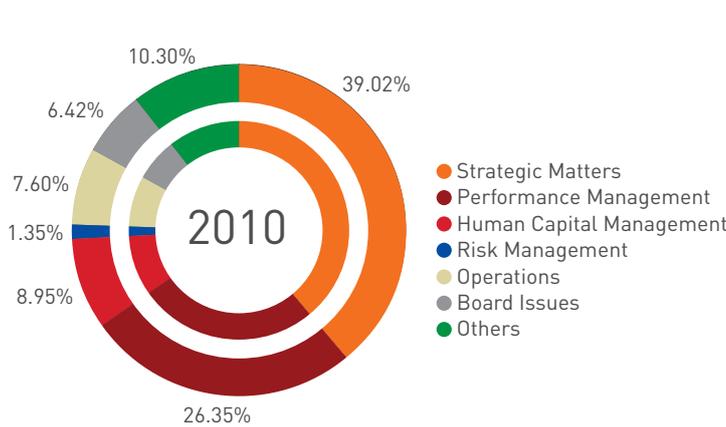
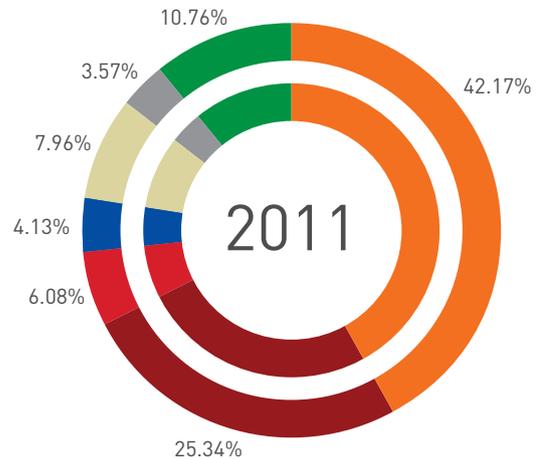


Chart 4 – Distribution of Time Spent on Board Agenda in 2011



AVAILABILITY OF INFORMATION TO THE BOARD

Qualified Directors who make informed and independent judgments are indicative of good corporate governance. Hence, it is essential that the Board is provided with relevant and timely information to make informed decisions. On average, the Board and its Committees are given an agenda accompanied by relevant up-to-date information five days prior to each meeting. This is to accord sufficient time for the Directors to appraise the Board papers and seek any clarification or further details that they may need from the Management or the Company Secretary in order to make informed decisions. Procedures are also in place for Directors and Board Committees to seek independent professional advice in the course of fulfilling their responsibilities, at the Company’s expense.

The information regularly supplied to the Board includes:

- Annual business plans and budgets
- Monthly performance reports on financial and operating results
- Quarterly financial results
- Reports from Management Committee Meetings

- Reports from Board Committee Meetings
- Statutory and regulatory matters and their impact on the Company’s business
- Proposed corporate exercises, acquisitions, divestments or funding strategies
- Transactions which are material or strategic in nature
- Human resources policies and significant issues
- General notices of interest

However, in the event there are issues or corporate proposals which are deemed highly confidential and sensitive, Board meeting papers would be distributed to Directors at the Board meeting itself in order to maintain confidentiality.

An enhanced and secured electronic system, known as the Meeting and Document Management System, acts as an efficient archival and retrieval system for all papers and minutes of meetings of the Board, Board Committee and Management Committee meetings.

COMPANY SECRETARY

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively.

The duties that the Company Secretary discharges include:

- Regularly updating the Board on new statutes and directives issued by regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.
- Attending and ensuring that all Board meetings are properly convened, and that an accurate and proper record of the proceedings and resolutions passed are taken and maintained in the statutory register at the registered office of the Company.
- Communicating decisions made and policies set by the Board at Board meetings to the Management for action.

PROMPT COMMUNICATION OF BOARD DECISIONS

All Board decisions are clearly recorded in the minutes, including the rationale for each decision, along with clear actions to be taken and the individuals responsible for their implementation. Relevant Board decisions are communicated to the Management within one working day of the Board meeting and the minutes of Board Meetings are completed for comments by the Chairman and Executive Directors within five working days of the meeting dates. 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.

BOARD AND MANAGEMENT INTERACTION

The Board has direct access to the Senior Management and has unrestricted and immediate access to information relating to the Group's business and affairs in the discharge of their duties. Towards building and maintaining trust in order to deliver significant and positive performance and shareholder value, both the Board and Management acknowledge the importance of positive interaction, dynamics and open communication between them.

Senior Management members are invited to attend Board meetings to report to the Board on matters relating to their areas of responsibility, and also to brief and provide details to the Directors on recommendations submitted for the Board's consideration. Additional information or clarification may be required to be furnished, particularly in respect of complex and technical issues tabled to the Board.

The Board meeting papers are prepared and presented in a concise and comprehensive manner so that the Directors have a proper and relevant

depiction of the issues at hand. The information received by the Board determines to a considerable extent its deliberations and decisions. Over the years, the quality and standard of papers have improved significantly.

This is made possible with the Board's adoption of a rating process for papers and presentations by Management at each Board meeting with constructive feedback on the quality of information and analysis received. This process has led to a higher quality and standard of papers and more effective decisions by the Board. During the year, the overall average of Board ratings on the quality of Management papers and presentations was maintained at above 4.00 points out of 5.00 points.

Similarly, Management is given the opportunity to rate the Board annually, in terms of whether Board deliberations have been focused, constructive and supportive, and whether clear decisions have been arrived at based on relevant facts. In the year under review, the Management's average rating of the Board was maintained at 4.00 points out of 5.00 points.

INDEPENDENT DIRECTORS' DISCUSSION

SID is responsible to lead confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole. The discussion will be held as and when required or deemed necessary by the SID.

In this manner, the Board is able to pursue a greater degree of independence, and Non-Executive Directors can meet and actively exchange views in the absence of Management. With this practice, the Board is able to fulfil one of its principal responsibilities, namely to effectively and independently assess the

direction of the Company and the performance of the Management. This practice is in line with Chapter 4 of the CG Code regarding the relationship of the Board with Management.

BOARD CONDUCT**CODE OF BUSINESS ETHICS**

The Company's vision and core values are supported by the establishment of TM's Code of Business Ethics (CBE), which was launched in 2004 and revised in 2010. The CBE aims to instil, internalise and uphold the value of 'Uncompromising Integrity' in the behaviour and conduct of the Board of Directors, Management, employees and all stakeholders of the Company. The CBE also formalises the requirement for declaration of assets and interests by the Executive Directors, Management and all employees.

INTEGRITY PACT

In line with the provision of the CBE, an Integrity Pact was launched on 20 January 2012 to enhance transparency among TM employees and suppliers so that corrupt practices can be reduced or eradicated totally in the procurement process.

The Integrity Pact comprises a set of declarations which are required to be used at different levels of the procurement process. TM employees and suppliers are required to sign the Integrity Pact as an undertaking that they will refrain from getting involved in corrupt practices throughout the procurement process. The Integrity Pact also underlines the consequences and measures to be taken in the event it is breached.

It is hope that with this initiative, procurement activities can be carried out more transparently and efficiently in TM.



WHISTLEBLOWER POLICY

The Board is committed to maintaining the highest possible standards of ethical and legal conduct within the Group. One of the initiatives undertaken is to establish an effective framework on whistleblowing under TM's CBE. This mechanism allows TM Group employees to report concerns about alleged unethical behaviour, actual or suspected fraud within the Group.

The importance placed on whistleblowing is consistent with legal developments, namely the Whistleblower Protection Act 2010, as well as the requirements stipulated in the Capital Markets and Services Act 2007 (CMSA 2007), the CG Guide and the CA 1965.

Following the establishment of the whistleblowing framework, an internal whistleblowing mechanism was introduced which provides employees with a way to channel their concerns in respect of illegal, unethical or improper business conduct affecting the Company and about business improvement opportunities. The Board has also appointed an independent committee which specialises in providing a safe and confidential channel to employees who report any misconduct.

An employee who has concerns about any illegal or unethical conduct in the workplace, but feels uncomfortable or reluctant to discuss the matter through the normal channels, has the option of using TM's Ethics Line telephone or fax number or the Ethics Website, through which his or her identity will be known only to a few specified persons.

Notwithstanding the above, strong assurance is given by the Board and the Management that employees will not be at risk of any form of victimisation, retribution or retaliation from their superiors or any members of the Management provided they act in good faith in their reporting.

CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS (RPT)

The Directors are aware that the accountability to determine whether they have a potential or actual conflict of interest in relation to any matter which comes before the Board, rests on them at all times. The Company and the Group have established a process which requires all Directors to make written declarations on whether they have any interest in transactions tabled at regular Board meetings. A paper is tabled at each Board meeting to remind Directors of their statutory duties and responsibilities and to provide updates on any changes thereon.

The Directors further acknowledge that by declaring their interest in any transactions with the Company and Group, they are also required to abstain from deliberation and voting on the relevant resolutions at the Board or any general meeting convened to consider the matter. In the event a corporate proposal is required to be approved by shareholders, interested Directors will abstain from voting in respect of their shareholdings in TM, on the resolutions relating to the corporate proposal, and will further undertake to ensure that persons connected to them would similarly abstain from voting on the resolutions.

TRADING ON INSIDER INFORMATION

TM's Directors and employees are not allowed to trade in securities or any other kind of property based on price sensitive information and knowledge which has not been publicly announced. TM's CBE expressly states that insider trading is an offence under the CMSA 2007.

Notices on the closed period for trading in the Company's shares are sent to Directors and principal officers on a quarterly basis specifying the timeframe during which Directors and the principal officers are prohibited from dealing in the Company's shares. Directors are also prompted not to deal in the Company's

shares at any point when price sensitive information is shared with them, occasionally in the form of Board papers.

DIRECTORS' INDEMNITY

Directors and Officers are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. The insurance does not, however, provide coverage in the event that a Director or a member of Management is proven to have acted negligently, fraudulently or dishonestly. The Directors contribute annually towards the premium payment for this policy.

RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

SHAREHOLDERS/INVESTORS

The Group firmly believes that value creation for shareholders stems from good corporate governance. As part of good corporate governance, the Group is fully committed to maintaining transparency and accountability to all stakeholders. This is manifested in the communication of clear, relevant and comprehensive information which is timely and readily accessible to all stakeholders.

The Group communicates extensively with its stakeholders. An active dialogue with investors is maintained through a planned programme of investor relations activities and engagement. Care is taken to ensure reporting to shareholders is balanced and sufficiently comprehensive and objective, to allow performance to be measured. The Group believes that this high level of disclosure and extensive communication with its stakeholders is especially important to shareholders and investors to make informed investment decisions.

In addition, the Board strengthens its lines of communication with major shareholders through the SID, who gives special attention to their concerns on matters related to corporate governance and Group performance.

TM further ensures that its website contains the e-mail address(es), name(s) of designated person(s) and their contact numbers to enable the public to forward queries to the Company, in line with the spirit of paragraph 9.21(3) of the Bursa Securities' Main LR to improve investor relations between the Company and its stakeholders. Announcements made to Bursa Securities are also posted immediately on TM's website following release of such announcements on Bursa Securities' website. TM's website also stores in archive all other corporate and financial information that have been made public, in addition to the annual reports, press releases and analyst briefings presentation slides.

Details of TM's Investor Relations initiatives and activities during the year are set out on pages 24 to 26 inclusive, of this annual report.

ANNUAL REPORT AND ANNUAL GENERAL MEETINGS (AGM)

The annual report is a key channel of communication between the Group and its stakeholders. Toward promoting better governance, TM takes a concerted effort to ensure that the information and disclosures made available in TM annual report extend well beyond the Bursa Securities' Main LR each year.

TM also continues to disseminate its annual reports to shareholders in electronic format (CD-ROM) together with a summarised version of the financial statements in a readable booklet incorporating the notice of AGM and related proxy form, in an effort to save costs and encourage shareholders to benefit from ICT. In addition, shareholders are given the option to

request for hard copies of the annual report in either English or Bahasa Malaysia.

The other key avenue of communication and dialogue with shareholders is TM's general meetings of shareholders, particularly its AGMs. During the AGM, the Group CEO presents a comprehensive review of the Group's financial performance and value created for shareholders as well as current developments of the Group. This review is supported by a visual and graphical presentation of the key points and financial figures.

The Company supports the CG Code's principles to encourage shareholder participation. The Company's Articles of Association allow a member entitled to attend and vote to appoint a proxy to attend and vote instead of the member and also provides that a proxy need not be a member of the Company.

From the conduct of the Company's AGM, active participation by the shareholders and investors is not curtailed, but encouraged. The attendance of shareholders at the Company's AGMs has always been high as evidenced by the presence of about 2,100 shareholders at the 26th AGM of the Company held on 10 May 2011. Since the AGM represents an open platform of communication to the shareholders and investors, they are at liberty to raise questions on the agenda items of the AGM. In response, the appropriate answers and/or clarifications will be provided by the Board members, Committee chairman or Senior Management members of TM. A press conference is also held immediately after the AGM at which the Chairman, Group CEO, Group CFO and relevant Senior Management members are present to clarify and explain issues raised by the media.

As part of TM's initiative to maintain extensive engagement with its shareholders and investors, feedback on

questions raised by the MSWG prior to the AGM is also shared with all shareholders during the AGM. This assures shareholders that pertinent issues and queries pertaining to the Company's business have been adequately addressed.

In addition to the AGMs, shareholders and market observers are also welcome to raise queries at any time through Group Corporate Communications and the Investor Relations Unit.

On 19 October 2011, the MSWG conducted an engagement session with TM Board and Management, as part of the MCGI 2011 completion process. The session provided an opportunity to MSWG to observe the Board's conduct and seek clarification on corporate governance practices in TM Group.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each financial year, primarily through annual financial statements, announcement of results to shareholders as well as the Chairman's Statement and review of operations in the annual report.

The Board is assisted by the BAC in overseeing the Group's financial reporting processes and the quality of its financial reporting. The BAC reviews the Group's annual financial statements and the quarterly condensed financial statements focusing particularly on changes in accounting policies, Management's judgement in applying these accounting policies as well as assumptions and estimates applied in accounting for certain material transactions.



DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the CA 1965 to ensure that 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.

The Statement of Responsibility by Directors is as outlined on page 206 of this annual report.

INTERNAL CONTROLS

The Board recognises and affirms its overall responsibility for the Group's system of internal controls, which includes the establishment of an appropriate control environment and control framework as well as for reviewing its effectiveness, adequacy and integrity.

The size and complexity of the operations of TM and the Group involve the acceptance and management of a wide variety of risks. The nature of these risks means that events may occur which would give rise to unanticipated or unavoidable losses. The Board, therefore, acknowledges that this system is designed to manage, rather than eliminate the risk of non-achievement of the Group's objectives. It provides adequate assurance against the occurrence of any material misstatement or loss. Risk management has been institutionalised as part of the Group's corporate culture through the existing Management meeting platforms. The corporate and operational risks are deliberated and discussed at Management Committee meetings where the accountability for managing the risks identified is clearly assigned and satisfactorily addressed on an on-going basis. The Management Committee also ensures that significant corporate risks and the mitigation plans to address them are reported to the BRC or the Board.

The Board's evaluation of the adequacy of the Group's system of internal controls is based on criteria developed under the Enterprise Risk Management (ERM) MS ISO 31000 Framework.

The Directors' Statement on Internal Control, which provides an overview of the state of internal controls within the Group, is enumerated on pages 104 to 109 inclusive, of this annual report.

RELATIONSHIP WITH AUDITORS

The Board maintains an appropriate relationship with the Company's auditors through the BAC. The power to communicate directly with both the external and internal auditors has been explicitly accorded to the BAC in order to discharge this duty effectively.

The external auditors have continued to report their opinion to shareholders of the Company, and this is included as part of the Group's financial reports with respect to their audit in each year's statutory financial statements. In so doing, the Group has established a transparent arrangement with the auditors to meet their professional requirements. The auditors are also under the obligation to highlight to BAC and the Board any matter that requires their attention.

The internal audit function is performed in house by the Group Internal Audit Division which reports significant findings to the BAC with recommended corrective actions. The Company welcomed the new Chief Internal Auditor on 1 November 2011.

Management is responsible to ensure that corrective actions on reported weaknesses are undertaken within an appropriate timeframe. The Statement on Internal Audit is set out on pages 116 to 119 inclusive, of this annual report.

The role of the BAC in relation to the auditors is set out in the BAC Report on page 112 of this annual report.

COMPLIANCE WITH BEST PRACTICES IN CORPORATE GOVERNANCE

Pursuant to paragraph 15.25 of the Bursa Securities' Main LR, the Board is pleased to report that the Company has fully complied with the principles and best practices of the revised CG Code. Best practices adopted by TM Group over and above the recommendations prescribed in the CG Code are those recommended by PCG and international best practices which the Board has deemed to be suitable for the Group. TM will continue to strengthen its governance practices to safeguard the best interests of its shareholders and other stakeholders.

This Statement, together with the Directors' Statement on Internal Control, BAC Report and BRC Report, sets out the manner in which the Company has applied the principles and best practices as prescribed in the CG Code.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors duly passed on 24 February 2012.

Datuk Dr Halim Shafie
Chairman

Directors' Statement on Internal Control

RESPONSIBILITY AND ACCOUNTABILITY

The Board of Directors (Board) and management are responsible and accountable for maintaining a sound system of internal controls encompassing governance, risk management, financial, strategic, organisational, project management, operational, regulatory and compliance controls to safeguard shareholders' investments, customers' interests and the Group's assets. The Board recognises and affirms its overall responsibility for the Group's system of internal controls, which includes the establishment of an appropriate risk and control framework as well as the review of its effectiveness, adequacy and integrity.

The Board is assisted by the management in implementing the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

PURPOSE OF INTERNAL CONTROL FRAMEWORK

The Board acknowledges that the system of internal controls is designed to manage, rather than eliminate, risks that will hinder the Group from achieving its goals and objectives. It therefore provides reasonable, and not absolute, assurance against the occurrence of any material misstatement of management and financial information and records or against financial losses or fraud.

The system of internal controls is based on an on-going process designed to identify the principal risks hindering the achievement of the organisation's goals and objectives; to evaluate the nature and

extent of those risks; and to manage them efficiently, effectively and economically. This process is regularly reviewed by the Board, taking into account changes in the regulatory and business environment to ensure the adequacy and integrity of the system of internal controls.

The Board is of the view that a satisfactory system of internal controls was in place within the Group for the year ended 31 December 2011, and up to the date of the Annual Report and Financial Statements. This Statement on Internal Control (the Statement) has been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Statement on Internal Control - Guidance for Directors of Public Listed Companies.

RISK AND CONTROL FRAMEWORK

TM Group has in place Enterprise Risk Management processes for identifying, evaluating and managing significant risks faced by the Group. Risk assessment and evaluation takes place as an integral part of TM's annual strategic planning cycle. There is a detailed risk management process, culminating in a Board review, which identifies the key risks facing the Group and each business unit. This information is reviewed by senior management as part of the strategic review.

Key features of the enterprise-wide risk management comprise the following procedures:

- Financial management procedures and guidelines are clearly documented;

- Senior management collectively reviews the Group's key risks and creates a Group risk register describing the risks, owners and mitigation strategies. This is reviewed by the Management Committee and subsequently by the Board Risk Committee before being reviewed and approved by the Board;
- The Group's internal auditors carry out continuing assessments on the quality of risk management and control, report to management and the Board Audit Committee on the status of specific areas identified for improvements; and
- The Board Risk Committee, on behalf of the Board, considers the effectiveness of the risk management process in the Group during the financial year.

REVIEW OF INTERNAL CONTROL EFFECTIVENESS

The Board's evaluation of the effectiveness of internal controls in the Group is based on criteria developed under the COSO (Committee of the Sponsoring Organisations of the Treadway Commission) Internal Control Integrated Framework - a generally accepted framework for internal control. The internal control system is intertwined with the Group's operating activities and exists for fundamental business reasons.

The Board's review of internal control effectiveness is based on information from:

- Key management within the organisation responsible for the development and maintenance of the internal control framework;

Effective



connect
communicate
collaborate

- The work of the internal auditors, who submit regular reports to the Audit Committee which include their independent and objective opinion on the adequacy and effectiveness of the organisation's system of internal controls together with recommendations for improvements;
- Self assessments of key entity and functional controls by management to complement the above input in providing a holistic view of the Group Risk and Control Framework effectiveness.

The Audit and Business Assurance Committee will address and monitor any internal control weakness and ensure continuous process improvement.

Under the COSO Internal Control Integrated Framework, internal control assessment is segregated into five interrelated components, as follows:

A. CONTROL ENVIRONMENT

Control environment is the organisational structure and culture created by management and employees to sustain organisational support for effective internal control. It is the foundation for all the other components of internal control, providing discipline and structure. Management's commitment to establishing and maintaining effective internal control is cascaded down and permeates the Group control environment, aiding in the successful implementation of internal controls. Key activities include:

Strategic Themes and Objectives

- Management has established four strategic thrusts to support the achievement of the Group's key business objectives. They are:
 - Customer centricity and quality improvements;
 - One company mindset with execution orientation;
 - Operational excellence and capital productivity; and
 - Leadership through innovation and commercial excellence.

Organisation Structure

- TM Group has a formal organisation structure with clearly defined lines of responsibility and authorities to facilitate quick response in the evolving business environment, effective supervision of day-to-day business conduct and accountability for operation performance.
- The roles of Central Functions (Corporate Centres) have been strengthened to provide guidance related to specific core function strategies and governance related matters to the Lines of Business.

Assignment of Authority and Responsibility

- The Group has established a Limit of Authority (LOA) matrix that clearly outlines Management limits and approval authority across various key processes such as Capital Structure, Mergers and Acquisition, Procurement, Corporate Finance, Account Receivable and Property Plant and Equipment. The LOA is duly approved by the Board and subject to regular review and enhancement to

ensure it reflects changes in accountability and the risk appetite of the Group.

- Clear accountability and responsibility for key business processes have been established through the Group's Business Process Manual and Subsidiaries Policy, both approved by the Board.

Core Values

- Internalisation of TM Group's Core Values of 'Total Commitment to Customers', 'Uncompromising Integrity' and 'Respect and Care' serves as a foundation of the Group's culture.

Code of Business Ethics

- TM's Code of Business Ethics (CBE), launched in 2004 and revised in 2010, supports the Company's vision and core values by instilling, internalising and upholding the value of 'uncompromising integrity' in the behaviour and conduct of the Board of Directors, management, employees and all stakeholders of the Company.
- All Executive Directors, management and employees are required to declare their assets and interest annually to provide an update on the value of individually or jointly owned assets.

Procurement Ethics

- TM's Procurement Ethics was formally introduced in 2006, outlining the principles and specific requirements related to the procurement process. It supports the Procurement Red Book introduced by the Government and complements the TM Code of Business Ethics, which provides guidelines on dealing with employees, customers, business partners, competitors and other parties. It promotes greater transparency and accountability in the procurement process by adopting a clear disclosure policy and cultivates an ethical working environment that reduces graft, enables products to be purchased at competitive market prices and ultimately improves profitability.

Competency-Based Development Framework

- TM Group has established a comprehensive framework that provides a structured competency baseline requirement to assess existing human capital development needs across various management levels. This is to ensure the Group's key assets, namely its people, and their skills and abilities are competitive and remain so in the future.

Board and Audit Committee

- The various Board Committees, namely the Audit Committee, Risk Committee, Nomination and Remuneration Committee, Tender Committee, Investment Committee, Dispute Resolution Committee and other Sub-Management Committees, are all governed by clearly defined terms of reference.

- The Audit Committee comprises only Non-Executive Directors and a majority of Independent Directors with wide ranging in-depth experience from different backgrounds, knowledge and expertise. The Audit Committee also currently includes a Senior Independent Non-Executive Director. Its members continue to meet regularly and have full and unimpeded access to both the internal and external auditors during the financial year.

Human Resources Policies and Procedures

- The Group has made great efforts to realign its existing Human Resources policies and procedures according to initiatives developed by the Government under the GLC Transformation Programme.
- The TM Leadership model was established to support the Group's strategic initiatives and is embedded within the key human resources functions of human capital development, talent management and external recruitment.
- There are guidelines within the Group for hiring and termination of staff, formal training programmes for staff either via classroom sessions or through e-learning, semi and annual performance appraisals and other relevant procedures to ensure that staff are competent and adequately trained in carrying out their duties and responsibilities.

B. RISK ASSESSMENT

Risk assessment is the identification and analysis of risks which may impede the achievement of the Group's objectives, forming a basis for determining how risk

is managed in terms of likelihood and impact. Key activities involved within this area are:

Enterprise Risk Management (ERM)

- Risk management is firmly embedded in the Group's system of internal controls as it is regarded by the Board to be integral to operations. Managing risk is a shared responsibility and, therefore, is integrated into the Group's governance, business processes and operations. It is an interactive process consisting of steps which, undertaken in sequence, enable continual improvement in decision-making. Employees' commitment towards ERM is continuously emphasised and reinforced.
- The MS ISO 31000 has been adopted by the Board Risk Committee replacing the existing risk management framework, COSO ERM. The MS ISO 31000 Framework was used by internal audit to assess internal control effectiveness.
- Group Internal Audit complements the role of the Risk Management Unit by independently reviewing risk profiles, risk management strategies and the adequacy and effectiveness of the controls identified and implemented in response to the risks identified at every audit engagement.

Control Self-Assessments (CSAs)

- Control Self-Assessments (CSAs) allow employees in the Group to identify the risks within their business environment and evaluate the adequacy and effectiveness of the controls in place. Results from the CSAs feature as key information in identifying high-risk areas within the Group.

C. CONTROL ACTIVITIES

Control activities are policies and procedures that help to ensure Management's directives are carried out. Relevant activities within TM Group include:

Business Performance Management (BPM) Policy and Guidelines

- BPM provides a comprehensive reference to TM's Balanced Score Card (BSC), stating the guiding principles and policies for TM Group on developing and deploying BSC processes.
- It supports TM's Corporate Governance, providing an internal control framework to manage strategy implementation for better business performance.

Annual Business Plans

- Annual business plans are prepared by TM's business units and all major operating subsidiaries. The annual business plans are presented and approved by the Board. Actual performances are reviewed against the targeted results on a monthly basis, allowing for timely response and corrective action to be taken to mitigate risks. The Board reviews regular reports from management on the key operating statistics, as well as legal and regulatory matters, if any.

Corporate Responsibility (CR)

- The Group has adopted the guidelines for government-linked companies (GLCs) as contained in the *Silver Book – Achieving Value Through Social Responsibility* in formulating its CR strategy, which focuses on sustainability – sustaining customer retention; sustaining a high level of

productivity and motivation among employees; sustaining shareholder confidence and sustaining its reputation in the marketplace.

- It also adopts the Bursa Malaysia's CSR Framework for Private Limited Companies (PLCs) and Global Reporting Initiative (GRI-G3) framework as additional guidelines for giving a concise and comprehensive view of TM's performance in managing its CR activities and initiatives.

Achieving Customer Excellence (ACE)

- The aptly named ACE Project is a three-year project aimed at achieving customer excellence by providing seamless customer experience across customer touch points from pre-sales up to delivery. In 2011, the project focused on UniFi and the TM UniFi Centre by improving the Service Request Management process, which is a precursor to First Contact Resolution, one of several ACE aspirations.

Towards Operational Perfection (TOP)

- TOP was launched by Information Technology and Network Technology (IT&NT) as a three-year initiative to improve customer experience and operational performance in a holistic, end-to-end manner. It covers Sales Channels, Customer Service as well as Network Operations. Now in its final year, TOP is focused on improving HSBB and Data Fulfilment & Assurance, IPVPN Migration, Workforce as well as the Management Model, among others.
- Key achievements of TOP include cycle time improvements and the

overall TRI*M index. Installation and restoration cycle times have improved by 50-80%. Mean time to restore (MTTR) for voice and broadband services have improved by 50% and 70% respectively, bringing the nationwide average on par with top quartile telecommunications companies globally. In addition, the MTTR for HSBB services has improved by 81% within nine months of implementation. In terms of overall customer satisfaction, as measured by the TRI*M index, there were significant improvements in Voice & Broadband.

TM Corporate Security Policy

- TM Corporate Security Policy has been established to provide a framework of Security Management best practices for all personnel to minimise security risk and ensure all security-related incidents are effectively managed.

Credit Management Policy

- The Group has established a new comprehensive credit management policy to provide the minimum requirements for effective credit management functions, and to standardise its implementation throughout the organisation. The policy includes upfront identification of high-risk customers and mitigating actions to safeguard the Group from any undue loss.

IT Governance Manual

- TM Group has in place an IT Governance (ITG) policy consisting of six core sections, namely ITG General Information, IT Principle, IT Architecture, IT Infrastructure, Business Application Needs and IT Investments and Prioritisation.

Subsidiaries Policy

- Subsidiaries Policy (SP) is positioned to ensure that the Group's interests are protected and prioritised at all times while providing adequate flexibility for subsidiaries to deliver their respective business objectives.

Insurance and Physical Safeguards

- Adequate insurance and physical safeguards on major assets are in place to ensure the Group's assets are sufficiently covered against any mishap that could result in material loss.

D. INFORMATION AND COMMUNICATION

Information and Communication ensures that pertinent information is identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Relevant key activities within the Group include:

Communication Policy

- TM Group is committed to open and effective communication as an essential component of its culture in order to motivate the workforce to deliver high quality services and exceptional value to customers and other stakeholders as well as to anticipate their feedback.

- Its purpose is to encourage communicativeness and ensure that communication across the Group is well coordinated, effectively managed and meets the diverse needs of the organisation.

Internal Control Incident (ICI) Reporting

- Internal Control Incident (ICI) reporting on a periodic basis captures and disseminates lessons learnt from internal control incidents with the objective of preventing similar incidents from occurring in other divisions and operating companies within the Group.

Recording & Reporting Framework (R2R)

- The Recording & Reporting Programme is a non-compliance reporting framework adopted by Group Finance to instil and enforce behavioural change across the organisation to enhance the quality and integrity of the recording to reporting process.
- The objective of this framework is to have a mechanism for identifying and capturing non-compliance incidents that have an impact on the recording and reporting quality, and at the same time promote awareness of compliance and increase senior management's accountability. Reporting of non-compliance incidents is crucial to alert TM's management to root causes of weaknesses, to prevent recurrences and to enable management to present quality and timely reports for faster and more accurate decision support.

Best Practice Committee

- The Best Practice Committee is a management committee that reports to the Audit Committee. It provides updates on developments of best practices and exposure drafts on corporate governance, statutory and regulatory requirements set by all statutory bodies and relevant authorities, compliance with accounting standards and other business guidelines and issues. All requisite reminders and updates are raised through its secretariat, the Compliance Unit.

E. MONITORING

Monitoring the effectiveness of internal controls is embedded in the normal course of the business. Periodic assessments are integral to management's continuous monitoring of internal controls. Systematic processes available to address deficiencies include:

Performance Management Framework

- Comprehensive management reports are generated on a regular and consistent basis to facilitate the Board and the Group's management in performing financial and operating reviews on the various business units. The reviews include areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

Management Committees

- Two Top Level Committees have been established, namely the Management Committee and the Group Leadership

Team (GLT) chaired by the Group CEO, each with clear demarcation of roles in managing the Group's strategies and policies more effectively. The Management Committee focuses on providing guidance and making decisions on strategic matters while GLT concentrates on matters pertaining to business performance and ensures effective supervision over key operational issues.

- The Audit and Business Assurance Committee (ABAC), comprising members of senior management from respective Lines of Business, regularly monitors major internal and external audit issues to ensure they are promptly addressed and resolved.

Periodic Self-Assessments

- Annual disclosures are made by both TM senior management – represented by Group Chief Officers, Executive Vice Presidents, Vice Presidents and General Managers – and by TM Group Operating Companies' CEOs and CFOs on the overall effectiveness, reliability and adequacy of their respective companies' systems of internal and financial controls.
- Quarterly disclosures on Financial Controls Compliance and Assurance Statement (FCCAS) form part of the initiative to inculcate awareness of 'financial and internal controls' requirements within the Group.
- Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with FRS.

Headline Key Performance Indicators (KPIs)

- These Headline KPIs are a subset of broader performance indicators approved by the Board. The Board agreed in year 2011 on three KPIs taken from TM Group's Corporate Scorecard to be reported as Headline KPIs, i.e. revenue growth, EBITDA margin and the TRI*M Index.

Group Internal Audit

- Group Internal Audit carries out continuous assessments on the adequacy of risk management and maintains a flexible audit approach and a robust audit plan that together address emerging as well as potential risks. The new design of control was thoroughly assessed for new projects launched. Group Internal Audit also assists to promote effective risk management at the Lines of Business.
- Group Internal Audit continues to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of internal control systems. Significant findings and recommendations for improvement are highlighted to senior management and the Audit Committee, with periodic follow-up reviews of the implementation of action plans. Group Internal Audit's practices and conduct are governed by its Internal Audit Charter.

Special Affairs Unit

The Special Affairs Unit is responsible for reviewing and monitoring the ethical conduct and practices of all employees, including senior management. Investigation of Internal Control Incidents

(ICIs) is also undertaken by the Unit (where applicable) and tabled to the ICI Committee and the Board through the Audit Committee. Appropriate actions are then taken based on the strengths and merits of the findings. The Special Affairs Unit takes on concerns raised by whistleblowers for further investigation.

REVIEW OF THE STATEMENT BY THE BOARD OF DIRECTORS

The Board considers the system of internal controls described in this statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. The Board and management will continue to take measures to strengthen the control environment and monitor the health of the internal controls framework.

For the financial year under review, the Board is satisfied that the system of internal controls was satisfactory and has not resulted in any material loss, contingency or uncertainty.

TM's internal control system does 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.

Audit Committee Report

MEMBERSHIP

The Board Audit Committee (BAC) comprises three Independent Non-Executive Directors and one Non-Independent Non-Executive Director. They are as follows:



From left to right:

Quah Poh Keat

Chairman

Independent Non-Executive Director

Dato' Danapalan T.P. Vinggrasalam

Member

Senior Independent Non-Executive Director

Ibrahim Marsidi

Member

Independent Non-Executive Director

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Member

Non-Independent Non-Executive Director

Independes x



connect
communicate
collaborate

MEETINGS AND ATTENDANCE

The BAC had 10 meetings in the financial year 2011. Details of attendance of each member are as follows:-

BAC Member	Number of BAC Meetings	
	Attended/ Held	%
Quah Poh Keat	10/10	100.0
Dato' Danapalan T.P Vinggrasalam	9/10	90.0
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	10/10	100.0
Ibrahim Marsidi	10/10	100.0

The BAC meetings were also attended by the Group CEO, Group CFO and, upon invitation, other Senior Management members and the external auditors to brief the BAC on related issues.

On several occasions, prior to the BAC meetings, private sessions were held between the BAC Chairman and the Deputy / Chief Internal Auditor (CIA) and external auditors without the Management's presence.

The BAC also had two meetings with the external auditors without the Management's presence on 21 February 2011 and 28 September 2011.

Minutes of BAC meetings were circulated to all members and significant matters reserved for Board's approval were tabled at TM Board meetings. The Chairman of the BAC provides a report on the decisions and recommendations of the BAC to TM Board.

COMPOSITION AND TERMS OF REFERENCE

The Terms of Reference of the BAC remains in line with the Main LR and best practices propagated by the Corporate Governance Guide: Towards Boardroom Excellence of Bursa Securities.

COMPOSITION

- BAC shall consist of not less than three members comprising Non-Executive Directors, with the majority being Independent Directors.
- The Chairman shall be an Independent Director.
- BAC members shall possess sound judgment, objectivity, an independent attitude, management experience, professionalism, integrity, knowledge of the industry and be financially literate.
- At least one BAC member shall fulfil the following requirement:
 - is a member of the Malaysian Institute of Accountants (MIA); or
 - has at least three years' working experience; and
 - passed the examinations specified in Part I of the First Schedule of the Accountants Acts 1967; or
 - be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Acts 1967; or
 - fulfil other requirements as prescribed by Bursa Securities.

- No Alternate Director shall be appointed as a BAC member.

REVIEW OF THE BAC

- TM Board shall annually review the BAC members' tenure, performance and the required mix of skills, experiences and core competencies via the Board Effectiveness Evaluation to determine the effectiveness of the BAC.

PROCEDURE OF MEETINGS

- BAC shall meet at least four times a year with additional meetings as and when requested by the Chairman and management.
- The majority of members present must be Independent Directors to form quorum.

RIGHTS AND AUTHORITIES

- Right to meet and discuss with the internal and external auditors, without the attendance of Management.
- Within its terms of reference, the BAC has the following rights:
 - Authority to investigate and the resources to do so;
 - Unrestricted access to any information, records, properties and personnel of TM Group;
 - Access to independent professional advice and outsiders with relevant experience;
 - Access to reports on fraud findings and irregularities;
 - Authority to intervene in case of fraud, illegal act or violation of code of conduct that implicates Senior Management or TM Board members;
 - Authority to direct the centralisation of the Group Internal Audit (GIA) and ensure representation by GIA at subsidiaries' audit committee meetings; and

- vii) Authorise the heads of internal audit of TM subsidiaries and CIA to immediately inform the BAC of any urgent matters.

DUTIES AND RESPONSIBILITIES

The following is a summary of the main duties and responsibilities of the BAC collectively and the same would be reviewed and reported to TM Board from time to time:

- a. Assessing the Control Environment
 - i) Ensure the implementation of adequate risk control policies and review the adequacy and integrity of TM Group's internal control systems and management information systems.
- b. Overseeing Financial Reporting
 - i) Provide assurance on the quality and reliability of financial information used by TM Group to the Board.
 - ii) Ensure that the financial report presents a true and fair view of the Company's financial position and performance in compliance with regulatory requirements.
 - iii) Review the quarterly results focusing on changes/ implementation in major accounting policies, significant or material adjustments with financial impact arising from the audit, significant unusual events or exceptional activities in compliance with approved accounting standards and legal requirements.
 - iv) Review the audited financial statements with the external auditors prior to presentation to TM Board.
 - v) Propose best practices on disclosure in financial results in line with applicable laws and guidelines.

- vi) Review the follow-up actions by Management on weaknesses of internal accounting procedures and controls.

- c. External Audit
 - i) Discuss the audit plan and scope while evaluating the Company's system of internal controls with the external auditors.
 - ii) Monitor the non-audit work by the external auditors to ensure continuing independence and objectivity.
- d. Group Internal Audit (GIA)
 - i) Review and approve the Internal Audit Charter and Internal Audit Plan, including its scope and results of the internal audit work.
 - ii) Ensure independence of GIA and GIA's impartiality of the audit activities undertaken.
- e. Reviewing Conflict of Interest Situations and Related Party Transactions (RPTs)
 - i) Ensure adequate processes and procedures to monitor, track and identify RPTs.
 - ii) Review conflict of interest situations and ascertain transactions are in the best interest of the Group, fair, reasonable, on normal commercial terms and not detrimental to minority shareholders' interests.
- f. Employees Share Option Scheme (ESOS)
 - i) Verify the allocation of share options to the Group's eligible employees.
- g. Whistle blowing and Fraud
 - i) Ensure the availability of an avenue for TM employees to raise concerns and that

- appropriate independent investigation and follow-up actions are carried out.
- ii) Review the Group's procedures for detecting fraud.

- h. Compliance Officer to Bursa Securities
 - i) Report breaches and non-compliances of Main LR to Bursa Securities if such matters are not satisfactorily resolved by TM Board.

SECRETARY

- a. The Company Secretary shall be the Secretary to the BAC.

SUMMARY OF PRINCIPAL ACTIVITIES IN THE FINANCIAL YEAR

During the year ended 31 December 2011, the principal activities carried out by the BAC were as follows:

a. FINANCIAL REPORTING

The following matters were reviewed by the BAC before recommending to TM Board for approval:

- i) The Quarterly Unaudited Financial Statements of TM Group in compliance with Financial Reporting Standard (FRS) 134 and the Main LR.

During the year, BAC deliberated on the Company's quarterly financial statements on 21 February, 20 May, 22 August and 21 November 2011 for the financial quarters of 4Q2010, 1Q2011, 2Q2011 and 3Q2011.

- ii) The Audited Financial Statements of TM Group to ensure that the financial reports presented a true and fair view of the Company's financial performance and complied with regulatory requirements.

The BAC has considered and concluded that the reports presented a true and fair view of the Company's financial performance. Changes in accounting policies and their financial impact were thoroughly discussed and scrutinised by the BAC.

- iii) Announcements of the Quarterly Unaudited Financial Statements, to ensure they complied with regulatory requirements.
- iv) The review of Statement of Internal Control (SIC) pursuant to paragraph 15.26(b) of Main LR for inclusion in the 2010 Annual Report.

b. INTERNAL CONTROL

- i) Reviewed 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 Annual Internal Control Assurance Letter and Internal Control Incidents Report were submitted to the Group CEO and the CIA.

Major control issues during the year were highlighted to the BAC for information and/or directive. These issues were discussed at length to secure a satisfactory conclusion or moving forward action. The BAC tracked and was updated on the issues on a quarterly basis.

- ii) Deliberated reports from the Audit and Business Assurance Committee on the following matters:
 - Management actions to resolve significant internal controls and accounting issues as highlighted by the internal and external auditors. The BAC provided directives on significant internal controls and accounting issues throughout the accounting year.
 - Any other recommendations made by the BAC for management's action.
- iii) Deliberated the following reports from the Best Practices Committee (BPC):
 - Updates and developments of best business practices and Corporate Governance, statutory and regulatory requirements, compliance with accounting standards and other business guidelines.
 - Major policy updates, revisions or enhancements as recommended by the management to ascertain that the improvements made were aligned with business best practices and effective internal control processes.
- iv) Deliberated on reports from the Internal Control Incidents (ICI) Committee on alleged major control incidents or failures based on investigations and/or audits conducted. The BAC would provide input and/or directive on the next course of action on the issues concerned and be updated from time to time.

Quarterly updates by GIA were submitted to the BAC on the following:

- The nature and root causes of control failures which had financial impact and/or affected the image and reputation of the Group.
- Lateral learning to prevent the recurrence of similar incidents within the Group.
- Status of actions taken by management to remedy the control weaknesses and appropriate disciplinary actions.

c. RPTs AND CONFLICT OF INTEREST SITUATIONS

- i) Reviewed reports on RPTs to ensure the transactions were fair, reasonable, on normal commercial terms and in the best interests of the Company.

During the year, the BAC perused and reviewed reports of RPT and possible conflict of interest transactions in ensuring they were in the best interest of TM, fair and reasonable and on normal commercial terms and free of conflict. The BAC deliberated on the nature of the transactions and provided its recommendations accordingly.

- ii) Periodically reviewed the Recurrent Related Party Transactions (RRPT) to ensure they were at arm's length and duly tracked against their mandated amount.

iii) On an annual basis, the BAC reviewed the estimated RRPT Mandate for the ensuing year and recommended TM Board to seek the shareholders' mandate at the annual or extraordinary general meeting of the Company.

d. SPECIAL EMPLOYEES SHARE OPTION SCHEME (Special ESOS)

The Special ESOS expired on 16 September 2010. Thus, during the financial year under review, there was no new allocation for ESOS.

e. EXTERNAL AUDIT

i) Discussed with the external auditors the audit plan encompassing the proposed audit year's work blueprint, nature and scope of the audit and engagement strategy, including the terms as detailed in the external auditor's engagement letter.

ii) Reviewed and approved the terms of engagement of the external auditors upon confirmation of their independence and objectivity.

For the financial year 2011, most of the engagement of the external auditors for TM Group was handled under the Group's umbrella. This practice ensures streamlining of the terms of engagement for external auditors for TM Group.

iii) Reviewed the results of the annual audit, audit report and Internal Control Memorandum, together with management's response to the findings of the external auditors.

iv) Reviewed and approved the scope of non-audit services provided by the external auditors to ensure there was no impairment of independence or objectivity.

v) Reviewed the overall performance of the external auditor and, upon satisfactory assessment, recommended that the Board of Directors approve the fee payable to the external auditors in respect of the scope of work performed.

vi) Two private sessions were held with the external auditors to ensure there were no restrictions on the scope of their audit and to enable the auditors to discuss matters openly without the management's presence. Each BAC member also has access to conduct private sessions with the external auditor as and when clarification is required on reports on audit matters.

f. INTERNAL AUDIT

i) Reviewed and approved the reports from GIA on the following:

- Annual audit plan to ensure adequate scope and comprehensive coverage of activities of the Group.
- Competency and resources of the internal audit function to ensure that, collectively, GIA has the required expertise and professionalism to discharge its duties.

- Internal audit reports, audit recommendations and management's response to these recommendations. Where appropriate, BAC would instruct management to rectify and improve control procedures based on GIA's recommendations and suggestions for improvements.
- Implementation of recommendations by management on outstanding issues on a quarterly basis to ensure that all key risks and control weaknesses were being properly addressed.
- Major cases of internal misconduct in relation to the Group's Code of Conduct and whistleblower programme.
- Key Performance Indicators (KPIs) for GIA linked to the Balanced Scorecard focusing on qualitative and quantitative aspects.

ii) Held private meetings and discussions with the CIA on key internal control and internal audit related matters.

g. FORMATION OF A SUB COMMITTEE

Following the investigation on alleged improper payments by Alcatel-Lucent (ALU) Group to TM's employees, the Board approved the formation of a Sub Committee to BAC (BSC) to conduct an independent and comprehensive internal investigation into the matter.

The BSC, headed by a BAC member as Chairman, consisted of the Chief Legal, Compliance and Company Secretary and Vice President of Group Business Assurance. The internal investigation was carried out jointly by appointed external advisors and TM's Special Affairs Unit. The BSC met on a weekly basis and reported its findings to the BAC. The BSC was later dissolved on 2 February 2011 upon achieving its primary objective.

h. APPOINTMENT OF THE NEW CHIEF INTERNAL AUDITOR (CIA)

During the financial year, the GIA underwent a change in its leadership. The BAC played an active role in the process of selecting a suitable candidate and putting forth its input in the criteria for the new CIA. The BAC members and TM Senior Management conducted the interview sessions for the new CIA and the new CIA was appointed on 1 November 2011.

TRAINING

During the year, BAC members attended various conferences, seminars and training programmes as participants and speakers on the following areas:

Aspect	Title of Conference/Seminar
a. Finance	<ul style="list-style-type: none"> FIDE Technical Programme: Corporate Finance for Directors KPMG Malaysian Tax Summit 2011 Budget 2012 Tax Seminar 10 Year Assessment of Financial Master Plan
b. Risk Management	<ul style="list-style-type: none"> Board Risk Management Committee: Managing Risks in Banks Forbes Global CEO Conference
c. Strategy	<ul style="list-style-type: none"> Corporate Directors Conference 2011: The Resurgence of Corporate Malaysia Africa & Southeast Asia Business Forum 2011 HOT "Just Do It" Workshop (Make it so.....)
d. Corporate Governance	<ul style="list-style-type: none"> International Corporate Governance Network (ICGN) Mid Year Spring Conference: Asian Corporate Governance – The Future Steps Corporate Governance – The Holistic Board Boston Consulting Group (BCG) Leaders Forum Governance Series for Directors – The Board's Responsibility for Corporate Culture – Selected Governance Concerns and Tools for Addressing Corporate Culture and Board Performance
e. Human Capital Management	<ul style="list-style-type: none"> FIDE Elective Programme: The Nomination and Remuneration Committee Programme Cranfield Executive Leadership Forum the Makings of a Global Leader
f. Industry	<ul style="list-style-type: none"> Khazanah Megatrends Forum 2011 CommunicAsia 2011

The BAC also played an active role in providing its views and opinions on consultative papers issued by Bursa Securities involving the enhancement of statement of internal control.

This BAC Report is made in accordance with the resolution of the Board of Directors duly passed on 24 February 2012.



Quah Poh Keat
Chairman of BAC

Group Internal Audit (GIA) strives to provide independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance. The internal audit function adopts a risk-based audit methodology aligned with risks being faced by the Group to ensure that relevant controls addressing those risks are reviewed on a rotational basis. The purpose, authority and responsibility of Group Internal Audit, as well as the nature of assurance and consultancy activities provided to the Group, are clearly articulated in the Internal Audit Charter. This charter has been reviewed and approved by the Audit Committee and is in line with the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF).

The internal audit function in TM is managed in-house and GIA reports directly to the Audit Committee. In order to preserve its independence, the Group Chief Internal Auditor periodically reports

on the activities performed and key strategic and control issues noted by Group Internal Audit to the Audit Committee. The Audit Committee reviews and approves the Group Internal Audit's annual budget, audit plans and human resources requirements to ensure the function is adequately resourced with competent and proficient internal auditors.

PRACTICES AND FRAMEWORK

In order to ensure standardisation and consistency in providing assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal controls, risk management and governance, GIA has aligned its current internal audit practices with the COSO Internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by GIA are based on the following five internal control elements:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

INDEPENDENCE AND OBJECTIVITY

Internal audit activities remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing or report content, to maintain the necessary independent and objective mental attitude.

GIA has no direct operational responsibility or authority over any of the activities audited. Accordingly, GIA will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair the internal auditors' judgment.

SCOPE AND COVERAGE

Group Internal Audit maintains a flexible audit approach and dynamic audit plan to address emerging current risks as well as potential future risks. This has enhanced the ability of Group Internal Audit to affect and facilitate change and foster continuous improvements within the Group. For example, the conduct of end-to-end process audit has positioned Group Internal Audit at the forefront of positive change by recommending and facilitating the alignment of people, processes and technology towards achieving key business objectives. The scope of audit engagement is also aligned with the primary risks of the organisation and its key strategic initiatives. Identified key audit areas in 2011, in line with COSO broad objectives, are as follows:

1. Effectiveness and Efficiency of Operations
 - a) Procurement
 - Post Implementation Review (PIR) of Emergency Purchase Processes
 - Review of Sales & Services Contract Management
 - Review of Selection & Management of Schedule of Rates (JKH - Jadual Kadar Harga) Contractors
 - b) Sales and Marketing
 - Review of Go To Market for UniFi products
 - Post Implementation Review of TMpoint Customer Sales Representative (CSR) Effectiveness
 - Post Implementation Review of Ageing Orders
 - Review of Sell To Customer Service Delivery & Churn Management



Assurance

- Review of Business Efforts in Marketing TM Information and Communication Technology (ICT) and Business Process Outsourcing (BPO) Products
 - Review of End To End Process of Sales & Collection Cycle Management
- c) Financial Management
- Review of Capital Expenditure (CAPEX) Retirement Plan
 - Review of Cost to Serve Streamyx Customers
 - Review of Cash Management at TMpoint Central Region
 - Review of Recoverable Work Order (RWO) Accidents
 - Review of Sustainability of Company Operations
 - Review of Credit Management
- d) Network
- Audit on End to End Operation and Maintenance of GITN Project: EG Net
 - Audit on International Network Infrastructure
 - Audit on Next-Generation Network – Network Element (Operate & Transfer Phases)
 - Audit on Network Delivery (ND) Material Management
 - Audit on UniFi Service Fulfilment
 - Post Implementation Review of Access Network Data Verification & Migration
- e) Information Technology
- IT Security Review
 - Application Review of Credit Assessment and Management Systems (CAMS)
 - Post Implementation Review of Internet Protocol Television (IPTV) Media Centre
 - Post Implementation Review of iCARE Prime (ICP)
 - Review of TM Business Continuity Plan
- f) Human Capital Management
- Review of Sale & Outsourcing of TM Staff Housing Loans

2. Reliability of Financial Reporting
 - a) Financial Reporting Reviews
 - b) Quarterly Interim Financial Reviews
3. Compliance with Applicable Laws and Regulations
 - a) Related Party Transactions
 - b) Post Implementation Review of Universal Service Provisioning and Programme Management

GIA's expertise has also been requested to assist management in troubleshooting internal control weaknesses raised by whistleblowers, complex data analysis in detecting errors and omissions, post mortems of internal control failures and risk exposures of major TM projects. GIA also participated in many value added reviews of major projects covering new business products and system implementations to ensure adequate controls are in place before these products or systems are launched. GIA further conducted special reviews based on requests from the Audit Committee and/or management in addition to the planned reviews for the year. Follow-up reviews were performed on the implementation of audit recommendations on a quarterly basis and the status of the implementation reported to the Audit Committee accordingly.

RESOURCES

A total of RM5.6 million was spent on internal audit activities in 2011. A summary of the internal audit costs, based on key categories, is as follows:

Category	RM (million)	% of total cost
Manpower	4.0	71.0%
Incidentals (incl. Travelling)	0.5	9.0%
Internal Recharges (incl. Space Rental, IT charges, Training Costs, etc.)	1.1	20.0%
Total	5.6	100.0%

A summary of internal auditors, based on their respective competencies as at 31 December 2011, is as follows:

Discipline	Number of Internal Auditors	Percentage
Accounting and Finance	13	42.0%
Information Technology	5	16.0%
Engineering/Network	7	23.0%
Marketing	5	16.0%
Legal	1	3.0%
Total	31	100.0%

CO-SOURCING ACTIVITY

Only one internal audit activity – SAP Business System and Process Control Review – was co-sourced in 2011. The audit was performed together with an external subject matter expert and involved the transfer of knowledge at the end of the co-sourcing activity. All other internal audit activities were performed in-house.

COMMITMENT TO COMPETENCE

The 'war for talent' continues to be the greatest challenge facing many internal audit functions. Having the 'right people' is one of our key strategies. In maintaining a highly adaptive audit function, there is a need to invest in upgrading the knowledge and skills of the auditors through continuous development and training programmes. All auditors are benchmarked against our internal audit competency model to determine their knowledge and skills gaps. A number of training modules have been identified to address the knowledge and skills gaps. At the same time, the auditors need to have greater appreciation of entrepreneurship, innovation and risk management skills, as well as strategic, business and operational knowledge, among others.

Key seminars and workshops attended by Group Internal Audit in 2011 were as follows:

- a) **Group Training** – designed to cater specifically to internal auditors' requirements such as structured thinking analysis, report writing skills and product knowledge. These programmes represented collaborations between Group Internal Audit and respective consultants such as IIA and other training consultants. As at December 2011, the following group training had been conducted:
 - Enterprise Risk Management, attended by key management from the Risk Group, including the Vice President.
 - Group Report Writing Skills – IIA provide customised training on report writing to emulate the GIA report writing style. Auditors were exposed to critical thinking methodology involving a more structured approach to identifying issues, their root causes and impact for improved report presentation to management.

- b) **Individual Training** – developed based on individual competency weaknesses. The type of training provided for the internal auditors was determined by their competency gaps coupled with future requirements such as leadership and management skills. Among the key training attended by auditors as at December 2011 were:
 - Internal Audit, Internal Control & Compliance Conference 2011
 - Effective Audit Report Writing
 - 2011 IIA International Conference
 - ICT Outlook for 2012 Conference
 - Prestige Leadership Programme
 - Leadership & Customer Values Excellence
 - Managing & Leading A Business Unit
 - IT Governance, Assurance, Security Conference
 - IIA Examination Review Courses
 - SAP World Tour
 - Auditing Purchasing for Contemporary Business
 - Business Performance Management
 - Various in-house developed e-learning courses to improve auditors' functional skills



Apart from the above, GIA embarked on extensive GIA-Management Training Collaboration programmes. These knowledge-sharing sessions by subject matter experts involving key management aim to speed up auditors' acquisition of business and operational knowledge of the Company. The sessions enable the auditors to obtain first-hand practical knowledge from experts supporting key processes within TM. In-house knowledge-sharing sessions by subject matter experts within GIA were also held to increase the internal auditors' competencies.

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 effectiveness of GIA processes and identifies opportunities for improvement via both internal and external assessments.

GIA has an advanced 'Peer Reviewer' mechanism to ensure a consistently high quality output of every audit engagement. Peer reviewers with relevant expertise from the consultancy team are selected to provide professional advice and ensure risk areas are adequately covered before communicating the final engagement results to the appropriate parties.

An internal quality assessment is also performed annually within GIA to evaluate its conformance with the IIA's IPPF. This is performed through self-assessment by a qualified Certified Internal Auditor (CIA) and includes in-depth interviews, surveys and detailed data analysis.

GIA also organises an external quality assessment by a qualified independent reviewer of the entire spectrum of audit work performed by the internal auditors once every five years. The assessment includes areas such as compliance with IIA's IPPF and Group Internal Audit manuals, contribution to governance, risk assessment, control processes and performance management. An external assessment of the Group Internal Audit was last conducted in January 2011 and it was noted that Group Internal Audit generally conforms to the International Standards for the Professional Practice of Internal Auditing.

Hazimi Kassim
Group Chief Internal Auditor

Quah Poh Keat
Chairman Audit Committee

Board Risk Committee Report

INTRODUCTION

In order to further improve the Company's Corporate Governance practices, the Board of Directors (Board) of Telekom Malaysia Berhad (TM/the Company) on 22 March 2010 established a separate Board Risk Committee (BRC). Formalised at the Board of Directors' Meeting No. 2/10, the BRC provides more focus on risk issues of the Group, which were previously overseen by the Board Audit Committee (BAC).

BRC members are aware that their duties and responsibilities in the committee are in addition to their duties and responsibilities as members of the Board. The deliberations of the BRC do not reduce or absolve the individual and collective responsibilities of the Board members with regard to their fiduciary duties and responsibilities. The members must continue to exercise due care and judgment in accordance with their statutory obligations.

MEMBERSHIP

Any Board member may be appointed to the BRC. Consequently, the BRC welcomed an additional member into its fold in 2011. The BRC presently comprises a Non-Independent Non-Executive Director as its Chairman, three Independent Non-Executive Directors and a Non-Independent Executive Director who is also the Group Chief Financial Officer of the Company. Its composition is as follows:

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN

Chairman/Non-Independent Non-Executive Director

DATO' DANAPALAN T.P VINGGRASALAM

Member/Senior Independent Non-Executive Director

DATO' IR ABDUL RAHIM ABU BAKAR

Member/Independent Non-Executive Director

IBRAHIM MARSIDI

Member/Independent Non-Executive Director

DATUK BAZLAN OSMAN

Member/Non-Independent Executive Director/Group Chief Financial Officer



From top left to bottom right:
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Chairman/Non-Independent
Non-Executive Director

Dato' Danapalan T.P Vinggrasalam
Member/Senior Independent
Non-Executive Director

Dato' Ir Abdul Rahim Abu Bakar
Member/Independent
Non-Executive Director

Ibrahim Marsidi
Member/Independent
Non-Executive Director

Datuk Bazlan Osman
Member/Non-Independent Executive
Director/Group Chief Financial Officer

Monitor



ATTENDANCE OF MEETINGS

Details of attendance of each member at BRC meetings held in 2011 are as follows:

Board Risk Committee Member	Number of BRC Meetings	
	Attended/ Held	%
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	3/3	100.0
Dato' Danapalan T.P Vinggrasalam	3/3	100.0
Dato' Ir Abdul Rahim Abu Bakar ¹	1/1	100.0
Ibrahim Marsidi	3/3	100.0
Datuk Bazlan Osman	3/3	100.0

Note: *

¹ Dato' Ir Abdul Rahim Abu Bakar was appointed as an additional member to the BRC effective 30 June 2011 and attended one out of one meeting held during his tenure.

The Head of Group Business Assurance Division, who also acts in the capacity of Head of Risk Management Unit, attended the BRC meetings as a 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.

TERMS OF REFERENCE

Composition

- The Board may upon recommendation of the Board Nomination and Remuneration Committee (NRC), appoint any of its members or their alternates as members of the BRC.
- The BRC must be composed of no fewer than three members including the Chairman and the majority shall be Non-Executive Directors at least one of whom shall preferably have recent and relevant experience in risk management.
- Members of the BRC may relinquish their membership in the BRC by giving prior written notice to the BRC Chairman and the Chairman of the NRC with a copy to the Company Secretary. The NRC will review and recommend, to the Board for approval, another Director to fill up such vacancy within three months of the notice.

- All members of the BRC, including the Chairman, will hold office for only so long as they serve as Directors (or Alternate Directors) of the Company.
- The Chairman of BRC shall be a Non-Executive Director as recommended by the NRC, and shall not simultaneously be the Chairman of BAC.
- Members of the BRC shall possess sound judgment, objectivity, independent attitude, management experience, professionalism, integrity and knowledge of the industry.

Frequency of Meetings

The BRC shall meet at least four times a year preceding the quarterly BAC meetings or such additional meetings as decided by the Chairman.

Quorum

- A majority of members present at a meeting shall form a quorum.
- Meetings can be convened only with the presence of the Chairman. In the event the Chairman is unable to attend a meeting, but the meeting has to proceed, the members present shall choose one of their number to chair the meeting.

Secretary

The BRC Secretary shall be the Company Secretary and in his absence, any executive from Company Secretarial Division may attend the meeting on his behalf. However, the Secretariat to the BRC meetings shall be:

- Group Business Assurance Division; and
- Company Secretarial Division.

Powers

The BRC shall have the power *inter alia*, to:

- deliberate any matter within its terms of reference.
- obtain sufficient resources which are required to perform its duties.
- have full and unrestricted access to any information, records, properties and personnel of TM and of any other companies within the TM Group.
- obtain advice from independent professionals or those with relevant experience and invite them (if necessary) to attend the BRC meetings to brief the BRC on specific matters.
- obtain external consultants to assist in the execution of its duties.

Duties and Responsibilities

The BRC will not assume the functions of management, which remain the responsibility of the Executive Directors, officers and other members of the Senior Management. The main role of the BRC is to assist the Board in ensuring that the Company has in place a sound and robust enterprise risk management framework and such framework has been effectively implemented to enhance the Company's ability to achieve its strategic objectives.

The BRC will perform all the functions as are necessary to fulfil its role as afore stated, including the following:

- Oversee the development and annual review of a policy and plan for risk management for recommendation to the Board.
- Monitor the effectiveness of the risk management organisational structure.
- Keep under review the status and application of risk management responsibilities and accountabilities.
- Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes.
- Recommend to the Board or Board Committee as delegated by the Board levels of risk tolerance and appetite and monitor the risks to ensure they are managed within the levels of tolerance and appetite as approved by the Board.
- Ensure that the risk management plan is widely disseminated throughout the Company and integrated in the day-to-day activities of the Company.
- Ensure that risk management assessments are performed on a continuous basis.
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- Ensure that management considers and implements appropriate risk responses.
- Ensure that management continuously monitors risks.
- Liaise closely with the BAC to exchange information relevant to risk.
- Express the BRC's formal opinion to the Board on the effectiveness of the system and process of risk management.

- Review any report concerning risk management that is to be included in the integrated report in terms of timeliness, comprehensiveness and relevance.

RISK MANAGEMENT REPORT

The implementation of Enterprise Risk Management (ERM) and efforts to instill a corporate risk culture continue to be given high priority to meet the current and future business needs of TM Group. The Board of Directors, Board Risk Committee and Senior Management remained committed to driving and implementing ERM within the Group throughout the financial year 2011. In line with the adoption of the ERM MS ISO 31000 framework, the strong and sustained commitment of the BOD was further strengthened where they persisted to provide a mandate and clear direction as well as supervised TM's strategic risk management activities in ensuring TM continues to deliver shareholder value while upholding good corporate governance and offering unsurpassed customer service. With the strong support from management, ERM will continue its journey to help build a stronger and more resilient culture throughout the Group.



Framework for Managing Risk – MS ISO 31000



Throughout 2011, TM Group continued to institutionalise its robust risk management structure across the organisation. The responsibility for risk management resides at all levels within the Group, from the Board down through the organisation to each business unit. Risk management becomes a permanent agenda at both the Management Committee (MC) platform and Line of Business level through their Operation Committee Meeting (OCM). Both platforms discuss, tackle and track identified risks and action plans to minimise them at each respective level. The management of risks will influence and impact the organisation's performance. In short, risk management and performance management are being harmonised and the result is monitored on a monthly basis.

The ability to institutionalise the ERM programme throughout TM Group indicates acceptance of ERM as a tool in managing business risk throughout the organisation and that the full value of risk management is realised when it is blended with other initiatives. Embedding risk management methodology into the core business and operational process across TM will assist in the pro-active recognition of risks and their mitigation plan at every level of the organisation. ERM has been crystallised in various processes in TM such as product development, process improvement and fulfillment, project investment analysis as well as post-project implementation review.

RISK FACTORS

As new risks are constantly emerging, it is vital for TM to continue assessing the business' inherent and potential risks and reviewing the robustness of its control plan to minimise all risks and the severity of their impact. The following are some of the key risk factors that are externally driven coupled with internal operational risk exposures which the Group has consistently reviewed and managed as part of the enterprise risk management programme.

Credit Risk

Credit risk, common to all businesses, is significant at TM as a large percentage of its business is dealt with on a credit basis, exposing the Company to the risk of bad debts. Nevertheless, TM Group continues to take reasonable efforts to strengthen its credit management policy and procedures covering both credit risk assessment and profiling as well as improving collection management and treatment of delinquent accounts. Signs of control effectiveness are evident with the positive reduction in risk impact in 2011. The mitigation plan implemented and aggressive collection effort supported by the Credit Management System (CMS), which involves automated credit control actions, have significantly improved TM's collection performance.

Service Disruption Risk

TM network and services are constantly exposed to disruption caused by either natural or man-made disasters. Customers and millions of ringgit of revenue could potentially be lost and never recovered if business processes are disrupted. Nonetheless, TM is committed to safeguarding its network and service availability to uphold its quality of service. Thus far, TM has been able to respond to crisis and natural disasters swiftly thus minimise any service interruption to customers. Towards enhancing its service assurance readiness, TM reviewed its overall Business Continuity Management (BCM) programme and embarked on a three-year BCM improvement plan. By building more crisis and disaster scenarios and testing existing as well as additional plans for their state of readiness, the Group ensures that critical business functions are able to operate in the event of a disaster. Ultimately, the BCM programme safeguards the interests of TM's key stakeholders, reputation, brand and value creating activities.

Telecommunications Fraud Risk

Rapid evolution of technology and the increase in activity of organised hackers contribute to the continued occurrence of fraud. Telecommunications fraud committed by third parties, customers, resellers and internal staff has been an on-going concern within TM. Much of the fraud activity can be controlled with enhanced awareness by, and collaboration with, process owners in ensuring all loopholes are plugged at an early stage. A number of collaborations with process and product owners have thus been established to review fraud control elements in upstream processes and procedures, in addition to product assessment initiatives to mitigate the risk of fraud from time to time.

Although fraud will remain a constant challenge, TM's robust fraud detection system allows for early detection, hence minimising the risk impact to TM.

Revenue Leakage Risk

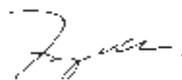
TM is not spared from potential revenue loss due to inaccurate and untimely billing and gaps in the processes, data flow, data consistency across diverse systems and fraud that may result in untimely revenue recognition or reduce the overall revenue. The risk is continuously being managed and concerted efforts were made in 2011 to minimise the recurrence of revenue leakages through revenue assurance reviews, fraud investigations and leakage management projects. At the same time, TM has a clear visibility of revenue leakages arising from credit management and collection activities, and has intensified efforts to improve its credit risk exposure. The output from revenue leakage review has enabled the Group to strengthen its control mechanism in the area of disjointed process flow, obsolete processes and procedures, staff skills sets, negligence and system limitation. To complement the on-going process to identify potential revenue leakage areas, TM has also put in place an automated assurance system that allows revenue stream health check monitoring and revenue leakage incidents detection. For instance, the Subscription and Reconciliation Monitoring System (SARM) has been used to facilitate TM in detecting potential revenue loss and monitoring critical performances for data, Streamyx and prepaid services.

Erosion of Market Share Risk

Competition in 2011 has been quite tough, as TM's competitors engage in aggressive campaigns and claim to offer better products and packages. Hence, customer churn continues to be a challenge. Market liberalisation, changes in customer consumption patterns and preferences, the price war and weak customer service also lead to competition, resulting in erosion of revenue and market share. Despite the stiff competition, TM is still able to improve its revenue growth and mitigate any market share erosion, especially in internet revenue. TM prevents customer churn with meticulous planning and strategy, through loyalty programmes, predictive programmes and save programmes. In addition, the Company designs new competitive and value-add products and packages, continues to grow its core services of broadband, data and voice while ensuring excellent after sales service. In short, TM focuses on both strategic and operational controls to ensure continued revenue growth and to defend its market share.

Reputation Risk

Lack of business trustworthiness and negative publicity arising from any action, event or circumstance could adversely or materially impact TM Group's reputation. TM manages this risk exposure by monitoring closely the multitude of factors that could affect its reputation. Throughout 2011, the Group focused on managing customer complaints and other risk drivers that could negatively impact its brand image and reputation. Poor after sales service is an on-going operational challenge that put pressure on TM's reputation risk. In managing these challenges, the Group regularly reviews its strategic and operational risk mitigation plans to close any gaps that may jeopardise its reputation. In managing customer demand for better service, management continues to implement appropriate controls to improve the customer service charter that guides TM's ability to meet its customer promise. Enhancing the customer experience has been one of the strategic initiatives to improve TM's brand image and at the same time minimise reputation risk exposure arising from operational shortcomings.



TUNKU DATU' MAHMOOD FAWZY TUNKU MUHIYIDDIN

Chairman

Additional Compliance Information



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 5 April 2011, the Company received approval from the Securities Commission for the establishment of an Islamic Commercial Paper (ICP) programme and an Islamic Medium Term Notes (IMTN) programme with a combined limit of up to RM2.0 billion in nominal value, which have respective tenures of 7 and 15 years from the date of first issuance.

Pursuant to the approval, the programmes were transacted as follows:-

- a) On 25 April 2011, RM150.0 million nominal value ICPs at 3.15% per annum maturing on 27 June 2011 was issued.
- b) On 27 June 2011, the Company issued RM300.0 million nominal value IMTN at 4.50% per annum maturing on 25 June 2021. The Company has also repaid the above ICP.
- c) On 1 August 2011, another RM150.0 million nominal value ICPs at 3.12% per annum, maturing on 13 September 2011 was issued.
- d) On 13 September 2011, the Company issued another RM300.0 million nominal value IMTN and repaid the second ICP. This IMTN tranche will mature on 13 September 2021 at 4.20% per annum.
- e) On 14 November 2011, the Company issued another RM150.0 million nominal value ICPs at 3.15% per annum, which matured on 12 December 2011.
- f) On 12 December 2011, the Company issued another RM200.0 million nominal value IMTN and repaid the third ICP. The IMTN tranche will mature on 10 December 2021 at 4.20% per annum.

Proceeds from the issuance of ICPs and/or IMTNs are used by the Company to meet its capital expenditure requirements.

[Disclosed in accordance with Appendix 9C, Part A, item 13 of the Main LR]

2.0 SHARE BUY-BACK

The Company did not make any proposal for share buy-back during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 14 of the Main LR]

3.0 OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 15 of the Main LR]

4.0 AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 16 of the Main LR]

5.0 IMPOSITION OF SANCTIONS/PENALTIES

There were no public sanctions and/or penalties imposed on the Company or its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 17 of the Main LR]

6.0 NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group by the external auditors, PricewaterhouseCoopers's (PwC) network of affiliated companies during the financial year is as follows:

	RM
PricewaterhouseCoopers Taxation Services Sdn Bhd	857,750

Services rendered by PwC are not prohibited by regulatory or other professional requirements, and are based on globally practised guidelines on auditor independence. PwC is engaged for these services when their expertise and experience of TM are important. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost-effective to engage the services of another firm of accountants.

[Disclosed in accordance with Appendix 9C, Part A, item 18 of the Main LR]

7.0 VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 19 of the Main LR]

8.0 PROFIT GUARANTEE

The Company did not give any profit guarantee during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 20 of the Main LR]

9.0 MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts nor any contracts in relation to loans entered into by the Company and/or its subsidiaries involving interests of directors or major shareholders either subsisting as at 31 December 2011 or entered into since the end of the previous financial year ended 31 December 2010.

[Disclosed in accordance with Appendix 9C, Part A, items 21 and 22 of the Main LR]

10.0 LISTING OF PROPERTIES

On 3 May 2002, the Company 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.

[Disclosed in accordance with Appendix 9C, Part A, item 25 of the Main LR]

11.0 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (RRPT)

At the previous Extraordinary General Meeting (EGM) held on 10 May 2011, the Company had obtained a general mandate from its shareholders on the RRPT entered into by the Company and/or its subsidiaries (RRPT Mandate). The RRPT Mandate is valid until the conclusion of the forthcoming 27th Annual General Meeting (AGM) of the Company to be held on 8 May 2012.

Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note 12 of the Main LR, the details of the RRPT entered into during the financial year ended 31 December 2011 pursuant to the said shareholders' 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 (TM Group)	Axiata Group Berhad (Axiata) and/or its subsidiaries (Axiata Group)	Minister of Finance Incorporated (MOF Inc.), Khazanah Nasional Berhad (Khazanah), Dato' Mat Noor Nawi, Puan Eshah Meor Suleiman, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, Datuk Dr Rahamat Bivi Yusoff and Dr Farid Mohamed Sani	In addition to their shareholdings in our Company, MOF Inc. and Khazanah are Major Shareholders of Axiata. Dato' Mat Noor Nawi is a representative of MOF Inc. on our Board. Puan Eshah Meor Suleiman is the Alternate Director to Dato' Mat Noor Nawi on our Board. Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin is a representative of Khazanah on our Board. Datuk Dr Rahamat Bivi Yusoff is a representative of MoF Inc. on our Board. She was appointed with effect from 2 June 2011 and resigned on 18 November 2011. Dr Farid Mohamed Sani was previously the Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin. He resigned on 15 December 2011.	<u>Revenue</u> <ul style="list-style-type: none"> - Interconnect revenue from Axiata Group. 45,106 - Provision of Voice Over Internet Protocol related services to Axiata Group. 75,943 - Provision of leased-line services to Axiata Group. 52,918 - Provision of data and bandwidth related services to Axiata Group. 27,784 - Site rental for telecommunications infrastructure, equipment and related charges by TM Group to Celcom. 24,686 - Provision of Internet access and broadband services to Celcom. 14,391 - Commission on registration and collection by Telekom Sales and Services Sdn Bhd from Celcom. 2,102 - Provision of contact centre and business process outsourcing services by VADS Berhad to Axiata Group. 82,158 - Provision of fibre optic core and bandwidth services by Fiberail Sdn Bhd to Celcom. 11,713 - Provision of dark fibre, bandwidth, space & facility by Fibrecomm Network (M) Sdn Bhd to Celcom. 22,261 - Rental of office premises to Axiata Group. 14,586 - Leasing of vehicles to Axiata Group. 1,575 <u>Cost</u> <ul style="list-style-type: none"> - Interconnect charges by Axiata Group. 56,202 - Leased-line charges by Axiata Group. 2,645 - Dark fibre and leased – line charges by Celcom to Fibrecomm Network (M) Sdn Bhd. 975 - Voice Over Internet Protocol related service charges by Axiata Group. 68,582 - Core rental and mobile services from Celcom to Fiberail Sdn Bhd. 1,193 TOTAL	504,820
Our Company and/or our subsidiaries	KUB Malaysia Berhad (KUB) and its subsidiaries (KUB Group)	Ministry of Finance, Malaysia (MOF)	In addition to its direct and/or indirect shareholdings in our Company, MOF holds a 22.55% interest in KUB.	Purchase and/or utilisation of telecommunications equipment, systems and related services by TM Group from KUB Group.	62,157

Note:

The Company proposes to renew the RRPT Mandate at the forthcoming Extraordinary General Meeting of the Company to be held on 8 May 2012. The renewed RRPT Mandate, if approved by shareholders, would be valid until the conclusion of the next AGM of the Company.

The Personal Data Protection Act 2010 (PDPA or the Act) was passed by the Lower and Upper Houses of Parliament and gazetted on 10 June 2010. The Act is expected to be enforced in the near future by a Personal Data Protection Commissioner to be appointed by the Minister of Information, Culture and Communications.

The Act seeks to regulate the processing of personal data, namely any information in respect of a commercial transaction that relates directly or indirectly to a person or data subject which can be identified or identifiable from that information. With specific reference to TM, data subjects might also be customers and employees of TM (Data Subject). The Act is applicable to personal data processed in Malaysia and to any person who processes or has control over or authorises the processing of any personal data (Data User) in respect of a commercial transaction. The Act introduces seven principles to ensure data is processed lawfully in Malaysia: the General Principle, Notice and Choice Principle, Disclosure Principle, Security Principle, Retention Principle, Data Integrity Principle and Access Principle. Failure to comply with any of these principles will constitute an offence punishable by a fine up to RM300,000 or imprisonment up to two years, or both.

Under these principles, the Data Subjects must provide their consent to the collection and use of personal data and steps must be taken to ensure that the personal data is updated, accurate and stored securely. Data Subjects have to be given adequate notice that their personal data is to be used, and explained what their personal data is being used for. Data Subjects should also be given the choice to opt out from giving certain personal data. Data Users, meanwhile, are required not to keep any personal data in their possession longer than necessary.

The Act further accords certain rights to the Data Subject, namely the right to access personal data, to correct personal data, to withdraw consent, to prevent processing likely to cause damage or distress and the right to prevent processing for the purposes of direct marketing. Data Users are required to provide mechanisms to enable Data Subjects to exercise these rights.

In TM, Group Legal, Compliance & Company Secretarial Division (GLCCSD) organised a special briefing on PDPA for the Group Leadership Team (GLT) members and Corporate Counsels of TM Group. The briefing, held on 27 July 2010, resulted in the setting up of a PDPA Task Force (PDPATF) with the objective of ensuring that the relevant governance, policies, standard operating procedures, process flows and working instruction of TM be reviewed and amended to be in line with the PDPA. Group Chief Financial Officer Datuk Bazlan Bin Osman has been appointed Chairman of the PDPATF. The PDPATF comprises Heads of the various Lines of Business (LOBs), Business Support Team and Central Support Team.

On 23 August 2010, the Board was briefed on the PDPA and the setting up of the PDPATF via an information paper. The first PDPATF meeting was held on 5 October 2010 and the PDP Working Group was established following the second PDPATF meeting on 23 March 2011.

The PDPATF has approved:

- 1) Legal Strategy & Intellectual Property (LSIP) to undertake certain activities and review the current work stream and documentations adopted in TM (PDPA Initiatives);

- 2) The appointment of Ainul Azlinda Binti Inon Shaharuddin, Senior Corporate Counsel IPMR as TM Privacy Officer;
- 3) The appointment of Messrs Lee Hishammuddin, Allen & Gledhill (LHAG) as the Consultant to assist LSIP in undertaking the PDPA Initiatives; and
- 4) The appointment of Prof Abu Bakar Munir as the Consultant to ensure the Audit Compliance.

One of the PDPA Initiatives being undertaken is the creation of the PDPA awareness among TM's workforce. Awareness programs organised in 2011 include briefings to the GLT and to TM's workforce in all States (via video conferencing) as well as talks at Menara TM for representatives from the various LOBs. In 2011, LSIP has successfully conducted no less than eight formal briefings and hopes to continue the effort in 2012.

With the assistance of LHAG, LSIP is reviewing all relevant customer service agreements, process flows, scripts and guidelines and interviewing the relevant LOBs to identify issues and provide the necessary recommendations to the LOBs in order to comply fully with the PDPA. It is expected that the review will be completed and the recommendations provided by the end of the second quarter of 2012.

With the PDPA Initiatives in place, TM is assured of complying with the general spirit of the PDPA, as the Company will have adequate measures to protect and safeguard the personal data of TM's customers and employees.

Ethical

TM places the highest priority on conducting its business with integrity. Being a government-linked company (GLC), it fully supports the National Integrity Plan (NIP), which advocates enhanced corporate governance, business ethics and corporate social responsibility. The same year the NIP was launched, 2004, TM produced its Code of Business Ethics (CBE) in the form of a handbook. In 2010, it became the first GLC to offer the CBE as an e-learning module for easy reference by employees. Coincidentally, in 2010, business ethics was identified as a National Key Result Area (NKRA) under the Government Transformation Programme. Once again, TM is championing this national agenda across the Group through training, induction courses, roadshows and talks.

CODE OF BUSINESS ETHIC (CBE) e-LEARNING

The CBE is integral to ensuring compliance with the myriad rules, regulations and laws that apply to TM as a GLC and a company listed on Bursa Malaysia. It sets standards to guide the actions of everyone in the Company from employees to directors. TM's CBE forms part of the Company's Corporate Responsibility (CR) in the marketplace and workplace. To ensure its internalisation among employees, TM made CBE e-learning mandatory for all executives, including management. A Bahasa Malaysia version was subsequently released for non-executives and this too was made compulsory training.

MoU WITH MALAYSIAN INSTITUTE OF INTEGRITY

On 6 May 2011, TM signed a Memorandum of Understanding (MoU) with the Malaysian Institute of Integrity (MII) signifying TM as a 'Rakan Integrity' of MII. This means planning, implementing, executing, overseeing and evaluating the

principles as underlined by the NIP within the Company, with the cooperation of MII. The signing of the MoU reflects TM's commitment to accountability and excellent business practices in serving all its stakeholders.

TM will collaborate with the MII to implement programmes to immerse staff in working and living with integrity. The MoU encompasses several key areas, namely:

- The development of integrity management training modules
- Implementing modules on integrity in all training courses and programmes
- Research on enhancing integrity within the Company
- Creating more opportunities for communication on integrity in the workplace
- Producing publications on integrity
- Increasing the participation by TM spokespersons at integrity-related events

CORPORATE INTEGRITY PLEDGE

As part of its commitment towards creating a business environment that is fair, transparent and free from corruption, TM had earlier signed and submitted a Corporate Integrity Pledge to MII and Performance Management & Delivery Unit (PEMANDU) on 27 April 2011. This serves as a declaration of TM's support of the national agenda to combat corruption in line with the Government Transformation Programme.

The Corporate Integrity Pledge commits a company to uphold the Anti-Corruption Principles for Corporations in Malaysia. TM is the first telco in Malaysia to submit to PEMANDU a signed and executed Corporate Integrity Pledge to support this agenda. By signing this pledge, TM has made a unilateral declaration that it will not commit any corrupt act, it will work towards creating a business environment that is free from corruption and will uphold the Anti-Corruption Principles for Corporations in Malaysia. In addition, TM has committed to promoting integrity, transparency and good governance in all aspects of its operations.

INTEGRITY TALKS FOR TM LEADERS & MANAGEMENT

To solidify the culture of integrity at TM, the Company invited renowned integrity speaker, Dr Zaharuddin Abdul Rahman, to speak to the Group Leadership Team (GLT) and Management Committee (MC) on 4 August 2011. Among the topics highlighted were integrity at the workplace and business, in politics as well as in the community.

DISCLOSURES & DECLARATIONS

TM expects all employees to adhere to the highest standards of ethics by promoting ethical behaviour and circumventing any possible conflicts of interest. Every year, all TM management and employees are required to declare their assets and interest

including their family business(es) to the Chief Human Capital Officer (CHCO), Group Human Capital Management. Similarly, management and employees must also make a written disclosure to their immediate superior or Head of Department, using a gift declaration form, to report all gifts received either directly or indirectly.

WHISTLE BLOWING POLICY

In line with the spirit of the CBE, TM in 2011 introduced the Whistleblower Protection Act, 2010, with an awareness session among employees. The objective was for employees to fully understand the Act and their rights should they disclose improper conduct in the Company. By protecting persons making disclosures from any unfavourable action, the Act serves to create a real platform for staff to channel all concerns about illegal, unethical or improper conduct which may affect the Company directly or indirectly. Employees may contact either the Group Human Capital Management, Group Internal Audit, Group Legal, Compliance or the Company Secretary, or make use of the in-house *Talian Etika* hotline.

SEXUAL HARASSMENT ONLINE REPORTING

In conjunction with TM Women's Day on 24 March 2011, which was launched by Datuk Seri Shahrizat Abdul Jalil, Minister of Women, Family and Community Development, TM introduced a Sexual Harassment Online for employees to report any form of harassment. TM does not tolerate any type of implied or expressed sexual harassment and all reports lodged by employees via this online system will be attended to immediately.



PROCUREMENT ETHICS

In order to build and maintain public trust, and promote greater transparency and accountability throughout the Company, TM introduced the Procurement Ethics Rules and Regulations in June 2006. While supporting the Procurement Red Book and complementing its CBE, the rules and regulations cultivate an ethical work environment that reduces graft, enables products to be purchased at competitive market prices and ultimately improves profitability.

In 2011, key elements of the Procurement Ethics were included in the CBE e-learning module, emphasising ethical conduct in dealing with suppliers and business partners. Examples of possible conflict of interest scenarios in a procurement process are provided for added clarity and better understanding.

In TM, stakeholders and employees are required to deal only with companies and organisations that uphold the principles of good governance. Every year, key suppliers take part in a Transparency Survey for feedback. Input from them is analysed and actions taken to ensure continuous and effective improvement.

To further strengthen TM's integrity practices, TM has developed the Integrity Pact, to abstain from bribery, collusion or any other corrupt practice, particularly in the procurement process. The pact outlines the rights and obligations of TM and its suppliers.

With the TM Integrity Pact, suppliers including bidders of contracts will need to execute a declaration where they represent a pledge not to be involved in any activity related to direct or indirect payment, offering, pressuring or bribery which may affect the final tender decision. TM Integrity Pact also binds all contract bidders to abstain from corrupt practices during and after the contract award. Any violation of the declaration will result in penalties including but not limited to termination of contracts, blacklisting, claims for liquidated damages as well as having the violation reported to the Malaysian Anti-Corruption Commission.

TM Integrity Pact was launched on 20 January 2012 by Dato' Sri Haji Abu Kassim Mohamed, Chief Commissioner of the Malaysian Anti-Corruption Commission (MACC). MACC and TM had jointly established a working committee to enhance integrity practices among suppliers via anti-corruption trainings. This is important for TM in complementing the initiatives of the Government under the National Integrity Plan and the National Key Result Area (NKRA) with regards to ensuring integrity and proper compliance in its business operations.

The TM Integrity Pact is aligned with TM's vision and core value of instilling, internalising and upholding 'Uncompromising Integrity' and strong work ethics. It is also expected to further solidify TM's commitment to exemplary corporate citizenry. The icon for Integrity Pact, called "Kristal Clear", also reflects the messages embedded in TM's KRISTAL core values.

BUSINESS REVIEW & FUNCTIONS

- 134** Retail Business
 - 134** Consumer
 - 136** Small And Medium Enterprise
 - 138** Enterprise
 - 140** Government
 - 142** Wholesale Business
 - 145** Global Business
- 149** Business Functions
 - 149** Support Business
 - 155** New Media
 - 158** HSBB And Beyond
 - 162** Box Article: Towards An Information Exchange
 - 166** International & Domestic Infrastructure & Trunk Fibre Optic Network
 - 168** TM Worldwide Coverage
 - 170** The Telecommunications Sector: Review & Outlook

ENABLING
DIGITAL
UNIVERSITY
IMAGINATIVE
CREATIVE
INTEGRATED
COMPREHENSIVE
FUTURE

PASSION is... letting your imagination soar

BR



STABLE
PRIME
SPEED

COMPREHENSIVE
DYNAMIC
PARTNER
far-reaching
INTERACTIVE
STRENGTH
DREAM
ADVANCED
fresh
CONFIDENT INFORMATION

RETAIL BUSINESS

Consumer

OVERVIEW

Broadband – in the form of UniFi and Streamyx – once again stole the limelight within TM Consumer, while voice service remained a consistent contributor to revenue in the year 2011. Accordingly the focus at TM Consumer was on securing new installations, as well as on upgrading customers' packages and upselling promotions.

Facts at a Glance

RM2.49

billion
revenue generated by
TM Consumer

2.8 million
phone subscribers

1.55 million

broadband subscribers
(Streamyx and UniFi)

Lifestyle

FINANCIAL PERFORMANCE

In the financial year ended 31 December 2011, TM Consumer recorded net sales of RM2.49 billion, an improvement of 10.3% over its 2010 performance. The increase in revenue of 10.3% was achieved mainly due to strong growth in broadband as well as mitigated decline in voice. Despite the challenging environment, the total number of broadband subscribers grew 13.6%, the equivalent of 1.55 million customers, by end 2011. UniFi was taken up by 201,842 customers by year end, contributing RM204.4 million in revenue. Moving forward, Internet will continue to drive Consumer's growth.

THE NEXT STEP BEYOND

UniFi

The year 2011 was an undisputed success in terms of UniFi, with the acquisition of 201,842 residential customers, which exceeded the forecasted take-up rate. With steadily increasing installation capabilities, TM Consumer provisioned approximately 22,000 installations per month, making Malaysia the fastest growing Fibre-to-the-Home (FTTH) market in Southeast Asia, according to the FTTH Council Asia Pacific Conference, held in Kuala Lumpur in October 2011. This establishes TM as having the most HSBB customers in Southeast Asia and ranking among the top 10 in Asia-Pacific. During the year, TM also hit the 1 million mark for total HSBB home passes.

TM Consumer continued to offer free installation and activation for first-time subscribers to UniFi, who also got to enjoy 30 days of HyppTV premium channels for free. As at end 2011, HyppTV offered 47 channels of local and international content, a number that continues to increase as TM regularly adds more exciting channels and pay-per-view content.



TM's UniFi service has now been extended beyond the Klang Valley to reach Johor, Pulau Pinang, Kedah, Perak, Negeri Sembilan and Melaka. In conjunction with this service expansion, TM will be embarking on a more aggressive go-to-market campaign to attract more UniFi subscribers.

CONTINUOUS INNOVATION ON PRODUCTS & SERVICES

Streamyx Broadband

With close to 1.4 million customers, Streamyx remains a major broadband offering, and in 2011 TM Consumer surpassed its target by delivering over 200,000 new installations. Several Streamyx and phone packages were bundled with discounted devices, offering significant savings to customers. In April 2011, for example, TM launched a Broadband and Phone service bundled with Hewlett Packard (HP) computers. Customers who subscribe to TM Broadband & Phone with minimum speed of 1.0Mbps are entitled to purchase selected HP computers at a 50.0% retail price discount. This was followed by another device bundle package, launched in July, offering TM broadband subscribers more than 30.0% discount on purchases of the Samsung Galaxy Tab 7.

Voice

Currently TM Consumer has 2.8 million phone subscribers and acquiring more. In 2011, TM launched an extensive media campaign and awareness programme to alert the public that they can enjoy free calls from TM fixed to fixed lines and cheaper call rates to mobile from as low as 10 sen/min.

As a result of high demand for international (IDD) calls, especially by foreigners residing in Malaysia, TM in August chose to offer one of the lowest IDD rates, from as low as 15 sen/min, for the four top international call destinations, namely Indonesia,

Singapore, Bangladesh and the Philippines. This promotion was extended until end 2011 due to encouraging response.

ENRICHING CUSTOMERS' LIFESTYLE

As part of on-going efforts to strengthen its product portfolio, with emphasis on elevating TM's brand equity, TM renamed Streamyx Zone to TM WiFi. A new logo was accordingly launched which incorporates a tear drop design, reflecting TM's focus on offering broadband connectivity via WiFi technology.

A number of enhancements and expansions were made to TM WiFi in 2011. Coverage exceeded to more than 17,000 sites nationwide including crowded urban areas, universities/colleges and shopping malls. The service offers Malaysians broadband service outside their homes, thus enabling a smarter and more flexible lifestyle.

ENHANCING PRIVATE-PUBLIC PARTNERSHIPS

In conjunction with *Hari Belia Malaysia* (Malaysia Youth Day) 2011, celebrated from 27 to 29 May, TM introduced a special flat iTalk national call rate at 15 sen/min for national calls made from either fixed lines or mobiles to any number in Malaysia. This promotion was held throughout the month of May.

Finally, in the spirit of 1Malaysia, TM Consumer rewarded customers with free fixed line to fixed line calls from 12.00am to 11.59pm nationwide on Malaysia Day, i.e. 16 September. This promotion formed part of a customer loyalty campaign and also served as an avenue for TM to increase the public's knowledge of its product portfolio.



Imri Mokhtar, Executive Vice President TM Consumer presenting MV Sukumar, the 100,000th UniFi customer, with a mock ticket to watch Manchester United play at Wembley.

PROSPECTS

For year 2012, TM Consumer will continue to strengthen the overall customer experience by ensuring customers receive the very best care and attention. TM Consumer aims to broaden its relationship with customers beyond their homes. This will include offering more content and applications, all of which will be supported by the "service with heart" approach.



Small and Medium Enterprise

OVERVIEW

TM's Small and Medium Enterprise (SME) business aspires to be a key pillar of growth for the Group by becoming the preferred telecommunications partner of SMEs in Malaysia. In 2011, SME continued to strengthen its position in the market through innovative voice, business broadband, data, ICT/BPO and value-added services. Together, these enable customers to expand the reach of their business and achieve better results.

Facts at a Glance

RM1,840.6
million

revenue contribution
from SME

21.9%

increase in profit

34,310

UniFi Biz subscribers

FINANCIAL PERFORMANCE

SME posted a revenue growth of 3.9% year-on-year, from RM1,772.2 million to RM1,840.6 million, driven primarily by voice services, internet services, data services and other value added telecommunications services.

In 2011, expansion in UniFi coverage areas resulted in significant growth in the SME customer base while preference for higher speed broadband technology led to higher revenue growth in internet services. The number of UniFi and business broadband customers increased to 34,310 and 267,907 respectively in the current year from 4,098 and 252,938 respectively in the last financial year.

Despite an increase in demand for internet services, traditional voice services continued to serve as a medium of communication among SMEs for their business dealings. Voice services remained a key revenue generator for SME in 2011, contributed 63.4% of total revenue. This, however, was 3.2% less than its revenue contributing in 2010 due to continuance mobile dominance

in the voice market, which is reflected by the decrease in DEL customers from 1,041,245 to 1,017,904.

Data services contributed 2.4% to SME's operating revenue mainly from Private Network services, especially among medium enterprise businesses which benefit from easy access to intranet, network folders and applications for the entire organisation through TM's secured network. Other value added telecommunication services including recoverable work orders (RWO), maintenance and smart partnership solutions for property development grew by 25.6% in 2011.

SME achieved a profit of RM303.9 million for the financial year 2011, an increase of 21.9% over the last financial year due to higher growth in revenue and effective cost management.

KEY INITIATIVES

Key priorities in 2011 were to defend SME's baseline while accelerating growth by attracting new customers, intensifying

Empowering

the services provided to existing customers and growing new businesses. SME's focused service offerings and product rationalisation offer value propositions comprising simplified and cost-effective solutions.

To manage churn, SME monitors high-risk customers and launched several customer loyalty initiatives. It also focused on the customer experience through a strategic selection of partners and enhancing the capabilities of its direct channels. During the year, SME forged new smart partnerships to catalyse innovation and grow the ICT industry thus offer its customers greater market access and commercialisation opportunities. It continued to collaborate with property developers to equip new developments with premium telecommunications infrastructure and services.

OPERATIONS

SME continued to focus on providing a complete yet affordable product suite to cater to the broad range of its customers, which are classified based on their business profile and telecommunications needs. It expanded its Go-To-Market initiative to reach more customers via direct sales, reselling, telemarketing and online marketing. At TMpoint retail stores, meanwhile, consultants at 19 SME Corners provide personalised service to walk-in customers.

Internet/Business Broadband Services

OIAB DEVICE BUNDLING

An enhanced Office in a Box™ (OIAB) device bundling was launched on 22 July, incorporating the Samsung Galaxy Tab or Notebook HP which comes with the HP DeskJet printer. Adding to this offering is a TM WiFi account, which provides nomadic mobility to SMEs at an affordable price.

WiFi @ OUTLET

SME enhanced its WiFi @ Outlet service on 25 July, allowing customers to enjoy speeds of up to 10Mbps and increasing the potential number of users at any one time from seven to fifty. The main users of WiFi @ Outlet are customers in the food and beverage and retail industries.

Voice Services

FREQUENT 5

Frequent 5 was introduced on 15 June, offering lower call rates for closed user groups (CUGs). This plan is an add-on for both Simple Voice and Office in a Box™ (OIAB) packages. Customers choose five business contacts to be in their Frequent 5 list, and enjoy attractive rates on calls made to them.

Data and others

SmartMap

SME launched a first of its kind web-based SmartMap application on 27 September. This combines TM's digital map with valuable business data which allows customers to perform geo-spatial analysis to support business decision-making. With rich information, interactivity and accuracy of imagery, users can search, analyse and share important data easily, anywhere, anytime. SME collaborated with the Malaysia Franchise Association (MFA), TM Info-Media (TMIM) and iProperty Sdn Bhd to bring SmartMap to the SME market.

IPVPN

SME continued to offer affordable IP networking solutions such as IPVPN Lite, IPVPN Value and IPVPN Classic to SME customers. IPVPN is a virtual private connection which transports packets of data from one location to another securely. Customers can also connect their branches using Multi Protocol Label Switching (MPLS) technology.



Launch of SmartMap on 27 September 2011 at Sunway Giza.

SALES AND MARKETING

In 2011, SME employed an integrated marketing strategy to target its varied customers. Via SME BizNet, it continued to provide regular updates on products and offerings while smaller scaled events were held to gain a better understanding of the needs of its medium-sized business customers. For SOHOs and small businesses, SME promoted OIAB and UniFi via UniFi Hype and the Biz Brigade. All SME customers, meanwhile, have access to product information and industry-relevant articles on the online portal www.tm.com.my/sme.

To strengthen its customer relationships, SME organised various loyalty events. High-value customers were feted at a CEO Nite of fine dining and knowledge sharing, while other customers were invited to Knowledge Enhancement seminars held in the Klang Valley.

PROSPECTS

SME is expected to grow further in 2012, driven by services such as UniFi, business broadband and beyond basic Value Added Services and Cloud Computing. It will seek to strengthen its leading edge in this market segment by offering beyond telecommunications access services such as vertical solutions, and position itself as the preferred telecommunications partner for SMEs.

Enterprise

Facts at a Glance

RM1,926.5

million overall revenue
from TM Enterprise

9.5%
Overall growth

primarily driven by
Data, ICT and BPO
Services

72 PWDs

or People with Disabilities
working at VADS, giving
employment opportunities
to PWDs

OVERVIEW

TM Enterprise together with VADS Berhad and its subsidiaries have developed a range of seamless solutions that provides business clients with enabling technologies and processes to further drive their growth. TM Enterprise serves the market across four vertical industries, namely financial services and insurance, energy and utilities, Information & Communications Technology (ICT) and retail as well as the broadcast and media industry.

With a clear vision to be a regional ICT and Business Process Outsourcing (BPO) powerhouse by 2015, the year under review saw the strengthening of the foundation required for this. TM Enterprise continued to move up the value chain to provide cost-effective and innovative solutions combining Connectivity, Managed ICT and BPO services.

FINANCIAL PERFORMANCE

TM Enterprise posted RM1,926.5 million in revenue, marking an increase of 9.5% from the previous year. It leads in Data and Internet services and continues to gain momentum for its ICT and BPO businesses, with a new product line-up aimed at transforming TM into the country's preferred end-to-end solutions provider.

PRODUCTS & SERVICES

Voice

Retention of revenue and the provision of competitive call rates remained key focus areas in Voice service. Using this strategy, TM Enterprise managed to arrest voice revenue decline, from 7.4% in 2010 to a remarkable 0.1% in 2011. During the year, customised call plans such as Smartcall and Flexi Destina continuously proved to satisfy customers' need for cost-effective voice plans.

Data & Internet/Business Broadband

Demand for Data and Internet/Business Broadband services increased across all vertical industries, growing 2.4% from the previous year. It is envisioned that Data and Internet will continue to grow as customers leverage more intensely on connectivity and internet platforms to run their operations.

ICT Services

TM together with VADS continues to enhance and strengthen its Managed ICT service offerings to fulfill Enterprise customers' requirement by bringing together people, processes and technology. Via the delivery of innovative solutions, Managed ICT services simplify processes, empowering organisations to be more efficient and productive.

Leveraging on the highly secure ISO 27001-certified infrastructure of 14 data centres equipped with multi-gigabit connectivity nationwide, plus carrier neutrality offerings, VADS is

Enabling
growth

confident of accelerated demand for its managed data services, hosting as well as disaster recovery services. Meanwhile, efforts to enhance the experience of Data Centre Services customers have resulted in a two-fold improvement in the Data Centre Services Customer Satisfaction Index for 2011.

VADS constantly innovates its services such as Managed Security Services, Managed Unified Communications, Managed LAN, Managed WAN Accelerator Services and Managed Visibility Services.

In 2011, VADS launched its Managed Telepresence service in collaboration with CISCO while establishing Malaysia's first TelePresence Exchange (TPX). VADS TPX is an infrastructure platform that enables TelePresence (TP) video conferencing between connected private or public TP rooms locally and regionally. This initiative has also been identified as a National Key Economic Area (NKEA) of the Economic Transformation Programme (ETP) to transform Malaysia into a high-income nation in 2020.

VADS also launched a full suite of Cloud Computing services offering Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS), among others.

The smart partnership with MIMOS Berhad enables VADS to offer comprehensive cloud services to Enterprise, Government and SME customers while leveraging on MIMOS' orchestration technology which features innovative homegrown cloud technology.

Meanwhile, Microsoft has chosen VADS as its syndication partner in Malaysia to offer Microsoft's Office 365 as part of VADS' SaaS portfolio. VADS foresees more partnerships with key industry players, technology partners and



TM through VADS has set up the Telepresence Exchange as one of the projects under the ETP initiatives announced by Prime Minister on 13 June 2011.

Independent Software Vendors (ISVs) in the coming years to grow its cloud offerings.

The introduction of Cloud Services is a natural progression for VADS in line with TM's roadmap towards becoming a prominent ICT player in Malaysia while supporting the national agenda to be a key enabler for local SMEs, especially local ISVs.

Both offerings are set to enhance Enterprise customers' operational and collaborative experience.

BPO Services

Supporting customers in both the Enterprise and Government segments, BPO offers a suite of services for customer relationship management. Through VADS Business Process Sdn Bhd, there has been marked improvement and innovation in the areas of BPO Customer Care, Receivables Management, Customer Retention, Revenue Generation, Technical Helpdesk Support and Telemarketing. As a result, BPO continued to gain a stronger foothold in the domestic and regional markets.

People development remained a priority, and continuous training was provided to equip customer service representatives with the right blend of soft and technical skills to provide better service.

In the quest to grow Indonesia, PT VADS Indonesia operations expanded to a new five-storey contact centre building named Puri VADS in South Jakarta on 1 June 2011. With a bigger building that can accommodate 400 seats, VADS Indonesia is geared towards further expansion in 2012.

AWARDS

The efforts of TM Enterprise and VADS to provide the best to its customers have been recognised by industry experts. Among the more notable awards received in 2011 were:

- Managed Security Service Provider Award by Frost & Sullivan
- Industry Excellence Award (Computer Products Sector) by Malaysia1000
- Technology Licensing Recognition by the Ministry of Science, Technology and Innovation
- Gold Medal for Best Contact Center Small (Outsourced) by ContactCenterWorld.com
- Bronze Medal for Best Outsourcing Partnership by ContactCenterWorld.com

In 2011, VADS was also the winner of SOCSO's Return to Work Award (Platinum category), in recognition of its initiative to employ persons with disabilities (PWDs) at its contact centres, which are equipped with disabled-friendly facilities. There are currently 72 PWDs working at VADS.

PROSPECTS

TM Enterprise and VADS will endeavour to grow in this segment to realise its aspiration to become an ICT and BPO powerhouse both in the domestic and regional fronts. A series of strategic and transformation initiatives is currently underway to accelerate the targeted growth for Data/Internet Services, Data Centres, ICT and BPO. Hence, it is expected that TM Enterprise and VADS will continue to grow in 2012.

Government

OVERVIEW

In the 10th Malaysia Plan, the Government of Malaysia (GoM) adopted a whole-of-government approach to encourage a higher level of inter-agency collaboration and cooperation. With centralised management and maintenance of shared service, it is expected that the GoM will see improved efficiencies, increased productivity and fewer redundancies.

In response, TM Government segment (TM Government) geared up its business by improving its solution design and capacity for project management, implementation and operations. The incorporation of ICT to improve business processes has resulted in more holistic solution designs, which resolve issues beyond voice and network problems. At the same time, the integration of working systems of different internal parties has led to better project management and delivery.

FINANCIAL PERFORMANCE

Following its expansion beyond Voice and Network and into the ICT business, TM Government registered growth in every product category, except for Voice. Voice business faces an inevitable decline as it is being replaced by alternative communication technologies. For the current financial year, TM Government's revenue grew by 8.9%.



Facts at a Glance

8.9%
growth in revenue
for TM Government

26.3%
growth in revenue
contributed by ICT services
and Customer Projects

ISCS
or ICT Security
Compliance
Scorecard awarded
to GITN Sdn Bhd to
measure security
compliance

Photos (clockwise from top left):

Felda Chemplak Barat
Community Broadband Centre
(CBC) Launch by the Prime
Minister;

DBKL *Net Launch by Mayor of
Kuala Lumpur;

Malaysian Crime Prevention
Foundation visiting MERS 999
Response Centre;

Universiti Malaysia Pahang
Metro-e and TM WiFi Signing
Ceremony;

Universiti Malaysia Terengganu
Metro-e Signing Ceremony.

Trust &

Reliability



PRODUCTS & SERVICES

Voice Services

New communication technologies such as Short Messaging System (SMS) and IP-based messaging like BB Talk, WhatsApp, Instant Messaging and even Facebook continue to squeeze the voice market. To neutralise this pressure, TM's solution is no longer confined to traditional Public Switched Telephone Network (PSTN) voice technology. IP-based voice technologies that lead to higher demand for data bandwidth like IP-PBX and Unified communication are now being offered. For customers who prefer PSTN technology, TM continues to provide Flexi Destina and Privilege Plans. These have helped customers to reduce their total cost of ownership and avoid new capital expenditure.

Data Services

Data services continued to be the main driver of TM Government and working together with wholly owned subsidiary, GITN Sdn Bhd, TM Government continued to penetrate the public sector, capitalising on its strategic position to realise GoM's vision of consolidating its network service.

TM took the initiative to improve and enhance features of its existing IPVPN service to the GoM. During the year, all new circuits were provisioned on the new IP-core network which offers scalability, improved performance and better management. It also allows TM Government to offer new and value added services to further enhance the GoM IPVPN Network.

New customers secured during the year include the Perak State Government, National Accountant Department, National Population and Family

Development Board (LPPKN), Kuala Lumpur City Hall (DBKL) and Malaysian Meteorological Department.

Internet Services

Under the GoM network consolidation exercise, the GoM IPVPN Network is now bundled with Managed Internet Service. This allows government servants to manage accessibility of Internet content and protect against cyber threats. At the same time, some agencies continue to subscribe to unmanaged high speed internet services, such as Direct Over Metro-E (DOME). These are especially popular among public institutions of higher learning. During the year, Universiti Malaysia Pahang and Universiti Malaysia Terengganu upgraded their DOME service. To increase broadband penetration among university students, TM WiFi was bundled with Internet service.

ICT Projects

ICT services and Customer Projects grew by 26.3%, contributed mainly by Malaysia Emergency Response Services (MERS) 999, the Universal Service Provision (USP) Project, Hosting Services and Managed Security Services.

Towards bridging the digital divide, the Prime Minister in January launched a Community Broadband Centre (CBC) in Felda Chemplak Barat, Johor. This was developed and will be managed by TM Government. In addition, the 1NS Wireless City project was extended to the district of Rembau in November to increase Internet penetration. TM also assisted the Malaysian Communications and Multimedia Commission (MCMC) to distribute the 1Malaysia Netbook to rural communities via its CBCs. This initiative, which forms part of the National Broadband Initiative (NBI), ensures citizens in rural areas have access to the Internet.

The success of TM Government managing and operating MERS 999 has led to the renewal of the MERS 999 maintenance

contract, which includes upgrading and further enhancing the system. As part of a programme to educate Malaysians on the importance of the emergency service and to reduce prank calls, MERS 999 conducted a Sharing and Caring Programme together with the Royal Malaysian Police Force, Fire and Rescue Department of Malaysia, Ministry of Health and the Malaysia Civil Defence Department. The programme also informed students and the public of the correct way of giving information when calling 999.

In August, the GoM awarded an ICT Security Compliance Scorecard (ISCS) to GITN Sdn Bhd. ISCS is a system to assist agencies to measure their security compliance against the GoM security policy and other best practices. This solution helps Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) to monitor agencies' ICT security compliance and assets used online.

PROSPECTS

As part of the whole-of-government ICT infrastructure consolidation, the GoM has identified three major initiatives, namely the streamlining of ICT architecture, simplifying and consolidating ICT operations, and implementing cost-benefit assessments to obtain value from ICT.

TM is in a unique position to help in this ICT consolidation as the main service provider for voice, data and Internet for the GoM. TM has the people skills, network infrastructure and technology to support the GoM in realising its objectives. In the process of exploring effective working processes with the GoM, further, there will be added opportunities to improve the delivery system to the public. This continuously enriched relationship between the GoM and TM is expected to bring positive financial results to TM in the long run.

WHOLESALE Business

Facts at a Glance

51.9%

increase in IP data revenue

more than

300%

increase in Ethernet circuits installation

more than

500

sites for mobile operators backhaul connectivity nationwide

OVERVIEW

The TM Wholesale line of business includes Fiberail Sdn Bhd (Fiberail) and Fibrecomm Network (M) Sdn Bhd (Fibrecomm), and is TM's business and marketing arm for telecommunications infrastructure and access services. Strategic collaborations with Keretapi Tanah Melayu Berhad (KTMB), Petrofibre Network Sdn Bhd and Tenaga Nasional Berhad (TNB) enable TM Wholesale to access KTMB's and Petronas Gas' corridors, as well as TNB's high voltage and low voltage transmission lines, thus creating unparalleled fibre optics network coverage nationwide.



Recognition to TM Wholesale – Best Wholesale Ethernet Service APAC Award 2011.

TM Wholesale offers a comprehensive range of products and services to licensed local network operators in order to nurture a robust and competitive self-regulated industry. The aim is to provide end users with better and more cost-effective ICT services, in line with the Communications and Multimedia Act (CMA) and the policy objectives of the Malaysian Communications and Multimedia Commission (MCMC). In recent years, there has been rapid growth in demand and requirements for IP data and higher bandwidth capacities, driven by increasing numbers of broadband users. TM Wholesale's collaboration with other service providers ensures these requirements are met.

TM Wholesale's contribution to the development of the local telecommunications industry, and particularly to growth in IP and data bandwidth businesses, was recognised at the Metro Ethernet Forum in Singapore when it was awarded Asia Pacific's Best Wholesale Ethernet Service 2011.

partnership



connect
communicate
collaborate

FINANCIAL PERFORMANCE

TM Wholesale reported a consolidated total revenue of RM1,067.5 million this year, registering a slight decrease of 2.7% from RM1,096.8 million recorded in 2010. This reflects the full impact of the revised voice interconnection rates which is part of the Mandatory Standard on Access Pricing that came into effect from July 2010.

However, the shortfall in voice revenue was mitigated by tremendous growth in IP data revenue, which climbed by 51.9%, as compared to year 2010. In addition, traditional data revenue sustained its year-on-year performance and the upward trend in data income is expected to continue to drive TM Wholesale's revenue performance in the future.

OPERATIONS

TM Wholesale prides itself as the preferred solutions provider of telecommunications facilities and services by offering a comprehensive and flexible range of network solutions, which can be customised to cater to the requirements of different licensed network operators. In the process of adapting to the latest technologies, industry trends and consumer preferences, TM Wholesale in recent years has focused on growing its access and backhaul services portfolio.

This is reflected by serious efforts to expand TM's High Speed Broadband (HSBB) service. As of end 2011, the service had been rolled out to more than 1.1 million premises in 78 exchange areas nationwide, which is close to the Government's target of 1.3 million premises for end 2012. It is by far the most ambitious undertaking by any telecommunications service provider in efforts to contribute towards achieving the national broadband aspiration and of further boosting the economy through ICT.

High Speed Broadband Services

The HSBB service offered by TM is open to all service providers licensed by the MCMC who wish to offer IP-based services and applications to end users. It enables industry players to offer high speed Internet, value added services and applications such as Internet Protocol Television (IPTV), Video on Demand (VoD) and other rich multimedia services.

Two significant events in the rollout of HSBB in 2011 were the signing of agreements with Celcom Axiata Bhd (Celcom) in June, followed by Packet One Networks (Malaysia) Sdn Bhd (P1) in October. The two companies join Maxis, which signed on with TM Wholesale in 2010, as being TM's pioneer cohorts in the delivery of HSBB service.

As market demand among broadband users shifts towards video and multimedia communication, together with value added applications, TM is taking the next step of offering HSBB (Connection) Services in 2012 to enable seamless connectivity among end users from different fixed and mobile network providers. HSBB (Connection) is

expected to enhance multimedia-rich interconnection services and promote the early adoption of a digital lifestyle in the nation.

Wholesale Ethernet

Wholesale Ethernet (WSE) provides ethernet line connectivity to service providers at transmission speeds ranging from 30Mbps up to 10Gbps. Further growth in WSE adoption is expected as pure IP connectivity demand increases, driven by the needs of WiMAX service providers, Long Term Evolution (LTE) service providers and wireless LAN service providers. In 2011, WSE increased the number of circuits installed by more than 300%, from 826 circuits in 2010 to 3,353 circuits, which contributed to 66.0% of TM Wholesale's revenue growth. This growth has been supported by increasing demand for high speed IP-based services as service providers seek scalable networks to accommodate their mobile and broadband customers.

With rapid growth and fast adoption of IP services in mobile and broadband networks, most service providers leveraged their network capabilities on the robustness of TM's Ethernet, at the same time benefiting considerably from the cost savings.

TM Wholesale also played an active role in providing backhaul services for mobile operators by installing fibre optic networks between their towers and base stations. By end 2011, TM Wholesale had managed to connect more than 500 sites for mobile operators backhaul connectivity nationwide.



Accelerating HSBB for 1Malaysia – Dato' Sri Zamzamzairani Mohd Isa, GCEO, TM exchanging documents with Micheal Lai, CEO, P1 witnessed by Dato' Joseph Salang, Deputy Minister of Information, Communications & Culture.

Managed Bandwidth

Managed Bandwidth offers dedicated point to point transmission on TM's Digital Data Network (DDN) at speeds ranging from 64Kbps to 622Mbps. Built on the foundations of an extensive nationwide network infrastructure, Managed Bandwidth caters to various applications, giving service providers endless options to suit their business needs.

Optical Bandwidth

Optical Bandwidth offers dedicated point to point transmission riding on Dense Wavelength Digital Multiplexer (DWDM) with speeds ranging from 2.5Gbps to 10Gbps. Optical Bandwidth is able to cater to the growing complexity of customer demands, from very high speed data transfer to video streaming, which require huge bandwidth capacity.

Interconnect Bandwidth

Interconnect Bandwidth falls under the domain of Access List Determination (ALD) and Mandatory Standard on Access

(MSA). As incorporated in the Access Agreement (AA), Interconnect Bandwidth includes both Point of Interconnect (POI) and non-POI services.

Interconnect Minutes

Interconnect minutes, be it fixed or mobile, is a service provided through connecting Other Licensed Network Operators' (OLNOs') Point of Interconnect (POI) with TM's POI. The arrangement enables end users from TM's network to communicate with OLNOs' end users. On top of normal voice call, TM also offers special services such as the emergency service, operator assisted service and free phone service with a competitive rate, as stipulated in the Mandatory Standard on Access Pricing (MSAP).

In 2011, TM began its migration to a new generation network (NGN), marking yet another breakthrough from its legacy network. The exercise began with the migration of PSTN switches to NGN-based switches. The implementation is on-going and targeted for completion in 2012.

VoIP

Wholesale VoIP service is offered mostly to Application Service Providers (ASPs), who stand to benefit from the use of TM's extensive network for transportation, origination and/or termination of calls. This allows them to expand their VoIP business quickly and at minimum cost. TM Wholesale is committed to helping the industry with attractive offerings, and in 2011 VoIP termination via VoIP Premium increased by 30.0% from 2010. Not resting on its laurels, TM Wholesale is confident of further improving this figure in 2012.

Infra Services

Due to the economies of scale and scope of sharing telecom infrastructure among service providers, this service has gained much momentum over the years. The basic offering of Wholesale Infra Services includes tower space, land space, floor space, rooftop space as well as auxiliary services. In 2011, the take-up of infra services increased 50.0% from 2010.

PROSPECTS

TM's state-of-the-art network and extensive reach of end-to-end IP infrastructure offers TM Wholesale the unique opportunity of fulfilling the Group's aspiration of becoming an information exchange. Foreseeing further growth in the telecommunications industry which will require huge bandwidth capacity and last mile access from mobile and wireless providers, TM Wholesale is committed to fiberising providers' networks. In this manner, TM Wholesale will continue to play a major role in further growth of the industry.

Facts at a Glance

GLOBAL Business

RM900.4
million overall revenue
from TM Global

More than
10
extensive submarine
cable systems owned

200 destinations
covered globally and 105
bilateral partners

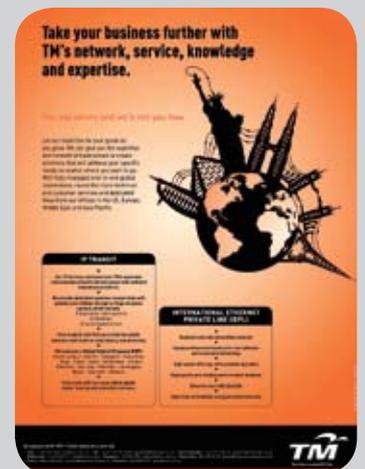
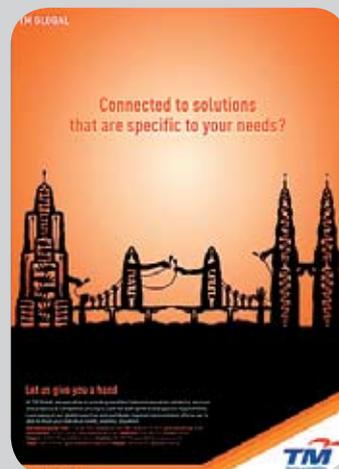
OVERVIEW

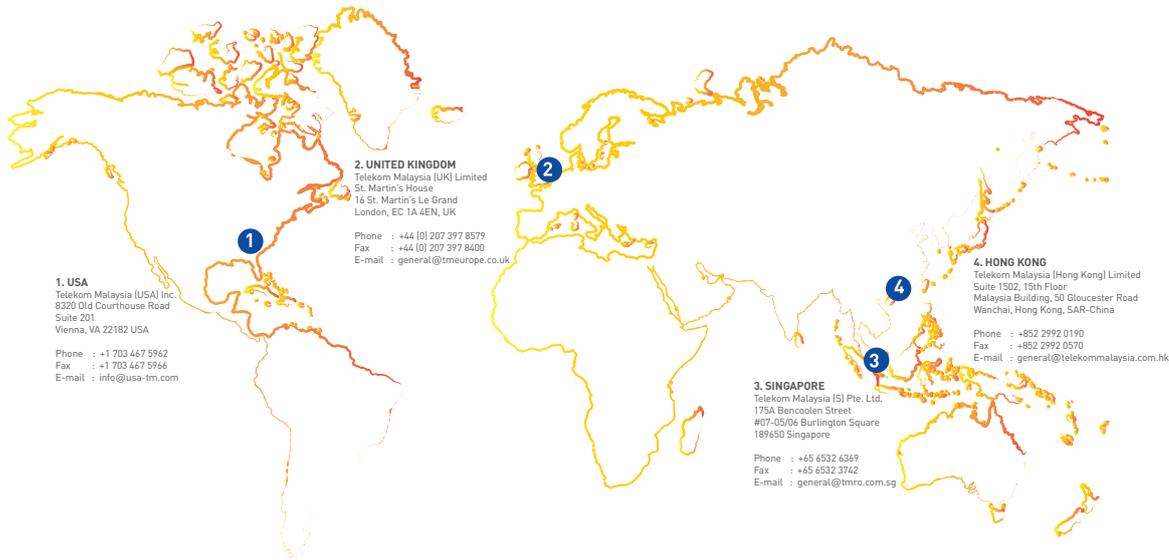
TM Global aspires to be a one-stop solution service provider for customers worldwide for voice, data, Internet and bandwidth. With extensive connectivity, TM Global is poised to position Malaysia as a regional Internet hub and digital gateway for Southeast Asia. In line with this, TM Global is evolving into a Next Generation Network service provider, enabling the Group to enhance its efficiency and productivity while providing enriched products and services. TM Global maintains its edge by innovating and offering a diversity of products to meet growingly complex market demands. It strives to achieve operational excellence by providing top quality yet cost-efficient service.

TM Global strives continuously to keep one step ahead in innovations and to provide customised solutions in high growth potential markets in the Asia-Pacific region.

In the fourth quarter of 2011, TM established a strategic partnership with Akamai Technologies to produce Akamai Netstorage, which allows Akamai to store multiple-terabyte content on TM's IP network infrastructure. This project resides in TM's data centre in Cyberjaya, Malaysia, representing Akamai's only storage facility in South Asia. The project is expected to attract a high volume of internet traffic to Malaysia and improve the surfing experience of customers, especially in Asia.

Connecting
the World





TM also signed an agreement with Brunei International Gateway (BIG) in early November to develop Borneo Gateway which will enhance internet traffic around the Borneo region. Borneo Gateway will not only be able to provide scalability for TM's IP infrastructure, but also diversity. Customers will be able to enjoy excellent internet performance and an enhanced experience with direct cable connectivity from Brunei such as the Asia-America Gateway (AAG) and South-East Asia Japan cable systems.

TM's latest submarine cable system, Cahaya Malaysia, targets to be ready-for-service in the second quarter of 2012. It spans approximately 6,000km to link Malaysia with Hong Kong, Japan, Singapore and the Philippines, using Dense Wavelength Division Multiplexing technology with an initial design capacity of 15Tbps. The cable system has a diverse routing and seamless interconnection within the Asia-Pacific region to avoid areas that are prone to seismic activity, and complements other trans-Pacific cable systems for traffic bound to North America.

TM also invested in the Batam-Dumai-Melaka Cable System, which has been in service since 30 December 2011. The high bandwidth fibre optic submarine cable system connects Malaysia and Indonesia, and benefits other submarine cable systems covering Asia-Pacific, Europe, the United States of America (US) and Africa. It enhances the capacity of networks in Asia, and caters to growing demand for better, reliable and lower latency international connectivity to global clients.

TM owns or leases capacity on more than 10 submarine cable systems spanning more than 60,000 fibre-route miles around the globe. Besides Cahaya Malaysia and the Batam-Dumai-Melaka (BDM) Cable System, TM is also a member of various consortiums for submarine cable systems which connect Malaysia globally. These include the AAG network, Asia-Pacific Network 2 (APCN2), South East Asia Middle East-Western Europe Cable System 3 (SMW3), SEA-ME-WE4 (SMW4), Dumai (Sumatera) Melaka Cable System (DMCS) and, most recently, the Asia-Pacific Gateway (APG) that will link Malaysia, Singapore, Thailand, Vietnam, Hong Kong, the Philippines, Taiwan, China mainland, Japan and Korea.

BUSINESS OPERATIONS

TM GLOBAL SALES OFFICE & PRODUCT HOUSE

TM Global is located at Menara TM, Kuala Lumpur, and has four regional offices in Singapore, the United Kingdom (UK), USA and Hong Kong as well as offshoot offices in Prague and Taiwan to support the emerging Eastern Europe and China markets. Recently, TM Global engaged exclusive agents in Bangladesh and Indonesia to facilitate business requirements in these countries.

TM Global has dedicated account executives managing business requirements across North & South Asia, Europe, Oceania, the Americas and Middle East and Africa regions. It also has established business alliances with telcos in Singapore, the Philippines, Brunei, Indonesia, Thailand, Myanmar, Cambodia, Laos and Vietnam, as well as global IP nodes in Singapore, Hong Kong, the UK and USA.

TM GLOBAL PRODUCTS & SERVICES

TM Global is focused on delivering customised solutions via an extensive



range of products, managed by the TM Global Data Marketing and TM Global Voice Marketing teams. This is supported by excellent after-sales and technical services that ensure added value and a greater experience for customers.

Voice Services

Bilateral Voice

TM provides the local loop and last mile for fixed-line networks in Malaysia via bilateral arrangements with foreign telcos. The inter-carrier connection – via submarine cables, satellites and microwaves – ensures TM is capable of terminating Malaysian traffic with the highest quality and clarity.

Wholesale Voice

TM provides termination services to international voice service providers, covering more than 200 destinations around the world that may or may not be directly connected with its 105 bilateral partners. This service is offered on Voice Over Internet Protocol and the Public Switched Telephone Network.

- i. ***Voice Over Internet Protocol (VoIP)***
VoIP allows service providers to establish and operate phone-to-phone voice and fax services, as well as create value-added applications to grow their IP portfolios. Through this service, TM Global offers a mixed portfolio of national and international traffic terminations and enhanced applications.
- ii. ***Public Switched Telephone Network (PSTN)***
PSTN remains the preferred choice for voice calls due to its unparalleled communication quality, audio clarity and connection reliability. With over 200 international destinations, termination is made possible via direct and transit arrangements using submarine cables, satellite links and terrestrial connectivity.

International Value-Added Services

Value-Added Services (VAS) are non-core services provided by TM Global to broaden subscribers' options in fulfilling their business communication requirements.

- i. ***Global Voice Solutions***
This allows carriers around the world to connect to TM's network via either VoIP or Time-Division Multiplexing. It has been implemented in TM Global's regional centres of New York, London, Hong Kong and Singapore. Carriers based around these locations enjoy the benefits of near-end reachability at a lower cost.
- ii. ***ISDN Hubbing***
ISDN Hubbing allows TM to offer ISDN services on a transit basis not only for Malaysia terminations but also for third country ISDN destinations and selected destinations from the rest of the world.
- iii. ***International Freephone Services via VoIP***
International Freephone Service (IFS) via VoIP offers customers the option of having an IFS service on TM's reliable and efficient VoIP networks with cheaper pricing structures.

Data Services

Global Ethernet Services (GES)

- i. ***Global Ethernet Virtual Private Line (EVPL)***
TM's Global Ethernet provides secure point-to-point or point-to-multipoint Ethernet bandwidth connectivity developed over TM's private global MPLS-IP network. It allows customers to set up secure, private bandwidth connectivity to global business partners/suppliers or the Internet. The service is more flexible and cost-effective than

Wide Area Network (WAN) solutions such as private lines, ATM or frame relay – at higher, scalable speeds. With Global Ethernet, customers can buy just the amount of bandwidth needed, and easily add bandwidth as desired.

- ii. ***International Ethernet Private Line (IEPL)***
IEPL is an end-to-end Ethernet bandwidth solution that provides dedicated, point-to-point, cross-border connectivity up to customers' premises. The service uses a reliable and secured SDH/DWM platform at high speed, with the option of scalable and faster upgrades.

Global VPN Services

A Virtual Private Network (VPN) tunnels through another network, linking remote offices or individual users to an organisation's network. It is widely used by businesses to create WANs across large geographical areas, providing site-on-site connections to branch offices. A VPN provides the same capabilities as an extensive system of owned or leased lines that can be used by only one organisation, but at a much lower cost.

TM's Global IPVPN is a fully-managed end-to-end virtual private networking solution that is simple, secure and scalable. It offers four service classes which enable customers to integrate video, voice, data and other business applications via single extensive any-to-any private network connectivity. TM has its own nodes in Bahrain, Egypt, Sri Lanka, Indonesia, Singapore, Hong Kong, Taiwan, Japan, South Korea, Los Angeles, New York, Ashburn, Palo Alto, San Jose, Miami, London, Amsterdam, Frankfurt and Malaysia. It has also expanded connectivity to more than 80 countries through global partners.

IP Services

TM's IP Transit is a premium internet service, designed for ISPs, network and content service providers that require high speed and dedicated Internet access. To date, TM has 18 Point-of-Presence (PoPs) at key locations worldwide that support IPv4 and IPv6 on a dual-stack platform which provides the best interconnections. With a flexible range of offerings on SDH and Ethernet-based platforms ranging from 2Mbps to 10Gbps, customers are able to subscribe to the service with the option of bundling with colocation, router leasing and various access media.

TM IP Transit is equipped with the latest security features such as black hole and clean pipe. TM's network has the largest subscriber base in Malaysia and is recognised as one of the leading carriers in the region.

International Bandwidth Services

International Bandwidth Services capitalise on TM's extensive terrestrial, submarine fibre optics and satellite international networks to enable contact beyond Malaysian shores.

International Private Leased Circuit (IPLC) is a dedicated point-to-point connectivity via international submarine cables, terrestrial links or satellite with both ends terminating outside Malaysia.

Bandwidth Transit is a dedicated end-to-end connectivity originating and terminating in a foreign country but transiting via Malaysia.

Bandwidth Backhaul is a dedicated capacity between cable landing stations or border stations in Malaysia where the customer has its own capacity in an international submarine cable or terrestrial facilities.

Bandwidth Interconnection is an interconnection between two submarine cable systems owned by a customer or TM itself at TM's cable landing station.

Global VSAT refers to the provision of TM's Very Small Aperture Terminal (VSAT) services, which cover the lease and installation of VSAT equipment inclusive of space segments from a customer premise in Malaysia to a location outside Malaysia. It uses satellite-based Single Channel Per Carrier technology.

FINANCIAL PERFORMANCE

TM Global maintained an international presence despite the economic downturn in 2011. It recorded total revenue of RM900.4 million, with data and voice services contributing 47.0% and 53.0% respectively to this figure. Based on sales, South Asia contributed the most to TM Global's revenue (33.6%), followed closely by the North Asia and America regions. Overall, TM Global achieved more than 86.0% of its target.

PROSPECTS

TM Global has continued to transform TM from a Malaysian telecommunications service provider to a regional one-stop-shop of choice connecting global communities. To support this transformation, it has adopted a number of initiatives, which can be summed up along TM's COOL theme:

Customer Centricity and Quality Improvements

TM Global engages proactively with customers, and forms strategic alliances with other regional players to enhance its service. It continues to increase its front and back-end efficiency, and constantly develops new product offerings to meet customers' demands.

One Company Mindset with Execution Orientation

TM Global constantly fulfills customers' needs with the provision of the most cost-effective solutions.



Signing Ceremony of Asia Submarine Cable System between TM & NTT Communications at the launch of Cahaya Malaysia witnessed by YB. Dato' Seri Utama Dr Rais Yatim, Minister of Information, Communications & Culture.

Operational Excellence and Capital Productivity

To maintain a high level of service quality, TM Global has developed new cable systems and upgraded its current international submarine cable networks. It also nurtures a dynamic workforce capable of responding to evolving challenges faced in the highly competitive industry.

Leadership through Innovation and Commercial Excellence

TM Global promotes TM worldwide, leveraging on its advanced telecommunications network infrastructure to create business opportunities globally.

At the same time, TM Global creates strategic networks with media powerhouses worldwide and participates in international events for extensive brand exposure and enhanced market mindshare. In 2011, TM Global positioned TM in established international events such as the PTC in Hawaii, Capacity Asia in Kuala Lumpur, Capacity Europe in Amsterdam, Capacity Middle East in Dubai, ITW in Washington DC, APRICOT in Hong Kong, and CommunicAsia in Singapore.

Business FUNCTIONS

SUPPORT BUSINESS

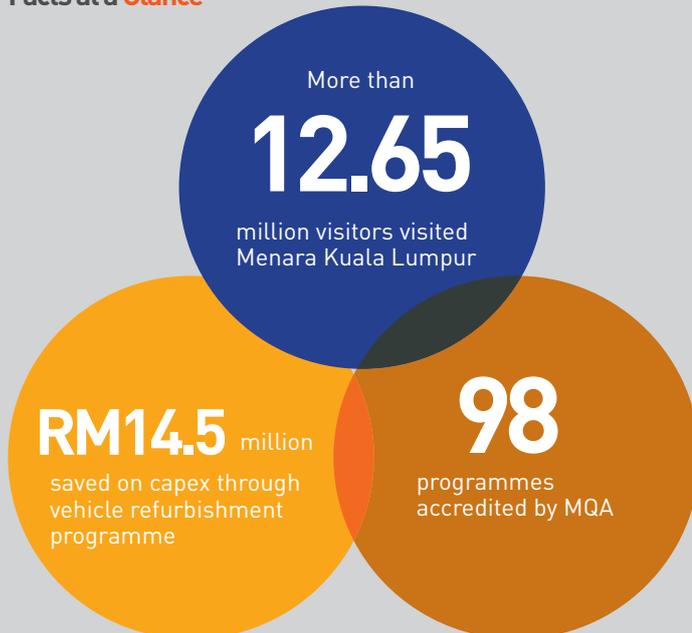
OVERVIEW

Support Business comprises the property-related Strategic Business Units (SBU) and non-core subsidiaries of the Group. Its principal role is to ensure the divisions under its purview operate efficiently thus enhance shareholder value. In 2011, Support Business continued to streamline its portfolio in accordance with the Group's rationalisation programme.



Enhancing
Business

Facts at a Glance



FINANCIAL PERFORMANCE

For the year ending 2011, Support Business increased its revenue to RM830.1 million from RM806.8 million in 2010, mainly as a result of higher space rental contributed by Property Management (PM). Accordingly, EBITDA increased 30.1% from 2010.

Capital expenditure inched up to RM132.8 million from RM114.0 million in 2010. Of this, RM69.8 million went towards PM for the upgrade of TM buildings and network exchanges; RM28.5 million was channelled to Multimedia University (MMU) mainly to defray its multimedia, laboratory and books costs; and RM25.2 million was allocated to the Central Office for the purchase of vehicles to support the roll-out of HSBB and to replace old vehicles.

In 2011, Support Business disposed of the Group's 51.0% stake in Telekom Smart School Sdn Bhd. The Sale of Shares Agreement was signed on 3 June and the deal was completed on 26 August. The sale was spurred by recognition that the joint venture had long met TM's investment objectives.

**UNIVERSITI TELEKOM SDN BHD /
MULTIMEDIA UNIVERSITY**

Multimedia University (MMU) strives to be a world-class academic institution in engineering, information technology, management and multimedia technology. In 2011, it gained considerable success in positioning itself as a major international research institution by engaging in undergraduate, postgraduate, institutional as well as community service collaborations with similar institutions in the Asia-Pacific, African and European regions. A total of 45 students were sent on exchange programmes with partner institutions.



At the same time, faculties within MMU stepped up their alliances with the best teaching resources in the world to offer compelling degree programmes. Such partnerships have brought a wealth of learning opportunities to MMU students and enhanced the market value of MMU degrees worldwide. Graduates from the university are consistently in demand within the industries.

In the year under review, the number of students at MMU increased to 20,179 from 20,033 in 2010, of whom 16,399 were local and 3,780 were international students from 77 countries. Undergraduate enrolment increased 4.2% to reach a record of 5,191 students, while the university accepted 338 postgraduate students. Meanwhile the university produced 546 Diploma graduates, 2,569 Bachelor graduates, 469 Master graduates and 37 PhD graduates.

As part of its Academic Quality Assurance, MMU is committed to continuously improving the quality of its programmes. In 2011, a newly introduced Foundation in English programme was approved by the Ministry of Higher Education (MOHE), bringing the total number of programmes approved by the MOHE to 121. Of these, 98 programmes have also been accredited by the Malaysian Qualifications Agency (MQA). To ensure successful accreditation, MMU pre-audits all programmes due for accreditation. In 2011, nine programmes underwent the internal audit, which was conducted by MMU's own academics.

Such commitment to quality has brought results. On 24 March, MMU was accorded the prestigious Brand Excellence Award by the Ministry of International Trade and Industry. On 25 November, it achieved the distinction of being the first university in Malaysia to be ISO/IEC 20000 certified. The certification was



awarded to MMU's IT Services Division by SIRIM QAS International. During the year, MMU also expanded the scope of its MS ISO 9001:2008 from the Management of Students' Records to cover the entire Examinations and Records Unit (ERU).

Within the QS Asian University Ranking 2011, meanwhile, MMU maintained its spot as the top private university in Malaysia with a score of 27.00 points.

MMU is one of several universities selected to take part in a pilot Discipline-Based Rating System (D-Setara) exercise. D-Setara is a Government initiative aimed at improving the quality of education at local universities. Work has been carried out to provide MQA with the required data on MMU's Engineering programmes in December 2011, while the D-Setara exercise itself begins in 2012.

2011 was a challenging yet successful year for Unitele Multimedia Sdn Bhd (MMU Cnergy), MMU's commercialisation arm. During the year, MMU entered into an agreement with Juniper Network Academic Alliance for MMU Cnergy to conduct Juniper Training programmes, making it the first academic institution in Asia-Pacific to do so. In the year under review, MMU Cnergy also launched a Prestige Leadership Programme for employees identified in the TM Talent Management programme. This programme will eventually be commercialised to other GLCs. MMU Cnergy also conducted the TM Graduate Employability Outreach Programme in March and July, successfully training 216 participants.

MMU's subsidiary, Multimedia College Sdn Bhd (MMC), extends TM's academic reach to offer quality education to those with limited qualifications. Founded in 1948, the college was initially responsible for training staff of the Telecommunications Department. In 1997, it was transformed to provide tertiary education to TM staff and members of the public. In 2009, MMC was incorporated under MMU to streamline TM's education business. MMC comprises a main campus in Kuala Lumpur and

regional colleges in Perak, Terengganu, Sabah and Sarawak which together have a total student population of 1,787. MMC offers eight Diploma programmes accredited by the MQA.

MENARA KUALA LUMPUR SDN BHD

Menara Kuala Lumpur (MKL), crowning Bukit Nanas at a height of 421 metres above ground level, is the sixth tallest tower in the world and the tallest in South East Asia. It is a member of The World Federation of Great Towers. Blending seamlessly with lush tropical greenery in the heart of Kuala Lumpur city, MKL has become a national icon symbolising Malaysia as a great tourist destination as well as a technologically advanced country.

MKL, as well as Menara Alor Setar (MAS) and Muzium Telekom, is managed by Menara Kuala Lumpur Sdn Bhd (MKLSB). As a member of the Malaysian Association of Tour and Travel Agents (MATTA), MKLSB puts the towers and museum under its jurisdiction – all of which are ISO 9001: 2008 certified – on the tourist map.



connect
communicate
collaborate



It is MKLSB's vision to turn MKL into a leading tourism destination in Southeast Asia. Since its official opening in 1996, MKL has attracted 12,658,353 visitors, mainly from South East Asia, India, China, Europe, Australia, the UK, Japan and the Middle East. MKL offers unique experiences such as a 360° view of the Kuala Lumpur skyline from the Observation Deck at 276m, fine dining, shopping as well as a mix of cultural, adventure and nature-based activities. It is also host to signature events such as 1Malaysia Kuala Lumpur Heritage Xplorace, KL Tower International Towerthon Challenge, KL Tower International BASE Jump Malaysia and States' Festival.

In terms of Corporate Social Responsibility, MKL supports the annual Estee Lauder anti-breast cancer campaign for which it is lit up in fluorescent pink. 2011 was the fourth year MKL has taken part in this cause. It also contributed to a campaign held by the Diabetic Association of Malaysia and an outreach programme where by

MKLSB brought students from all over Malaysia visit MKL and Muzium Telekom. During the year, MKL was also involved in the Japan Tsunami and World AIDS campaigns.

In 2011, MKL won the Kuala Lumpur Mayor's Tourism Award 2011-2012 for Outstanding Achievement in Tourist Attraction and The Brand Laureate Country Branding Award 2010-2011.

Innovative products and aggressive marketing in 2011 led to a higher total revenue of RM42.3 million compared to RM40.2 million in 2010. However, escalating costs resulted in a lower profit after tax of RM11.1 million, as compared to RM11.4 million in 2010.

MKL is targeting a 3.9% increase in visitors in 2012, advertising itself as a destination for Culture, Adventure and Nature, with an exciting array of new and innovative products and packages. The opening of an XD Theatre in 2012 is also expected to draw in the crowds. Continuous support from the Ministry of

Tourism, the Kuala Lumpur City Hall and key industry players, coupled with the dedication of TM management and staff, will contribute towards a successful 2012.

TMF AUTOLEASE SDN BHD

TMF Autolease Sdn Bhd (TMFA) manages TM Group's vehicles nationwide, ensuring they are roadworthy (in compliance with Government regulations), utilised optimally and available at all times for business operations. As at 31 December 2011, the fleet stood at 5,053 vehicles ranging from saloon cars and four-wheel drives (4WDs) to utility vans and lorries. Besides its fleet, TMFA manages seven zone offices and 27 service outlets nationwide. TMFA's biggest customer over the years has been Network Development and Regional Network Operation which leases some 3,890 vehicles, or 77.0% of the total.

In 2011, TMFA ran several quality programmes for its customers focusing on safe and defensive driving as well as basic technical vehicle knowledge. It scored 88.2% in a Customer Satisfaction Index (CSI) based on a study completed in December 2011.



As part of TM's Performance Improvement Programme (PIP), TMFA in 2011 implemented a vehicle right-sizing programme to ensure all Group vehicles are used effectively and efficiently. This led to 51 vehicles being deployed to other users, and the disposal of 370 vehicles that no longer served their purpose. At the same time, selected 4WDs and vans were refurbished to extend their life spans, saving the Group RM14.5 million in capital outlay for new vehicles for at least two years.

In 2011, TMFA's efficiency contributed to the success of UniFi, as workforce mobility was crucial to the laying of cables and transport of personnel from one location to another. No less than 140 new vehicles were deployed to the HSBB divisions in support of the intense work load.

For the financial year ended 31 December 2011, TMFA registered revenue of RM49.3 million with operating costs of RM35.0 million and profit after tax of RM11.7 million. Most of the revenue (77.7%) was derived from the Management and Maintenance Package (MMP) fee for TM vehicles.

In 2012, TMFA will continue to support TM's aspiration of becoming a prime information exchange by managing and optimising its operating costs. Stakeholders can rest assured of further improvements in performance and positive growth in shareholder value as TMFA continues to provide more efficient service to the Group.

PROPERTY MANAGEMENT

Property Management (PM) acts as TM's in-house land and property adviser. PM contributes to TM's performance by unlocking its idle land and renting office space to both internal and external tenants. To date, it has unlocked over 2,228.6 acres of land, of which 72.5 acres were disposed of and the rest were under joint development arrangements. PM is also responsible for the property and land administration of all TM's real assets. Apart from creating value from the idle land bank, PM studies cost-saving options, especially in utilities consumption and property taxes.

For the financial year ended 2011, PM managed to recognise a gain of RM14.9 million, contributed by property commercialisation activities which included the disposal of non-core land banks and joint land development activities. In addition, it managed to save RM0.9 million of lease rental payment to the Federal Land Commissioner (FLC) over the year.

Most of the major projects undertaken by PM in 2011 were on-going from previous years. A major highlight was the completion in December of the auditorium in Menara TM, known as the TM Convention Centre (TMCC). Comprising a banquet hall that can accommodate up to 1,000 pax, a mini auditorium with 140 seats, 12 meeting and eight training rooms equipped with state-of-the-art telecommunications, multimedia and high speed broadband connectivity, TMCC is ideal as a venue for exhibitions, conferences, meetings, seminars and special events.



PROPERTY OPERATIONS

Property Operations (PO) is an internal service provider for facilities management. Specialising in the maintenance of network buildings, PO's primary role is to power up TM's equipment at all times to ensure continuous network availability. Its mandate is to achieve minimum up-time of 99.9999% for the Alternating Current (AC), Direct Current (DC) and air-conditioning systems, as required by the Malaysian Communications and Multimedia Commission (MCMC).



PO's services range from routine maintenance to project delivery. The former covers housekeeping and the maintenance of building-related M&E systems while the latter is about seeing through the replacement of ageing equipment and upgrading of building services for Tier 3 data centres. Throughout 2011, PO replaced the batteries, rectifiers, air-conditioning and fire protection systems while completing an upgrade of data centres to Tier 3 in five critical buildings, namely JRC, KLJ, BRF, CBJ IDC and CBJ Exchange. The entire exercise cost RM58.0 million.

With the aggressive growth of UniFi, PO responsibility included site preparation for UniFi equipment in its project scope. A total of 175 sites in the Klang Valley,

and Northern and Southern regions were converted as UniFi hubs in 2011 at a cost of RM30.0 million. PO also acted as the project adviser for the renovation of TM's new data centre in Hong Kong. The RM17.0 million project is due for completion in March 2012.

For the year 2011, PO registered operating revenue of RM124.6 million, of which 2.0% was generated from maintenance service provided to external parties. Against an operating cost of RM121.5 million, PO's profit before interest and tax stood at RM3.3 million. PO also reduced its energy consumption substantially, saving RM5.0 million in 2011.

Having been certified with QMS ISO 9001:2000 and EMS ISO 14001 by SIRIM for quality and environmental initiatives respectively, PO is committed to ensuring its workforce, particularly the chargemen, is competent and that the right partners are engaged for maintenance activities in order to serve TM better in future.

SECURITY MANAGEMENT

Security Management (SM) unit's core business is to provide reliable and effective security services to safeguard

TM's assets and personnel while minimising disruptions or losses to business operations. Its main functions cover the provision of a secured workplace, security of employees, asset protection, loss/crime prevention, security consultancy and representation in the National Crisis Management Committee.

In 2011, SM maintained a Customer Satisfaction Index (CSI) of 89.0% while improving its Security Service Availability Index (SSAI) to 99.0%. Moving forward, it is expected that with the state level re-organisation, the ability to monitor vendor performance will be further enhanced.

A positive development during the year was a decrease in crime within TM premises from 24 cases in year 2010 to 21 cases in 2011. However the incidence of cable theft increased to 11,539 cases in 2011 compared to 10,214 cases in 2010. To counter this, SM will seek help from various government agencies. To mitigate the rise of cable theft in particular, SM will organise more community meetings and educational programmes.

SM is committed to ensuring TM's business continuity remains intact at all times.



New MEDIA

OVERVIEW

Incorporated on 15 July 2010, New Media acts as a media product house to serve in the forefront of value added media services offered to the market. Capitalising on existing UniFi and Streamyx customers, the four strategic pillars that anchor New Media business are HyppTV, Value-Added Services, Directory & Advertising and My1Content.

HyppTV will continue to forge its identity as one of the key components in TM's 'VIP' UniFi packages, differentiating TM's broadband services from that of competitors. HyppTV is an alternative pay TV service offering high quality and up-to-date content on exciting premium channels, video-on-demand and interactive services. Its key differentiators are flexibility in content choice and viewing, hence added customer value and convenience. The objective is to evolve into an integrated platform with various functions to cater to customers' home entertainment needs.

Value Added Services provides an online hub for content, applications and solutions targeting TM's Internet business and consumer segments. Focusing on excellent customer value and unique selling points, Value Added Services offers cost-effective business propositions which cover Entertainment & Games, News & Infotainment, Lifestyle and Workstyle.

Directory & Advertising allows TM to grow its footprint in the advertising industry and expand beyond the Directory business into a wider media spectrum.

Facts at a Glance

85 Channels

of HyppTV, consist of 32 premium channels, 18 free channels, 17 VoD & 18 Interactive channels

3,000

VoD hours in 15 channels

12 High-Definition (HD) channels

Interactive



My1Content represents a digital marketplace where domestic and global content sellers (contentpreneurs) and buyers can connect, enabled by a range of multi-screen devices such as widgets & apps and cloud hosting that guarantee a seamless and ubiquitous customer experience. My1Content supports the Government's Economic Transformation Programme, and specifically the development of the local content industry.

KEY INITIATIVES

HyppTV

To date, HyppTV has a total of 85 channels – 32 premium and 18 free channels, 17 VoD and 18 interactive channels.

New Channels

In 2011, New Media added more compelling and interesting content (channels / video-on-demand / interactive) to the HyppTV line-up. In keeping with the recent production of high-definition (HD) content worldwide, New Media has introduced a few premium HD channels, among them Universal Channel HD, Fox Crime HD, SyFy Universal HD, Trace Sports HD, NatGeo Adventure HD, MTV Live HD, and tvn HD. These bring to 12 the total number of HD channels offered as of end 2011.

Other premium channels launched in 2011 included Nick Jr, Nat Geo Music and Al Jazeera.

In addition, more regional and local premium channels were introduced to enrich the Asian content. For Malay audiences, HyppTV now showcases Indonesia's leading entertainment channel, MNC; TV3's classic programmes on EMAS; and locally produced business news, *The Capital*. For the Chinese

viewership, HyppTV has slotted in Taiwanese variety channel SETI and the latest Hong Kong programme, TVB8. Indian audiences, meanwhile, will be entertained with UTV Movies (Hindi movies), UTV Bindass (Hindi TV series), Jaya Max (Tamil TV and music) and SS Music (south Indian content).

Video-on-Demand

New offerings of on-demand movies and TV series were among the latest to emerge from major Hollywood and Asian studios, including leading Malaysian production houses. New Media also allowed users to purchase premiere Hollywood TV series by the episodes, as opposed to the entire season. This added flexibility contributed to an increase in total VOD hours to 3,000 in 2011.

Interactive

Nine new Interactive services were introduced in 2011, with key content offerings including YouTube and Facebook. For the first time, New Media introduced paid interactive content, B-Smart TV, which caters to UPSR, PMR and SPM students. That brings to 18 the total number of interactive channels offered in 2011, from five channels in 2010.

Air Time Sales

To increase revenue from HyppTV, New Media has been promoting HyppTV heavily among advertisers, pushing the fact that it is the trendiest TV service in the country with viewership across all demographics.

VALUE ADDED SERVICES

Two key areas for Value Added Services are Lifestyle and Channels. The Lifestyle Portal aims to build an online community and derive revenue via advertising sales, subscription and e-commerce. It will also create an online sales and service

channel on which users can subscribe to TM's products and pay their TM bills.

Services offered on the Lifestyle Portal are:

- i. HyppTunes – a digital music service with a repertoire of over 200,000 songs from international and local music labels
- ii. Hypp.TV – the web companion of HyppTV with a variety of new premium channels including Al Jazeera, Bloomberg, Hikmah and Euronews
- iii. e-Browse – a digital publications service that digitises and aggregates content from major Malaysian newspapers, magazines and comics
- iv. HyppGames – a portal offering popular massively multiplayer online role-playing games (MMORPGs), casual and flash games
- v. B-Smart – an education portal providing enhanced online learning tools for UPSR, PMR and SPM students
- vi. MUTV Online – Match Highlight Videos for BPL, Carling Cup, UEFA Champions League and Community Shield
- vii. MU Mobile – offering exclusive Manchester United football club content tailored for mobile phones, eg. pictures of MU players, animated wallpapers, the latest video clips and even ringtones of MU football matches

e-Commerce

The e-Commerce solution has been successfully deployed by Group IT as an integrated payment platform for the Groups' portal services such as TMOnline, GEMS intra portal and TM UniFi. In line with TM's corporate aspiration, the division will lead in online initiatives such as the acquisition of new customers, services rendered and electronic transactions.

Absolute Portal

Absolute portal represents TM on one site on the worldwide web. With Absolute Portal, tm.com.my will consolidate all the Group's customer-facing portals using centralised user management with single sign-on capabilities for online transactions and services. This online marketing tool will offer updated content to customers in a digital manifestation of TM's lifestyle brand positioning – connection makes anything possible. Carrying a cohesive look and feel, from its products to its vision and beliefs, it is set to push Malaysia to further embrace a high speed digital lifestyle.

DIRECTORY & ADVERTISING

TM Info-Media Sdn Bhd is a wholly owned TM subsidiary that provides quality search information to businesses via a number of platforms. From the traditional printed Yellow Pages and White Pages, TM Info-Media now offers Internet Yellow Pages and other digital formats such as e-Yellow Pages and e-Catalogue.

Recognising the immense potential of the Halal industry, TM Info-Media in 2011 collaborated with Jabatan Kemajuan Islam Malaysia (Jakim) to launch a Halal portal, www.halalpages.com.my, providing comprehensive information on Halal businesses from food manufacturers to service providers like insurance and banking. In 2011, TM Info-Media also launched its first Yellow Pages for Home, catering to the advertising needs of small businesses. This product allows businesses with smaller advertising budgets to reach out to their localised targeted market.

TM Info-Media is constantly researching and developing new products to cater to ever changing market needs. In 2012, it plans to launch more digital products and a revamped Internet Yellow Pages. Circulation of the Yellow Pages currently stands at 1.5 million while the website receives over 800,000 visitors per month.



Launch of the Halal portal and Halal Pages 2012 on 13 October 2011 at PWTC.

My1content

New Media launched the My1Content portal Beta in the first quarter of 2011, offering introductory free access to Malaysian contentpreneurs. With four content pillars on offer – Video, Application, Music and Games – contentpreneurs began to explore and upload their IP trailers and company information while providing feedback for further improvement of the portal during various engagement sessions, resulting in constant change in its design, capabilities and offerings.

Numerous briefings and presentations were carried out with the Technopreneurs Association of Malaysia while New Media also took part in content related events to attract more contentpreneurs to be part of the initiative. One notable success is Geoflex Sdn Bhd, which registered on My1Content and is now providing *Try Masak* for the HyppTV Interactive Channel. Other contentpreneurs in My1Content are in the midst of discussions to provide VOD content for HyppTV.

The official launch of My1Content is slotted for the first quarter of 2012, with

the consumer segment expected to be released by the third quarter of the year.

Prospects

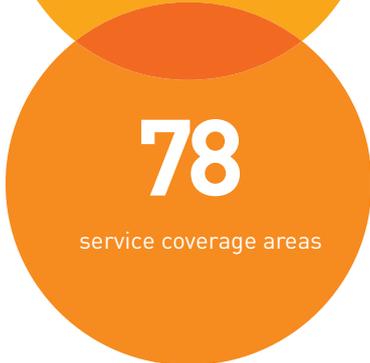
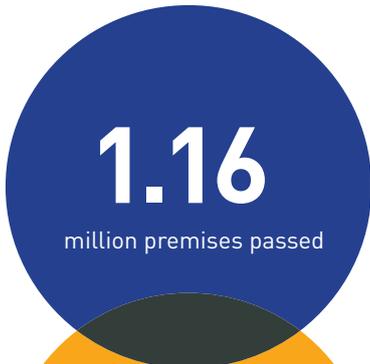
New Media's aim is to be a Malaysian hub for all content, applications and directory services. By 2015, New Media is expected to capture 75.0% market share and generate more than RM900 million in revenue. New Media has set its sights on delivering world-class services to mass market customers on their multi-screen devices to further enhance their lifestyles and work styles.



HyppTV Bloggers Party – 6 May 2011 at Neo Tamarind Restaurant, Jalan Sultan Ismail.

HSBB and Beyond

Facts at a Glance



"Malaysia is the fastest growing FTTH (fibre to the home) market in Southeast Asia and is a success story for FTTH globally"

FIC-FTTH International Conference, Kuala Lumpur, 2011

"Malaysia has the highest number of high speed broadband subscribers in Southeast Asia and is among the top 10 for such subscribers in the Asia-Pacific region"

FIC-FTTH International Conference, Kuala Lumpur, 2011

"TM has been mentioned as having one of the fastest and lowest HSBB capital expenditure (CAPEX) roll-outs of a project of this kind in the world"

BT Telconsult Report, 2011

"Malaysia has been mentioned as having world-class broadband infrastructure as with other similar Asian nations with the roll-out of the HSBB network"

Intellect Conference, London, 2011

As the quotes, taken from participants at the FIC-FTTH International Conference held in Kuala Lumpur on 24 October 2011, and the Intellect conference held in London on 5 July 2011, as well as a BT Telconsult report indicate, the high speed broadband project that TM embarked on in partnership with the Government is very much on track.

In 2011, the number of premises passed increased 53.0% from 756,000 to 1,160,000 while service coverage increased 63.0% from 48 areas to 78 areas.

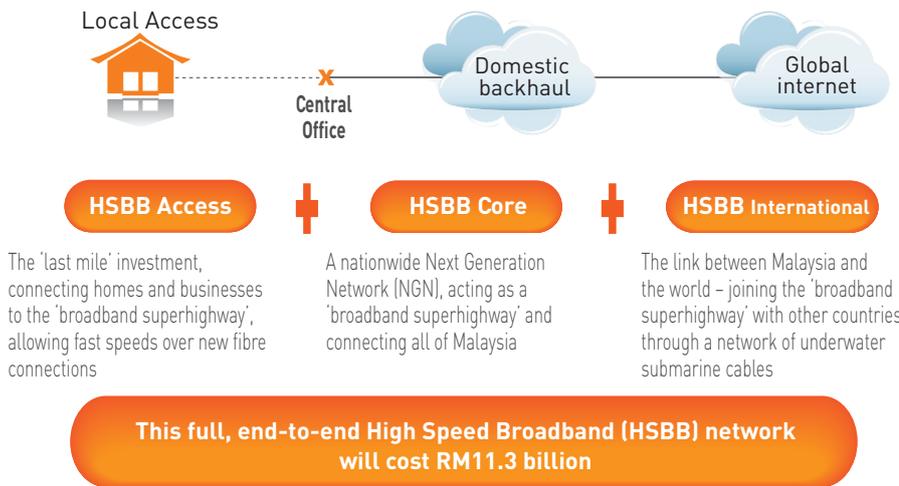
Year 2010			
Premises Passed	756,000		
Service Coverage	48 areas		
Year 2011			
Premises Passed	1,160,000	53.0%	↑
Service Coverage	78 areas	63.0%	↑

These figures aside, HSBB is not just about access to the end-user. Rather, it is an end-to-end solution that encompasses Access, Core and International aspects, which together account for the RM11.3 billion cost of the project. The diagram opposite illustrates what the project is all about.

Revolutionary



LAST MILE INFRASTRUCTURE, A NEW BROADBAND SUPERHIGHWAY AND NEW INTERNATIONAL LINKS WILL JOIN TO FORM A NATIONWIDE GROWTH ENGINE – HSBB



The 'last mile' investment, connecting homes and businesses to the 'broadband superhighway', allowing fast speeds over new fibre connections

A nationwide Next Generation Network (NGN), acting as a 'broadband superhighway' and connecting all of Malaysia

The link between Malaysia and the world – joining the 'broadband superhighway' with other countries through a network of underwater submarine cables

to sites outside of Malaysia. Against this backdrop, the key focus of the International portion of the HSBB project is to increase the capacity of the nation's international links, which comprise mainly submarine cable systems. In 2011, TM successfully ramped up the capacity of its international links by 134Gbps via five submarine cable systems:

- SEA-ME-WE 3 & 4 (Europe, Middle East, South Asia)
- APCN 2 (ASEAN, Asia-Pacific, USA)
- AAG (Asia-Pacific & USA)
- MDCS (Peninsular Malaysia -Sarawak-Sabah)

HSBB WHOLESALE SERVICES

In line with the Public-Private Partnership (PPP) agreement with the Government, TM is committed to making HSBB an open access network and encourage all access seekers and value-added service providers licensed by Malaysian Communications & Multimedia Commission (MCMC) to join forces in taking the nation closer towards the goals of the National Broadband Initiative, and the Government's aspiration to attain 75.0% household broadband penetration by 2015.

On offer are two major services – HSBB (Transmission) and HSBB (Access).

HSBB (Transmission) is a high speed, highly scalable and future proof offering for wholesale customers seeking bandwidth flexibility and multiple class and quality of service options for their backhaul as well as video and data transport services. The service allows network operators to grow their network according to their own business expansion plans and enable them to support multiple IP and Next Generation Network applications.

ACCESS

TM's HSBB project has been characterised by the roll-out of fibre infrastructure, as it represents the first time in Malaysia that fibre technology is being extended directly into premises. Previously, copper cables formed the basis for telecommunications connectivity at the customer end.

Around 70.0% of HSBB infrastructure deployed in brownfield (existing) areas uses fibre technology while the remaining 30.0% – deployed in high-rise commercial and residential buildings – employs Very High Speed Digital Subscriber Line (VDSL2) technology combining copper and fibre. Greenfield (new) developments, meanwhile, are 100.0% fibre-based.

As at end 2011, a total of 1.16 million ports had been made available for customer subscriptions.

CORE/NGN

Focus at the Core/NGN of the HSBB project was on the migration from the legacy digital platform to an Internet

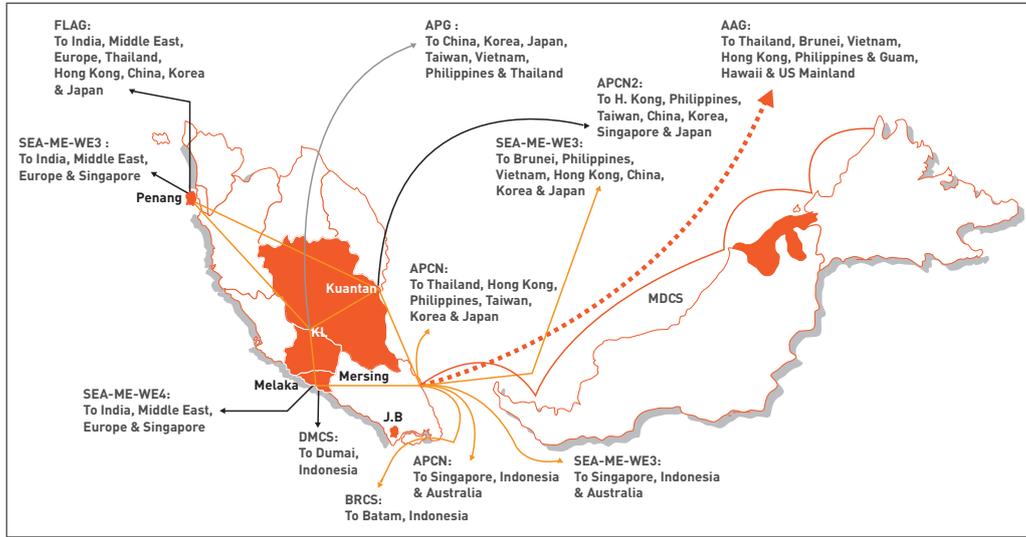
Protocol (IP) platform. This will allow TM to streamline, reduce and in the process simplify connectivity within the core network, reducing both operational complexities and costs.

Following the establishment of the NGN core in 2010, network migration got under way in earnest over the course of 2011. A total of 59 PSTN switches were successfully migrated to NGN switches, bringing to 62 the number of PSTN switches that have been successfully migrated as at end 2011. The migration was carried out seamlessly and with minimal service disruption due to the increasing level of experience of the technical personnel. The migration exercise will be stepped up from 2012 onwards, as per schedule, as a total of 666 PSTN switches are to be migrated by end 2015.

INTERNATIONAL

There seems to be no-let up in the insatiable appetite of Malaysians for on-line content, fast access and increased Internet bandwidth, with roughly 70.0% of Internet traffic in the country heading

TM's INTERNATIONAL LINKS TO SUPPORT HSBB NEEDS



HSBB (Access) creates a level playing field by offering opportunities for licensed access seekers to provide IP-based value-add content and applications to end customers in HSBB areas nationwide.

Year 2011 witnessed collaborations with two major service providers, Celcom Axiata Berhad and Packet One Networks (Malaysia) Sdn Bhd (P1), which subscribed to both HSBB (Transmission) and HSBB (Access). They join Maxis, which was the first service provider to sign up for HSBB (Access) in 2010.

Such collaborations strengthen TM's position as a neutral wholesale service provider in line with its promise of open access to the HSBB network.

UNIFI – TM'S HIGH SPEED BROADBAND SERVICE

Year 2011 can be said to be a year that exceeded all expectations for UniFi, TM's HSBB service. TM logged an average of more than 12,000 service activations a month in the first half of the year, which shot up 75.0% to an average of more than 21,000 activations by the end of the second half. UniFi's take-up rate

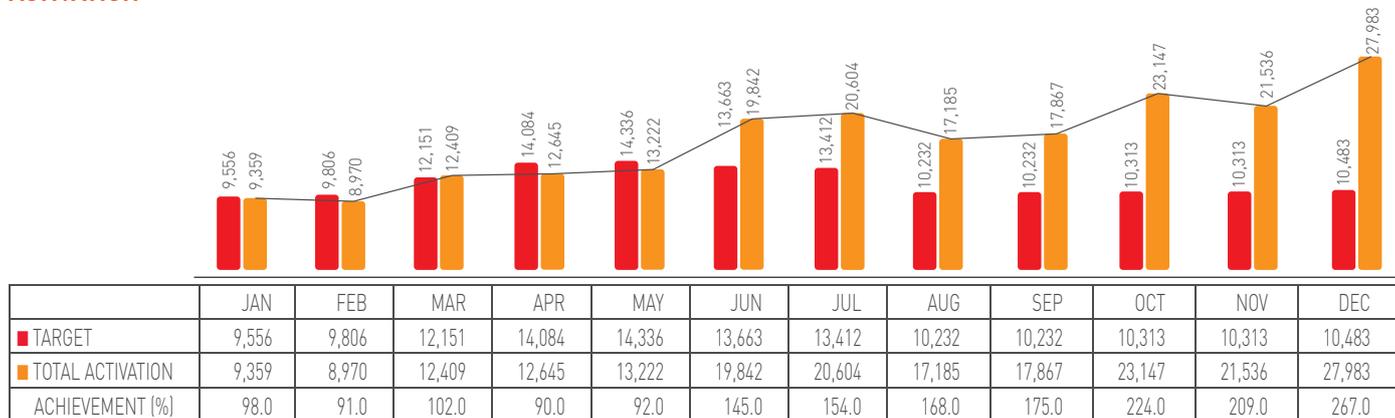
far exceeded global benchmarks which hover at between 5.0-6.0% of total premises passed in the early stages of service deployment. With UniFi, just 1½ years after service deployment, the service activation rate had approached 15.0-20.0% of total premises passed.

Year 2010			
Total Customer Subscriptions	33,036		
Year 2011			
Total Customer Subscriptions	236,501	616.0%	↑
	Year 2010	Year 2011	
Consumer Subscriptions	28,806	201,842	600.0% ↑
Business Subscriptions	4,230	34,659	719.0% ↑

Subscription to the service in both the consumer and Small & Medium Enterprise (SME) segments was also impressive, proving UniFi had indeed caught on with the Malaysian public, very much in line with the pent-up demand for Internet access speeds and bandwidth to cater to the increasingly sophisticated digital lifestyle needs.

TM offers three consumer HSBB packages and three business HSBB packages, denoted by their respective bandwidth speeds. These are VIP20 (RM249/month), VIP10 (RM199/month) and VIP5 (RM149/month) for consumers; and BIZ20 (RM899/month), BIZ10 (RM599/month) and BIZ5 (RM199/month) for SMEs.

ACTIVATION



SERVICE ACTIVATION

Year 2011 saw tremendous improvement in terms of service installation productivity. Towards the end of the second half of 2011, TM was averaging 21,000 service activations per month.

When UniFi was first launched in 2010, service installation teams averaged around one installation per team a day. On average, a full-fibre FTTH installation took between six to 10 hours for landed properties, while installation in high-rise buildings utilising VDSL2 technology averaged between three and six hours.

However, with greater installation experience, resource allocations as well as process and productivity improvement initiatives, by end 2011 UniFi service installation teams were carrying out an average of three to four installations per team a day. The average time for FTTH installations by end 2011 improved to between three to four hours while that of VDSL2 installations to between one to three hours.

SUMMARY & THE YEAR AHEAD

Having met all HSBB project targets for Year 2011, it is expected that targets for 2012 will similarly be met as per the agreed understanding. Year 2012 will see the target for premises passed increase to 1.3 million, a 200,000 increase over the current figure of 1.1 million. HSBB infrastructure will be deployed to another 17 new areas, mostly key industrial sites outside the Klang Valley. This will bring the total number of areas to be wired up with HSBB services by end 2012 to 98. Year 2012 will also see UniFi spread its wings to the East Coast and East Malaysia.

Network migration efforts will continue as scheduled. Another 150 PSTN exchanges are earmarked for migration to the NGN platform in 2012. International connectivity capacity will be further upgraded with the development and commissioning of the Cahaya Malaysia international submarine cable system linking Malaysia to Hong Kong and Japan by end 2012. This will add further inbound and outbound Internet connectivity capacity for bandwidth-hungry users.

2011 was undoubtedly a UniFi success story. Moving from a customer base of 33,036 at the beginning of 2011 and ending the year with over 236,501 subscribers testified to the tremendous growth potential of the high speed broadband market. This was further confirmed with the entry into the HSBB segment by Celcom and P1, who join Maxis in the niche. Continued increase in the number of Internet users as well as higher household broadband penetration, which exceeded 60.0% by end 2011, bode well for the future of the service. As operational efficiencies continue to improve, it is expected that the customer service experience of UniFi subscribers will be further enhanced in 2012.

In a nutshell, year 2012 promises to be as exciting or if not more than 2011. At the 2011 FIC-FTTH International Conference in Kuala Lumpur, Malaysia was acknowledged as having the highest number of high speed broadband subscribers in Southeast Asia as well as being among the top 10 for such subscribers in the Asia-Pacific region. All signs point to continued growth in this segment, and TM is confident that UniFi will be firmly established as the brand of choice for high speed broadband as more Malaysians adapt to a digital oriented lifestyle.



Towards An Information Exchange

As the world becomes dominated by increasingly high-tech and sophisticated devices that converge voice, data and video services onto a single screen, there is added pressure on service providers to facilitate seamless connectivity. With its next-generation network powered by an Internet Protocol (IP) platform, TM is perfectly poised to enable this convergence by serving as the country's information exchange. By this, TM intends for all voice, data and video communication that take place in the country to touch some part of its network. In other words, TM's network will be the ultimate platform where everyone can connect, communicate and collaborate effectively, be it for government, education, business or pleasure.

Facts at a Glance

All-IP network

the future of
telecommunications

Aggregator of aggregators

with new focus on Cloud
Computing and CSDP

ICT and BPO Powerhouse

with VADS Berhad as
TM's ICT and BPO arm

An information exchange is like a busy airport. There are retail outlets where people work and serve customers, departments such as immigration, customs, medical centres, security and fire allowing for the seamless passage of passengers who fly in and out, some transiting for a period of time. The airport serves everyone's needs by providing an integrated platform to execute all the required and desired actions. Similarly, TM's vision of being an information exchange would enable and facilitate all information and communications transactions within the country and beyond. What is more, the foundation for TM's transformation into an information exchange is already in place.

2011 has been an exceptional year for TM. Following the Company's plan to increase UniFi awareness and take up, its year-end results have surpassed all targets.

Suffice to say, TM is well on track in its transformation into a new generation communications provider in Malaysia while maintaining its position as Malaysia's broadband champion, with 1.92 million total broadband subscribers and 236,501 UniFi subscribers, and counting.

The introduction of HyppTV has further stamped TM's mark as an enabler of an integrated digital lifestyle for Malaysians. This unique TV service offers a range of free, premium, video-on-demand and interactive channels, giving consumers more entertainment viewing choice than they have ever had before. It thus demonstrates TM's commitment to fulfilling its promise of providing customers with end-to-end service facilitation.

Box Article



Moving forward, TM's evolution towards an information exchange is expected to be catalysed by three main drivers, namely:

- Providing infrastructure and solutions in customer premises
- Providing expanded wireless WiFi coverage
- Becoming an aggregator of aggregators

One-Stop Centre for Customer Premise Needs

TM's next generation IP-based network offers the scale, flexibility and speed as required for the provision of content, solutions and applications demanded by customers. Having already laid the platform to cater for the bandwidth needs of such Value-Added Services through the deployment of Fibre-to-the-Home (FTTH) technology, the focus will now shift towards bringing in applications, solutions and content to feed the emerging digital lifestyle needs.

In support of the above, TM will enhance its product development efforts as well as the service provisioning ability of all its customer touch points and sales channels to provide customers with the feel and experience of a digital lifestyle. Quality, and not quantity, will be the primary emphasis.

Besides this, TM is developing a Content Service Delivery Platform (CSDP) that will facilitate small to medium-size applications and content developers in

the country to bring to market their content, products and services. This will add further value to the high speed broadband (HSBB) network, in line with TM's HSBB promise.

Offering open access to its HSBB network, TM is effectively allowing licensed service providers to piggyback on the network and market their own value-add services to the general public, thus further enriching the digital content ecosystem.





Expanded Wireless Coverage

Through TM Wholesale, TM will also expand its wireless coverage via Digital Subscriber Line (DSL) and HSBB (Access) services. To date, TM has 19,000 WiFi hotspots nationwide in shopping malls, universities, colleges and public transport facilities. More hotspots in other locations are being activated continuously. These WiFi sites offer more stable broadband access than mobile broadband services, and are very much suited to the lifestyle needs of those who are often on the go.

Aggregator of aggregators

TM's nationwide NGN network will allow it to act as an aggregator of aggregators. Aggregators of content need wide scale access to both customers and content. TM's vast domestic and international network connectivity will be a primary means of facilitating these requirements.

Cloud computing has emerged as a new engine of growth for TM as it transforms into an information exchange. Cloud computing is all about providing a product, service or solution in real time to an individual or business through a virtual environment supported by IT capability such as software and infrastructure.

Payment is for the service used, without having to invest in the purchase of hardware or software. Examples of such solutions, products or services are virtual storage, IT software, IT hardware, data servers and Web-based tools.

Fueled by the adoption of transactional-based cloud computing by enterprises, and more IT investments in both the private and public sectors, cloud computing is increasingly being seen as a means for enterprises and government to realise operational cost savings.

TM's involvement in the cloud computing domain will involve the provisioning of ICT infrastructure, the platform and software utilities (IaaS, PaaS and SaaS) over several phases of yearly deployment through partnerships and collaboration with leading technology and system integrators.

In summary, TM has embarked on a journey to transform from a legacy-based network into an information exchange that serves as a catalyst for everyone to connect, communicate and collaborate via an enriched and integrated digital lifestyle. In order to achieve its goals, a number of strategies have been identified:

- Continue HSBB rollout – The broadband market is set to grow further as Malaysians embrace Internet-based activities and transactions. To meet the growing demand, TM is expanding its coverage to 98 exchange areas and is set to have 1.3 million HSBB ports by end 2012.
- Accelerate UniFi take-up – TM will ramp up awareness of UniFi and HyppTV to a wider Malaysian audience by placing greater emphasis on customer care and user experience.
- Enhance wireless options – Fixed and wireless broadband services are complementary in emerging lifestyles, as observed in more mature markets. TM complements its fixed data and broadband services via a host of wireless solutions including WiFi, Code Division Multiple Access (CDMA) as well as Evolution Data Optimised or Evolution Data Only (EV-DO).
- Integrate services – As customers increasingly connect to multiple communication services such as



FREE
Installation & Equipment
worth RM1000!
For A Limited Time Only

UniFi
High Speed Broadband

ZON LAJU

Experience the UniFi sensation!

TM
Telekom Malaysia

UniFi

This is your world.
Fast forward your life
with UniFi
High Speed Broadband

HyppTV offers total home entertainment for my family!
Every day is a movie day at home. Enjoy the latest shows, uninterrupted viewing and pay only for what you watch. All delivered via UniFi's high speed fibre optic network. Subscribe to UniFi Today!

HyppTV Premium, Real-time Services!

Get more from HyppTV!
Watch on multiple devices!
Watch on mobile devices!

TM
Telekom Malaysia

UniFi

"Because we work faster with UniFi, we can also take on more business."
UniFi's high speed fibre optic network is the ultimate ICT solution for businesses. It has multiple advantages over other broadband services available in Malaysia. It has the highest bandwidth, the highest speed and the most reliable service. It has the most advanced network management system and the most advanced customer support system.

Get more from UniFi!
Watch on multiple devices!
Watch on mobile devices!

TM
Telekom Malaysia

UniFi

This is your world.
Fast forward your life
with UniFi
High Speed Broadband

VIP20
RM249.00/month

VIP10
RM199.00/month

VIP5
RM149.00/month

WORTH RM1000!

FREE Installation & Equipment
For A Limited Time Only. Act Now!

TM
Telekom Malaysia

UniFi

Your must-watch shows are always on
with HyppTV, rain or shine

Switch on HyppTV. Switch on the entertainment viewing.
Switch on all at once, spend less, get more. HyppTV offers content selection and subscription viewing, all at once. No more channel surfing, just great entertainment whenever, wherever you want it and when you want it.

HyppTV Premium, Real-time Services!

Get more from HyppTV!
Watch on multiple devices!
Watch on mobile devices!

TM
Telekom Malaysia

wired voice calls, mobile voice calls and emails via the Internet, demand for integrated services become ever more critical. TM realises that it stands in good stead to provide for this scenario, and seeks to increase traffic to its network by becoming the trusted partner for all connectivity and transactional needs. In this scenario, any-to-any communications traffic will be via TM's network. This is the ultimate thrust of becoming an information exchange – becoming a middleman between customers, or between other service providers and their customers, or simply being the aggregator of aggregators.

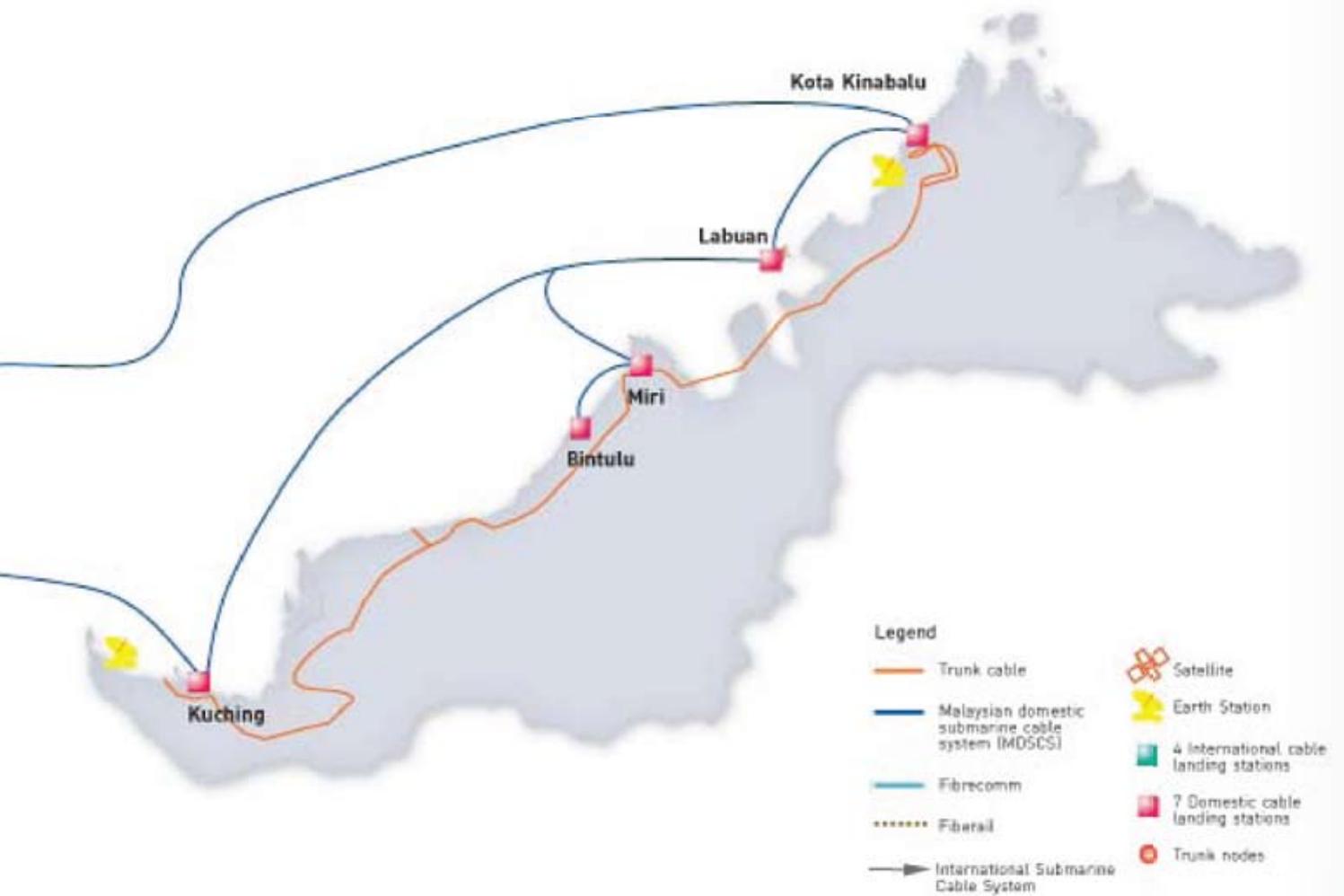
ICT and Business Process Outsourcing (BPO)

ICT and BPO will be one of key strategic focus for the Company this year, in line with the Company's transformation into an ICT and BPO Powerhouse towards becoming an Information Exchange. Leveraging on its infrastructure, expertise and reach, TM intends to improve its footing in ICT and BPO services for the business/enterprise segment via its ICT arm, VADS Berhad. The next step is to stack up the current services with innovative applications to provide an ever enriching customer experience with TM be it with the consumer products and services or with the business/enterprise offering. The telecommunications

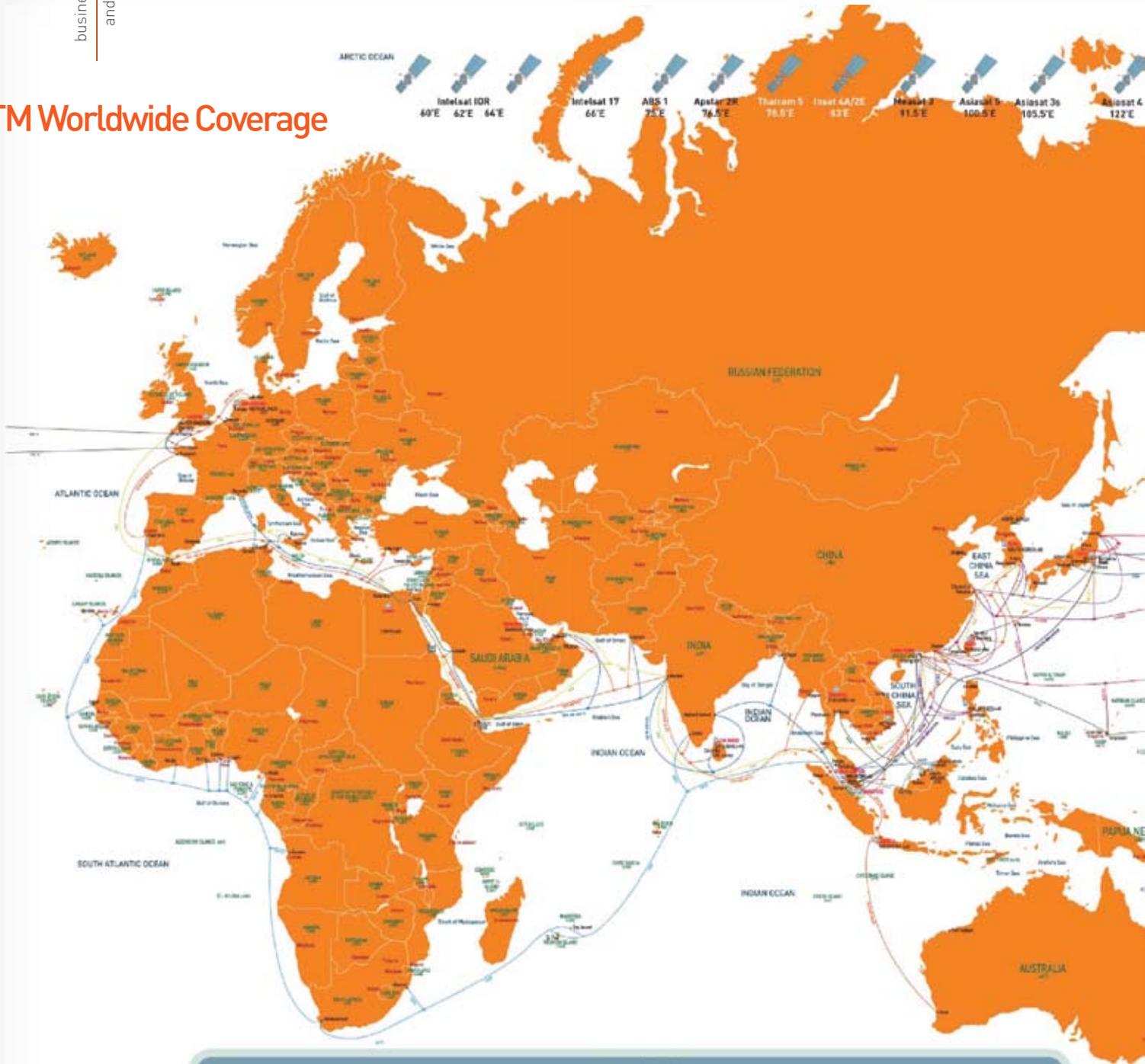
industry is incredibly dynamic, and TM foresees challenges in keeping pace with the technological changes while staying focused on what the customer needs. To meet these challenges, TM is constantly improving its go-to-market model while striving to be faster and better at piloting and testing new offerings. Coupled with a focus on the flexibility required to become an information exchange, TM is in a good position to leverage on and gain connections that 'touch' its network whenever, wherever, whatever.

International & Domestic Infrastructure & Trunk Fibre Optic Network





TM Worldwide Coverage



LEGEND

SUBMARINE CABLE

● LANDING POINT	■ AAG	■ CUSCH	■ FA-1	■ MDS	■ SEA-ME-WE-4	■ CAHAYA MALAYSIA: RPS 02-2012
Ⓜ TM PoP	■ APCN 2	■ DMCS	■ JUSCH	■ SAT3-WAS-SAFE	■ TGN	
☛ SATELLITE	■ BRCS	■ FEA	■ MDN	■ SEA-ME-WE-3	■ BDM: RPS 04-2011	



Domestic | 100
International | +63 8318 2797
Click | www.tm.com.my
Email | gis@tm.com.my



The Telecommunications Sector: Review & Outlook

Facts at a Glance

62.3%

broadband penetration
per household in 2011

5.7 million

broadband subscriptions
by end of 2011

81

UniFi exchanges
rolled out

Dynamic Outlook

REVIEW OF 2011

Malaysia is gearing towards achieving fully-developed status by the year 2020. As this entails having an advanced telecommunications sector, the country has pulled out all stops to install modern technologies such as fibre optics, wireless transmission, digitalisation and satellite services. Substantial government participation in Information & Communications Technology (ICT) development has become a characteristic of the Malaysian market.

At the same time, privatisation and a general opening-up of the market have led to new licences being granted, with positive results. Healthy competition has developed among the telcos in an increasingly dynamic and fast-changing market.

The mobile market is booming, and Malaysia has the second highest mobile penetration in Southeast Asia after Singapore with almost 37 million subscribers and a penetration rate per 100 inhabitants of 127.7%. There has been a major push into the area of 3G services, with around 28.0% of the total mobile subscriber base being 3G subscribers. Increasing demand for data and content services is driving the industry into its next phase.

Compared to the mobile market, that for fixed-line is much more subdued, with 4.1 million subscribers, a penetration rate of 37.3% per 100 households and negative annual growth of a few percent. Although there are no signs of a resurgence in the fixed-line market, this segment continues to be a strategic element in building a national telecom infrastructure.

2011 was a fabulous year for broadband. Adoption of the Internet, and especially broadband, grew at a very positive rate. Broadband penetration per household hit 62.3% in 2011 and is well on its way to the 2015 target of 75.0% as set by the Government. There were 5.7 million broadband subscriptions by the end of 2011 of which almost 65.0% were wireless connections.

On the regulatory front, the Government amended the Communications and Multimedia Act (CMA) 1998 to do away with monopoly and encourage competition in the pay-TV broadcasting sector. This saw the almost immediate emergence of at least two new players in the pay-TV space.

MALAYSIAN BROADBAND SUBSCRIBERS

A major boost to broadband has been the Government's public-private partnership with TM to roll out a National Broadband Network (NBN) at key economic areas covering inner Klang Valley, Iskandar Development Region and key industrial zones throughout the country. This High Speed Broadband (HSBB) project was launched in March 2010 and its retail offering, UniFi, introduced in June the same year. As of end December 2011, TM had rolled out UniFi to 81 exchanges while 1.1 million ports were made available for customer subscription. Take-up of the service has been excellent. TM had only 33,000 UniFi subscribers at the end of 2010, but surpassed 236,000 by the end of 2011. The FTTH Council Asia-Pacific recently declared that Malaysia has the highest number of high speed broadband subscribers in Southeast Asia and ranks among the top 10 in Asia-Pacific. It also declared that TM had attained one of the quickest roll-outs globally. BT Telconsult, meanwhile, noted that TM's HSBB Capex spend was one of the lowest in the world.

MALAYSIA: KEY TELECOM PARAMETERS (2010 – 2011)

Category	2010	2011
Fixed Line Services:		
1) Total number of DEL connections ('000)	4,364	4,071
2) DEL penetration (per 100 households) (%)	42.5	37.3
Broadband Services:		
1) No of Broadband Subscriptions ('000)	4,722	5,687
2) Household Penetration Rate (%)	55.6	62.3

OUTLOOK FOR 2012

The Malaysian telecommunications market is highly competitive, with rapidly maturing voice revenue, intense internet competition and an undisputed preference for mobile services. At the same time, the global economic environment remains uncertain. Despite these challenges, TM's outlook for 2012 is positive with broadband being the main focus.

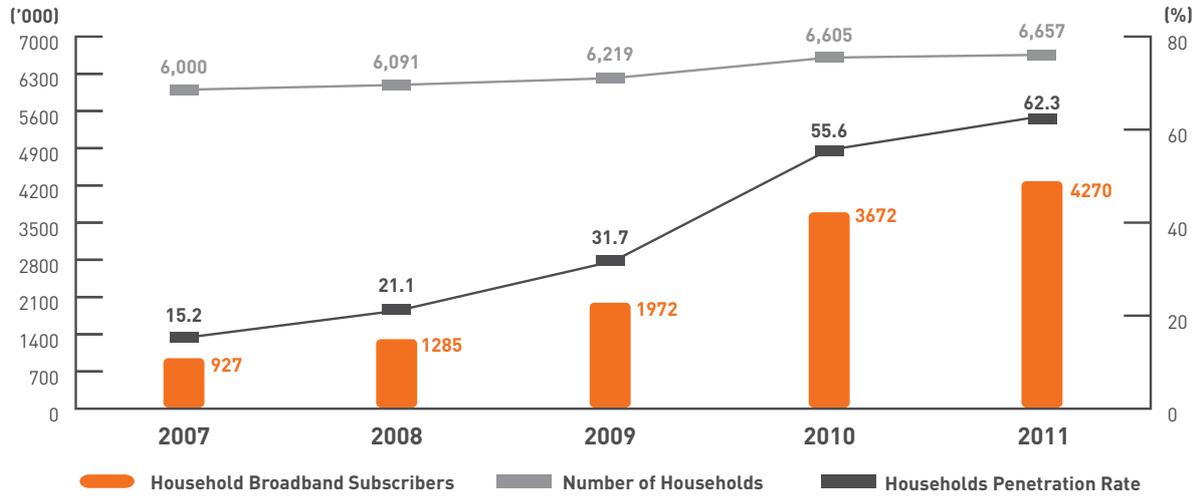
The broadband market is expected to expand to RM6.23 billion (2012F) while the overall telecommunications market is forecast to grow to RM30 billion (2012F) from RM27.4 billion (2010). Broadband penetration is expected to be boosted by efforts to achieve the Government's target of 75.0% household penetration, ETP CCI initiatives and completion of the HSBB project.

According to IDC, increasing demand for high-speed connectivity will ensure the industry remains exciting, with competition from smaller providers

keeping the larger operators on their toes. Cheaper phones, coupled with more affordable data plans, are driving increased mobile broadband and Internet usage while fixed and wireless broadband usage is driven by the increasing consumption of online multimedia content. Customers will be less concerned about how service is brought to them provided they can access the same content.

HSBB infrastructure will be deployed to another 17 new areas, mainly in key industrial sites outside the Klang Valley, bringing the total number of areas wired up with HSBB services to 78. UniFi is also expected to continue to do well in 2012, with the number of premises passed increasing by 200,000 to reach 1.3 million. In 2012, TM will be taking the service to the East Coast and East Malaysia and is targeting to achieve 400,000 subscribers by the end of the year. Steadily improving operational efficiencies will further enhance the customer service experience, and TM is confident that UniFi will be firmly established as the service of choice for high speed broadband.

MALAYSIA: HOUSEHOLD BROADBAND SUBSCRIBERS & PENETRATION RATE (2007 – 2011)



Category	2007	2008	2009	2010	2011
Household Broadband Subscribers ('000)	927	1,285	1,972	3,672	4,270
Number of Households ('000)	6,000	6,091	6,219	6,605	6,657
Household Penetration Rate (%)	15.2	21.1	31.7	55.6	62.3

Growth in 2012 will be further boosted by operators adopting a more service oriented business model. Operators are venturing into new areas such as cloud computing, content delivery and IPTV, just as there is growing market acceptance of managed IT and outsourcing IT services. TM foresees that the content service delivery platform (CSDP-My1Content) will spur local content and hub growth among producers, increase content related transactions and raise demand for bandwidth among consumers.

Cloud computing is expected to grow at a CAGR of 42.0% from 2010 to 2015, along with user maturity and the availability of providers. TM is well poised to tap this growing ICT sector and has become the first Malaysian telco to offer comprehensive three-layer cloud services and a technology neutral cloud infrastructure to the market. Through wholly-owned subsidiary VADS, TM is collaborating with MIMOS to develop an orchestration platform for VADS Cloud Computing services. This is progressing well, and the enhanced delivery platform is to be completed by March 2012. It will further enable the delivery of IaaS, PaaS and SaaS to customers.

A new age of collaboration among industry players in areas of infrastructure and services is expected, facilitated by the regulatory environment. Though TM competes at the retail end with other telcos, it is also an enabler by providing backhaul and access services, true to its promise of remaining a neutral and open service provider in creating a level playing field.

In conclusion, 2012 promises to be an exciting period for the broadband market as a whole with all service providers competing aggressively to capture new subscribers. TM remains steadfast in maintaining its position as Malaysia's broadband champion anchoring on Streamyx and UniFi, delivering an enhanced and integrated digital lifestyle to all Malaysians where everyone can connect, communicate and collaborate effectively.

References:

- 1) IDC tracker 1H2010, 2H2010
- 2) Communications & Multimedia Pocket Book of Statistics Q3 2011, SKMM
- 3) Insights on Asian telecoms market: Analysis, Forecast and Commentary, TelecomMarketResearch.com in collaboration with Buddecomm, 21 Aug 2011
- 4) Malaysia's LTE spectrum distribution draws criticism, ZDNet Asia, 9 Dec 2011, Edwin Yapp
- 5) Enterprise ICT : 2012 Predictions, Frost & Sullivan, 15 Dec 2011, Andrew Milroy
- 6) The reign of broadband, thestar online, 31 Dec 2011, Leong Hung Yee
- 7) IPTV a relatively new business for TM, thestar online, 14 Jan 2012, B.K. Sidhu
- 8) Reversal of fortunes, thestar online, 14 Jan 2012, B. K. Sidhu
- 9) Official Portal of SKMM, <http://www.skmm.gov.my>
- 10) TM Internal Analysis

KEY INITIATIVES

- 176 Uniting Our Passion For Better Customer Service Delivery
- 181 Fostering A Knowledge-Based Nation
- 183 Teaming With Passion – Harnessing The Energy Of 1TM
- 186 Box Article: Team Malaysia
- 188 Building Capabilities Through Learning And Development
- 190 Occupational Safety, Health And Environment (OSHE)
- 194 Corporate Responsibility



DEVELOPMENT OPPORTUNITY POSSIBILITY
INSPIRATION

Value
EXPLORE ENABLE



PASSION is... seizing opportunities to unlock world class potential

Customer Experience

Uniting
Our Passion
For Better

Customer Service Delivery

TM Group has always positioned customers as the core central focus in driving its business direction. The Group connects with its customers through a range of innovative products and services, communicating via personal engagement, online forums and other multimedia channels. It also collaborates with customers through focus groups to obtain their feedback so as to build an enduring customer experience.

Facts at a Glance

75 points

for TM Direct's TRI*M Index 2011, compared to 57 in 2010

In 2011, customer engagement continued to be enhanced through various initiatives, among others, the TM Self Service Portal specifically designed for customers' convenience. TM has also embarked on a Customer Touch Points Transformation programme, which has been recognised by various awards such as the Best Customers Care Award by Computer World readers and Bronze Medal for Best Contact Centre within the ASEAN Region.

In its united passion for service excellence, customer management has been elevated to a new level at TM and has become an essential strategy across all customer touch points. Subsequently, the formation of a Customer Service Academy is to raise the competencies and capabilities of TM's frontliners in providing excellent and professional customer engagements.

9,100

followers of @TMCorp and @TMConnects, TM's social media channels via Twitter

CUSTOMER TOUCH POINTS EVOLUTION

TM keeps reinventing itself to meet increasingly sophisticated customer expectations and maintains its edge as a leading service provider. During the year, several high-impact initiatives were rolled to enhance its service delivery at the various customer touch points.

a. Customer Service Academy

Superb, **M**eaningful Interaction **L**eading to **E**xcellence or SMILE, is a transformation programme focused on customer service to enhance the customer experience at all touch points. This has led to the establishment of a Customer Service Academy (CSA) in May 2011. Comprising a three-semester programme, the participants undergo classroom courses, role play, written tests and assessments in order to graduate and be certified as TM customer service representatives. At CSA, TM frontliners will be familiarised with the required skills, positive attitudes and embrace positive communication to effectively manage customers' expectations, using appropriate techniques when dealing with customers. Customer Service Academy is an essential programme to deliver high quality and consistent customer service at all touch points.

b. Contact Centres

Contact Centres have always been one of the most preferred channels for customers to engage with TM with regards to its fixed line, broadband, UniFi and managed data services. In support of customers' expectations to ensure issues are resolved within the

54.0%

improvement in HSBB installation cycle time as a result of project TOP



contact centres, the Customer Service Management Division has embarked on continuous operation improvements to achieve high First Contact Resolution.

One of the key initiatives for 2011 was the establishment of contact centre labs aimed at inculcating best practices in processes, operations and systems, and to nurture a service delivery performance culture. As a result, 55.0% of issues are now resolved up-front within the contact centres, is in line with the improvement target of 80.0% by 2015.

To address fulfillment and assurance issues for Internet Protocol Virtual Private Network (IPVPN) and TM Direct, four labs have been initiated – the IPVPN Fulfillment Lab, IPVPN Assurance Lab, TM Direct Fulfillment Lab and TM Direct Assurance Lab.

The main objective of these labs is to improve service delivery and restoration cycle time by simplifying processes, reducing errors, increasing coordination efficiency and meeting the customers' Service Level Guarantee (SLG). These initiatives led to a reduction in IPVPN installation days from 46 days in the second quarter to 23 days in the fourth quarter, fulfilling 99.38% of the customers' SLG and scoring 67 points in the 2011 TRI*M Index as compared to 65 points in 2010.

The TM Direct Fulfillment and Assurance Labs, initiated in February 2011, addresses the timely management of order enquiries and complaints to meet standards set, reduce restoration cycle time and improve end-to-end customer support. The labs have increased TM's ability to meet customers' Request For Service (RFS) – in November 2011, 98.9% of RFS was met as compared to 57.5% in

February 2011. In terms of assurance, 71.43% of faults were restored within four hours in November 2011 as compared to 48.5% in February 2011. Most significantly, TM Direct's 2011 TRI*M Index improved from 57 points in 2010 to 75 points.

To ensure TM Direct customers receive quality support and smooth restoration, a dedicated Service Operation Center (SOC) was established in March 2011 to look into assurance issues.

c. TMpoint

Despite the availability of alternative channels, a large number of TM customers still visit TMpoint outlets to carry out various transactions.

Uniting Our Passion For Better Customer Service Delivery



Launch of S.M.I.L.E Customer Service Academy.

The moment of truth begins from the time customers enter the retail outlets to the moment they complete their transactions. To ensure the most positive on customer experience, the Group has embarked on cosmetic changes as well as revolutionised key customer interaction processes at all TMpoint outlets, beginning with the outlet in Kelana Jaya. The holistic overhaul at TMpoint Kelana Jaya was based on a '5 Senses' approach covering the senses of touch, sound, smell, image and taste. This is reflected in uplifting the façade, ambiance, facilities and customer service processes in order to deliver a delightful customer experience.

For customer convenience, three parking bays have been reserved exclusively for TM customers, and Payment Kiosks that accept cash, credit cards or cheques operating 24/7 have been stationed at the outlet. TMpoint customers will be able to manage their personal time as there is an 'Average Waiting Time Board' displayed.

Key improvements in customer interaction processes include greeting the customers entering the outlet and offering assistance to facilitate their transaction requirements. The outlet has also

implemented Mobile Service Counters to Customers, offering full counter services via Front-Liner Go To Customers (FGTC) tablets.

To create a friendly and relaxing environment, customers will experience a therapeutic atmosphere complete with surround music and scented aroma. They will also feel at ease while conducting their transactions as the Customer Service Representatives (CSR) are now dressed in more casual uniform with a black T-shirt and grey trousers.

To ensure customers receive professional service in all their transactions, the CSRs have been re-trained in customer handling techniques and front-end systems processing competencies.

Customer feedback is also being heard as the outlet has implemented Quality of Service (QoS) Rating Cards to evaluate the service rendered. Following positive feedback, all 105 TMpoints nationwide will be similarly upgraded in 2012.

d. On-Line Portal

Aligning to the technology-advanced and sophisticated lifestyle preferred by clients, TM is enhancing its existing portal services to ensure it achieves 'transactions at your finger-tips' convenience.

In support of TM's strategic direction of evolving from a traditional telco into an information exchange, the New Media Division embarked on multiple improvement initiatives within the current portal for the convenience of customers. The UniFi self-service portal, launched in July

2010, enables customers to independently conduct full-fledged self-service transactions from accessing UniFi products and services and making queries and sales orders to lodging complaints and obtaining bill details. To-date, UniFi order creation via the self-service portal contributes about 9.0% of overall new orders, and the number is increasing. A majority of UniFi customers are also obtaining bill details and paying their bills online.

Apart from self-service transactions, up-to-date information on major service breakdowns is uploaded onto the portal. Moving forward, the full-fledged online self-service capabilities will be extended to DEL and Streamyx services.

e. Service Delivery Teams

The Touch Points evolution to a larger extent includes and provides focus to the installation and technical service delivery team. Apart from enhanced technical and hard skills programmes, the service delivery teams are also provided with grooming and communication skills capabilities. For UniFi, more than 3,000 of our installer teams attended these structured improvement programmes.

COMMUNICATION EVOLUTION

a. Interactive Social Media

Keeping up with the current trend of social media, TM has embarked on another initiative leveraging on the social media platform to further enhance its customer experience. Towards this end, TM has established two Twitter accounts – @TMCorp and @TMConnects – as alternative channels to engage with TM customers nationwide. As at March 2012, @TMCorp had over



6,400 followers and @TMConnect had more than 2,700.

True to its commitment to keep customers informed, @TMCorp serves as a medium to communicate updates on TM promotions, happenings, announcements as well as service disruption. Customers can acquire the latest information from this official Twitter account while benefiting from the 'tweets' to enjoy the promotions and participating in TM activities.

Meanwhile, the establishment of @TMConnects has opened up a new feedback channel for TM customers, complementing the various existing TM customer touch points such as TM Call Centre, TMpoints and e-mail. This channel allows subscribers to provide feedback and voice out any problems that they may be facing with TM services they subscribe to. Queries about TM products and services, promotions and offerings can also be channeled to @TMConnects for clarification.

Besides Twitter, TM has also taken the initiative to establish a Technical Council consisting of tech savvy bloggers and twitterati as well as technical experts from TM. The Council, known as TM Tech Council, meets quarterly to discuss any technical issue that TM may face with regard to its network, security, CPE and even product technicalities. As another engagement between the Company with the blogger community, the meetings have received very encouraging response, with members providing sincere feedback enabling TM to further enhance its offerings.

b. Interactive Communication at Contact Centres

As part of TM's initiative to foster a lasting relationship with customers, it has embarked on a series of Keep Customers Informed (KCI) initiatives. KCI programmes ensure customers receive timely and proactive updates on application status, trouble ticket status, and billing rebates via SMS. This effectively allows TM to manage customer expectations and assure customers of its commitment to resolving their issues.

Leveraging on its communications and Interactive Voice Response (IVR) infrastructure, Single Number Identifier (SNI) facilities allow for proactive notifications during major breakdowns impacting TM's clients to be done almost instantaneously without having to call in to respective DEL, broadband, UniFi or data services call centres.

SERVICE DELIVERY EVOLUTION

a. Collaboration

Collaboration is central to the way TM works, delivers services and innovates. To TM, collaborative relationships allow synergies to be created to produce benefits greater than those achieved through individual units.

To improve its DEL, broadband, UniFi and managed data service delivery, multiple platforms and war rooms were established to proactively identify, address and resolve key customer service issues across the Installation, Technical Faults, and Billing value-chain. Internal collaboration results in an improved customer experience guided by TM's Customers Service Charter governance.

One of the biggest Group collaborations to improve the customer experience has been the holistic Towards Operational Perfection (TOP) Project that covers sales channels, customer service as well as Network Operations. TOP urges TM to rethink the way the organisation works, and subsequently re-engineer its processes to be more efficient, to focus on end-to-end performance target in service delivery and quality, and to enhance employee productivity using 'S.H.A.R.P' guiding principles of being Strategy driven, Holistic Across end-to-end value streams, Replicable and People focused.

TOP ensures consistency in service delivery through aligning process metrics to the customer experience. It also aims to shift the Company's focus from local process performance at each department to an end-to-end customer-centric view. TOP further provides TM the mechanics to address future growth in a cost-effective way. With increasing demand for TM services, as seen throughout 2010 and 2011, simply adding more resources is clearly not an ideal solution – TM needs a mechanism to improve productivity, and this is one of the targeted results of TOP Project.

TOP Project also aspires to create a mindset shift among TM staff, by empowering them to question current processes, and bring about a continuous improvement culture. Staff are encouraged to identify improvement opportunities and generate solutions to capture these. These solutions are rapidly tested in mini-pilots, and refined before being implemented across the organisation.

Uniting Our Passion For Better Customer Service Delivery

As a result of TOP, installation and restoration cycle times have improved by 50.0-80.0%, placing TM on par with top quartile telcos globally. The Mean Time to Restore (MTTR) for voice and broadband services have improved by 50.0% and 70.0% respectively, while the MTTR for HSBB services in particular improved by 81.0% within nine months of implementation. The Mean Time to Install (MTTI) for voice and broadband services have reduced by 59.0% and 48.0% respectively, meeting TM's target to improve by 20.0% points.

The installation cycle time for HSBB improved by 54.0% within nine months, capitalising on the enhanced system capability and lean process re-engineering for the end-to-end HSBB fulfillment.

Implementation of the new UniFi operating model, meanwhile, has reduced customers' waiting time for UniFi provisioning by 80.0% with no additional cost and took TOP just four months to deliver.

Externally, TM's collaboration with VISA International to promote TM Autopay in 2011 is facilitating the payment process.

b. Systems and Technology

iCARE Prime (ICP) is TM's cutting-edge Customer Relationship Management (CRM) tool that helps to collate information about customers, sales, marketing effectiveness, responsiveness and market trends, all geared towards establishing loyal relationships with customers that are not only profitable but enduring.

Riding on the next-generation network, ICP was deployed nationwide on 10 October 2011, and has since improved operational effectiveness while enhancing the customer experience. Customer interaction points now have same 360 degree view of the customers across departments, enabling consistency in response and attention to customers' requests.

ICP manages better end-to-end fulfillment and assurance processes, especially for telephony and broadband services, expediting both the installation and restoration of these. All orders for telephony and Streamyx installations are assigned online on TM's service fulfilment scheduling system, and Combo orders can be assigned to a Single Installer. At the same time, customers can book appointments for the service provisioning as they apply for the Combo package.

ICP also promotes greater accountability and efficiency among TM resellers and agents, who are able to process orders on the ICP portal, and take full ownership of sales secured by them.

These enhancements have improved TM's installation cycle time by more than 50.0%, translating into speedier service delivery to customers and faster revenue realisation to the Group.

In addition, the ICP platform has streamlined all TM Call Centres and improved the tracking as well as effectiveness of delivery of trouble tickets and service restoration. This enables TM to address and resolve customers' complaints quickly.

By providing a 360 degree view of every customer, ICP also enables CRM Business Analytics to conduct more effective marketing campaigns targeted at specific customer needs while improving customer retention through predictive churn analysis.

CUSTOMER RELATIONSHIP EVOLUTION

TM believes in rewarding its valued loyal customers, thus the TM Reward Points Programme was launched in 2011 to enhance the existing reward programme and build long-lasting relationship. Free membership to the programme is open to all TM customers in appreciation of their support. Customers can visit www.tm.com.my to register and earn their first 500 points. Subsequently, they can obtain updates on www.tmrewards.com.my or by following TM on Facebook or Twitter. To redeem points, customers just need log on to the TM Rewards portal and click Use My Rewards Points or alternatively by visiting any TMpoint or calling 1-800-88-8887.

Customers can also redeem points to pay bills with a minimum of 500 points, equivalent to RM5. Other benefits include discounts and privileges from participating partners, contests and exclusive events. In the pipeline are collaborations with insurance companies such as AIA and Chartis to provide attractive insurance packages to TM Rewards members.

For its corporate customers, TM Golf 2011 was organised in collaboration with various strategic partners.

Fostering a Knowledge-Based Nation



connect
communicate
collaborate



Nurturing

Facts at a Glance

30,484

MMU graduates to date

5,521

MMC graduates

3,780

international students
from 77 countries

From the time it functioned as the Telecommunications Department of Malaya, TM has taken it upon itself to educate Malaysians so as to create local capabilities to fuel the industry. Today, the Group has two established learning institutions – the Multimedia University and Multimedia College – which are contributing towards a knowledge-rich workforce that is playing a crucial role in determining the future of the nation.

MULTIMEDIA UNIVERSITY

Multimedia University (MMU), set up through Universiti Telekom Sdn Bhd, is a wholly owned subsidiary of TM and the first private university in Malaysia, pioneering a successful model which subsequent private universities in the country have emulated. Today, as Malaysia is transforming into an education hub, the role played by MMU cannot be denied.



Since its inception 15 years ago, MMU has expanded into two thriving campuses which together have produced 30,484 graduates. There are currently 10,546 students in the Melaka campus and 9,189 students in the Cyberjaya campus. Of this student population, 3,780 are foreign nationals representing 77 countries.

MMU stands in relation to Cyberjaya the same way that Stanford University does to Silicon Valley, by churning out batches of quality knowledge workers. A large number of the international high-tech corporations in Cyberjaya are staffed with MMU graduates. Recognising the calibre of MMU graduates, these companies set up booths in the two MMU campuses to sign on soon-to-graduate students. Other firms across the country are also very receptive of MMU graduates. According to MMU's tracer studies, over the last several years, more than 90.0% of MMU graduates secure employment within six months of completing their studies.

Today, as the country is in the midst of implementing the Government's wide-ranging Economic Transformation Programme (ETP), the role of universities such as MMU has become more pertinent. The ETP has outlined 12 National Key Economic Areas (NKEAs) at its core. Of these, MMU is perfectly aligned to provide knowledge workers for at least eight, namely Energy, Financial Services, Business Services, Electronics and Electrical, Wholesale and Retail, Education, Healthcare, and Communications Content & Infrastructure.



The university, further, supports the nation's progress in terms of innovation. MMU promotes a vibrant environment of research and innovation, encouraging its researchers to undertake R&D activities and collaborations to create products with commercial potential. The university has its own commercialisation arm, MMU Energy, to take on the marketing aspects of such products.

MMU students, meanwhile, are required to take entrepreneurship subjects regardless of their chosen area of study. To motivate the students, MMU regularly enters a team for the MSC Malaysia-IHL Business Plan Competition. In 2010/2011, its team aced the Business Plan Category with a Typo Auto Corrector.

MULTIMEDIA COLLEGE

Multimedia College (MMC) has a history that dates back to 1948, when it began training Telecommunications Department personnel. In 1997, it broadened its scope by offering tertiary education to the public. It came into its current structure legally on 8 May 2009 when it was established as Multimedia College Sdn Bhd, a wholly owned subsidiary of Universiti Telekom Sdn Bhd.

MMC has a main campus in Kuala Lumpur and four regional colleges – Northern in Perak, Eastern in Terengganu, MMC Sabah and MMC Sarawak. It has a total student population of 1,787 and currently offers eight Diploma programmes accredited by the Malaysian Qualifications Agency (MQA), in the following areas:



- Technology (Telecommunications Engineering)
- Mobile & Wireless Communication
- Creative New Media
- Multimedia Technology
- Multimedia (Business Computing)
- Marketing with Multimedia
- Management with Multimedia
- Accounting with Multimedia

MMC held its 15th convocation on 12 October 2011, during which 954 graduates received their diplomas, increasing the total number of MMC graduates to 5,521 since 1997.

In addition to education, MMC has been given the responsibility to organise the Malaysian Technical Cooperation Programme (MTCP) under the Ministry of Foreign Affairs. The MTCP provides training to participants from 140 member countries and encourages the sharing of knowledge, especially in telecommunications. In 2011, 13 participants from seven countries – Sudan, Laos, Cambodia, the Philippines, Pakistan, Uzbekistan and Bangladesh – attended a course on Computer Forensics & Security, held from 21 November to 16 December.

MMC offers students an exceptional experience by coupling superior academic programmes with experiential learning within the TM environment. It plans to be more competitive within the sphere of private higher education by enriching its industry-driven programmes through strategic collaborations with other tertiary institutions throughout the nation.

Teaming With Passion – Harnessing the Energy of 1 TM



connect
communicate
collaborate



PASSION TO DELIVER

To maintain its competitive edge in the industry, TM recognises the importance of delivering an experience that sets it apart in the eyes of its customers and which inspires brand loyalty. Employees are encouraged to unite as 1TM, and build an internal community that is committed to execution excellence, delighting customers at every touch point.

TM Customer Service Academy

The Customer Service Academy (CSA) was established to improve the competency, confidence and capacity of TM frontliners in engaging with customers. To date, the Academy has trained more than 2,000 frontliners who are now equipped to manage their customer interactions in a more professional manner.

Human Capital Bersama LOBs

Human Capital Bersama LOBs fosters collaborations across TM's Lines of Business in the spirit of 1TM. Employees from different backgrounds, job functions and grades team up with colleagues from different states to deliver the best service to customers.

PASSION TO DRIVE PERFORMANCE

Energised by Teaming with Passion and Zone Business Council, employees are empowered to deliver and improve business performance, with the aspiration to provide the best service to our customers, particularly at the state level. This has inspired change in the performance management landscape in the states where it provides a platform for cross-functional performance assessment.

In support of this new approach, TM has introduced the State Performance Bonus as a subset of the Group bonus. It recognises and rewards collaboration among employees in the states, thus ensuring smoother business processes and greater customer experience.

Facts at a Glance

More than

RM2.45

million total payout of Specialist Scheme incentives in 2011 for 164 identified employees

RM10

million total amount of performance-based GCEO Merit Awards distributed to 1,158 employees

24 executives

in Fast Track Programme

united

Over the years, TM has nurtured a performance-centric culture, recognising that a motivated workforce produces the best results. There is much focus on team and individual performance, which is rewarded with professional development opportunities and appropriate remuneration. Additionally, TM realises that with 26,667 employees the potential synergies that can be created by teamwork is immense. Hence, concerted efforts are made to create a sense of solidarity across the Group, to unite all employees with passion – passion for their work, for serving customers, for the Company, and even for the country. Most recently, the Teaming With Passion (TWP) programme has truly forged a one-company mindset that is propelling TM ahead from strength to strength. By being passionate about its workforce, TM is recognised as one of Asia's best employers while the sterling results obtained have placed it among the region's top telco players.

Teaming With Passion – Harnessing the Energy of 1TM

Additionally, the GCEO Merit Award recognises high-impact team initiatives that contribute to company performance. For this, a total payout of RM10 million was distributed to 1,158 deserving employees.

To ensure key technical personnel are competitively compensated, the Specialist Scheme was introduced to motivate selected employees to acquire and develop new emerging technologies so that TM continues to be the leader in high speed broadband technology.

Identifying Potential Leaders

TM realises it is imperative to have a pool of leaders who can navigate the Company as it implements various plans and projects that are integral to the COOL Strategic Roadmap. In order to identify potential leaders, the Company has developed an assessment that measures the competencies of executives and indicates their readiness for promotion to the next level up the corporate ladder. In May 2009, TM had introduced Leadership Competencies based on five main areas, namely Service Excellence, Engage and Nurture, Result Driven, Value Innovation and Excellent Relationship. The new leadership assessment on measures competencies along these five lines using defined tools and methodology. A total of 54 senior management officers from different divisions have been trained and certified to conduct this leadership assessment.

Meanwhile, 779 executives and managers nationwide went through the assessment in 2011.

Building a Leadership Pipeline

Once potential leaders are identified, TM ensures they are given the opportunity to fully develop their capabilities in order to build a healthy leadership pipeline to safeguard TM's business. Towards this end, TM employs a mix of on-the-job and in-class training,

which it continually enhances. In July 2011, the Company launched a new Business Leadership Programme to provide leaders with deeper insight into TM's business, enhance their decision-making capabilities, and train them to be accountable for their decisions, serve as role models of TM's corporate values and improve their teams' performance. As of end 2011, 56.0% of TM's leaders had attended the programme.

To further grow its talent pool, TM also participates in career fairs to scout for graduates with potential, and looks out for experienced talents from the industry. New recruits who show potential are entered into a Fast Track Programme (FTP), introduced in 2010. As of end 2011, there were 24 executives in this programme. They have been given a structured development plan, which includes job rotation, to build their leadership skills.

Connecting Talents

TM believes in connecting talents with opportunities in order to nurture a leadership pipeline. Mobility within the organisation is encouraged to allow talents to gain invaluable experience. TM also collaborates with other GLCs and government agencies on the Cross Assignment Programme to expose talents to business challenges outside of TM. In 2011, TM mobilised 77.0% of its talents within the organisation and third parties. It also managed to identify successors for 93.0% of its key positions, while 89.0% of all vacant positions were filled by those who had been earmarked for their respective functions.

Empowering Women at the Workplace

TM recognises that, to maximise its human capital potential and achieve optimum results, it is crucial to empower its women employees and ensure they contribute to the Company to the best of their abilities. Women are encouraged to participate fully in the business

and are given equal access to career development, learning and development as well as medical benefits.

4.7 %	Of Management Team = Women
21.2 %	Of Group Leadership Team = Women
10.0 %	Of Management Committee = Women
43.0 %	Of Talent Pool = Women
37.0 %	Of Total Workforce = Women

In appreciation of the women who have contributed, and continue to contribute, to TM's growth over the years, the Company organised its first *Hari Wanita* in 2011. As part of the celebration, TM showcased the success stories of its women talents in order to motivate all other women in the organisation to aspire to greater heights.

Technical Specialist Career Ladder (TSCL)

In 2011, TM developed a Technical Specialist Career Ladder (TSCL) to provide an alternative career track for technical employees whom TM recognises as being the bread and butter of the Company. A number of technical specialists were nominated based on their skills and contribution to TM.

The objectives of TSCL are:

1. To retain talent/expert staff for certain areas/technologies.
2. To motivate employees to acquire and develop new & emerging skills.
3. To ensure alignment with the market with a competitive framework and reward.
4. To reward key skills by recognising 'specialist talent'. This will ultimately replace the current Market Competitive Incentive (MCI).



A first batch of 123 employees from Information Technology & Network Technology (IT&NT) division were chosen as specialists on 1 May 2011, while another 41 employees from Group Information Technology (GIT) were enlisted beginning 1 November 2011. A total of RM2,456,000 were paid as incentives to the 164 identified employees.

The scheme will be expanded to include GEMS, TM Research & Development (TM R&D) and TM Enterprise.

In-band Upgrading for Executives

TM introduced an In-band Upgrading scheme for executives in 2011 to complement its Job Broadbanding initiative. In-band Upgrading provides employees with opportunities to climb up the career ladder faster, without having to fulfill requirements such as job rotation. Individuals who have been in the same band for a long time can now expand their job scope horizontally based on their capabilities. This encourages employees to work harder and promotes a performance-driven culture as it is linked to a reward plan. In addition, the scheme empowers line managers to chart the career progression of their staff.

Non-Executives Career Path

As it does with executives, TM is also offering in-band opportunities for non-executives, allowing them to grow their capabilities in order to meet performance and productivity expectations. Via a newly introduced scheme, non-executives can command higher salaries even if they stay in the same band. This serves to motivate existing staff and attract new talents to join TM. TM is also introducing a new assessment for non-executives to ensure it always gets the best candidate for the job.

PASSION TO INNOVATE

The Human Capital Shared Services Organisation (HCSSO) arm of Group Human Capital Management (GHCM)

supports all Lines of Business within the Group, including the subsidiaries. This enables the efficient delivery of Human Resource (HR) transactions, centralised administrative services, systems and application support.

A significant improvement in 2011 was the upgrading of new e-claim management system for employees to submit and manage their claims online. The upgraded system has reduced the number of non-conformities, minimised human error and increased accountability. This fast and convenient process also eliminates the problem of misplaced claim forms.

PASSION TO ENGAGE

Acknowledging that an engaged workforce is a productive workforce, much emphasis has been given to designing activities that unite employees in achieving TM's business goals. Some key events include *Hari Wanita*, the GHCM Open Day nationwide, Raya Merdeka Celebration and the Safe Riding Campaign which attracted the participation of thousands of TM employees nationwide.

In addition, various communication platforms are used to facilitate open dialogue between management and employees. These include the Leader's Dialogue with staff, online chatrooms, face-to-face sessions, video streaming and newsletters.

Engaging the Unions as an Extension of Human Capital

TM employees are represented by four trade unions, namely the National Union of Telecommunication Employees (NUTE), Union of Telecoms Employees Sarawak (UTES), Sabah Union of Telekom Malaysia Bhd Employee (SUTE) and Sabah Union of Telecommunication Employees (SUTEN).

Management engages with these unions as an extension of the Company's

human capital. They work hand-in-hand to ensure the workplace is conducive for all employees. At the same time, the management continuously gathers feedback from the unions and addresses concerns promptly. Both the unions and management have one common goal: to improve the Company's performance. Both believe that a company that performs well is best able to see to the well-being of its employees.

Engaging Contractors for Safety Best Practices

TM is the only telco in Malaysia to enforce a customised Occupational Safety, Health & Environment (OSHE) induction programme on its contractors. Since its inception in late 2006 until end 2011, the NIOSH-TM Safety Passport programme has trained 32,459 contractors' personnel.

PASSION TO BE THE BEST

TM's efforts to develop its workforce and create a workplace which enhances their well-being do not go unnoticed. At the national level, in 2011, it won the Outstanding Employee Awards for both Executive and Non-Executive categories from the Ministry of Human Resources, Malaysia. Internationally, TM received Asia's Best Employer Brand Award in recognition of its efforts in:

- Creating a culture of contribution and innovation at work
- Consistently improving HR policies by measuring organisational health and inculcating values that help to achieve its vision
- Being a social employer
- Developing future leaders

In the safety and health arena, TM Kelantan won the National OSH Excellence Award 2010 for best Communication from the National Council for Occupational Safety and Health of the Ministry of Human Resources.



Team Malaysia is a TM initiative to catalyse a culture of passion for sports and to unite sports fans as we celebrate every Malaysian sporting win through connective technology and innovative marketing.

Recognising the power of sports to whip up feelings of patriotism, Team Malaysia brings the nation together as we root for our athletes in world-class events. It joins us in pride for the nation and exhilaration as we watch our sportsmen and women carry the Malaysian flag and demonstrate the physical skills, the concentration, dedication, staying power and winner's mentality of our nation.

Being fan-based, Team Malaysia stands apart from other sports programmes, as its aim is to own the passion for sports as opposed to the sport itself. Hence, our tagline 'Uniting Our Passion' manifests the core essence of Team Malaysia's mandate. What's more, its scope is extensive; Team Malaysia targets every man, woman and child who is proud to be Malaysian.

Team Malaysia was launched on 28 April 2011 at Menara TM. Representatives from The Ministry of Youth and Sports,

National Sports Council (MSN), Olympic Council of Malaysia (OCM) and TM were present for the signing ceremony and the unveiling of Team Malaysia's logo and umbrella campaign concept 'Without Fans It's Game Over For Sports'. We then stamped the unique identity of Team Malaysia and the TM brand by getting all fans to sport the Team Malaysia Panthera jersey. The launch campaign subsequently gained momentum through a series of events and road shows commencing with *Hari Belia Negara* in May 2011 at Jalan Bukit Bintang and *Hari Perhimpunan Sejuta Belia* in

Putrajaya, where we connected and converted a sea of youth to embrace the spirit of Team Malaysia. In June 2011, Team Malaysia partnered with the Football Association of Malaysia (FAM) to identify and nurture grassroots talents in football in order to further raise the standard of the sport. The activity also spread beyond football with SUKMA 2011 (the Malaysian Games), where Team Malaysia once again raised awareness of the importance of sports to our community. With increased awareness, more people are starting to realise that being a sportsman can be a fruitful





career for any Malaysian talent. This, in turn, encourages parents to support the sports ambitions of their children to develop their sporting talents into professional careers.

In the second half of 2011, the Team Malaysia cult following continued to heat up with the assembly of legions of fans at the Bukit Jalil grandstands supporting our national footballers as they competed in friendly matches against top English Premier League

(EPL) teams namely Arsenal, Liverpool and Chelsea. With passions running high, our team continued to play to a full stadium during the World Cup 2014 qualifying rounds in the same month. In August, the programme tapped into TM's connections with key national sports institutions to develop a music video, titled *Gemuruh Suara*, to rouse and unite Malaysians in advance of the 26th SEA Games in Jakarta-Palembang, Indonesia. The music video was released online on MSN

Video in October, featuring seven key sports, namely football, badminton, cycling, archery, shooting, squash and hockey. It captured over 200,000 supporters of the Malaysian SEA Games contingent.

Team Malaysia's dynamic run continued in November at the Monsoon Cup in Terengganu, more rural and sub-urban markets also joined in the action in lifting the country's passion for sports to a level like never before.

More innovative marketing programmes are in place to grow TM and the Team Malaysia brand. One is to reinforce our customers' loyalty through fortifying our service relationships. We also aim to empower our customers with cutting-edge technology to enable them to enjoy an enhanced digital broadband lifestyle to the full. Ultimately, we hope to use our power to connect to unite the country's passion for excellence.



Building Capabilities through Learning and Development

Potential

Facts at a Glance

11.4%

increase in training participation compared to 2010

21,752

participants trained in HSBB and IP-related programmes in 2011

22,043

staff participated in service improvement related programmes



In order to maintain its competitive edge, TM ensures its employees work efficiently and with a high degree of professionalism. Continuous training and development is therefore part of TM corporate culture; it features prominently in the work environment as TM strives to improve its service level, enhance productivity and engage more meaningfully with its employees.

In 2011, a total of 78,950 participants attended training across the board, marking an increase of 11.4% from 2010. A particular area of focus in 2011 was building and strengthening customer service-related skills. At the same time, TM continued to lay emphasis on the development of leadership and supervisory skills to realise the true potential of all its employees.

For the year 2011, a total of 21,752 participants were trained in HSBB and IP-related modules. Moreover, intensive training programmes were designed to cover not only the technical know-how, but also the interpersonal aspects of customer service such as UniFi Sales & Installation, UniFi Product & Business Rules and HSBB Frontliners Training.

Facilities at TM Training Centres (TMTC) nationwide continued to be upgraded to support the Group's training requirements, especially in IT and other technical areas.

SERVICE WITH A SMILE

In 2011, significant measures were taken to equip TM employees at various levels and fields with customer service-related competencies as well as people management skills. No less than 28.0% of all TM's training for the year focused on enhancing customer service, which forms an essential part of TM's transformation programme. A total of 22,043 staff participated in service improvement related from programmes, at a cost of RM15.4 million. Of this, more than RM2 million was allocated to a Superb and Meaningful Interaction



Dato' Seri Mohamed Khaled Nordin and the participating organisations including TM during the launch of HEIGIP Programme.

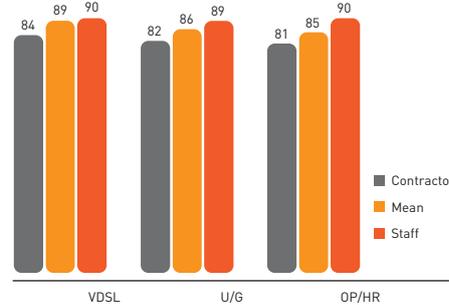


COMPARISON FOR UNIFI STAFF AND CONTRACTORS

No. of Teams Assessed

Category	Technologies	Team Evaluated
Staff	VDSL	73
	FTTH U/G	27
	FTTH OP/HR	32
Contractor	VDSL	12
	FTTH U/G	27
	FTTH OP/HR	27

Average score of the Assessment



- Only a few TM teams were assessed for FTTH as most of the FTTH jobs were awarded to contractors while TM staff concentrated on VDSL jobs during the assessment period.
- Overall, TM staff proved to be more competent than contractors in the technologies assessed.

Leading to Excellence (SMILE) project that aims to improve overall customer service satisfaction. SMILE comprises three semesters of training, and in 2011, 2,075 participants completed Semester 1 of the programme.

At the same time, more than 8,000 managers from various levels attended leadership and supervisory skills training nationwide. IT and technical training was also geared up to ensure technical staff as well as vendors are able to meet all customers' expectations in the course of service delivery.

UNIFI COMPETENCY FOR HSBB INSTALLERS

The behavioural and technical competencies of HSBB installers – both TM staff and contractors – are monitored via On-the-Job Assessments (OJAs). In 2011, a total of 73 teams comprising TM staff and 27 teams of TM contractors from the central region were assessed at customers' sites on their knowledge and technical competencies related to UniFi processes and work instructions. The assessment was based on two technologies, VDSL and FTTH, with FTTH being further divided into FTTH Underground (U/G) and FTTH On Pole and

High Rise (OP/HR). The chart and graph presented display the average scores of TM staff and contractors on these technologies.

As the diagrams show, TM contractors are not as knowledgeable as staff on HSBB technologies. To bridge this gap, and ensure a high level of service, all contractors are required to attend relevant training programmes offered at TMTC, following which they are assessed and certified.

INNOVATIVE TRAINING DELIVERY

As a technology-driven company, TM has adopted the use of ICT to further enhance its training and professional development offerings to staff. Beginning 2010, the Company introduced e-learning modules to provide flexibility and convenience to the professional development process. In 2011, TM's e-learning menu was enhanced with the addition of 22 new modules covering various fields of study inclusive of IT, technology and management. Staff are able to access such training wherever and whenever it suits them. With such convenience, in 2011, 26.0% of staff (20,784 participants) training was conducted online.

Meanwhile, in classroom training, multimedia and video aided learning were introduced to inject an element of fun and create a more interactive environment. Trainees were also given the opportunity to personally experience the full scope of UniFi at the UniFi Experience Centres located in TMTC Kuala Lumpur and Sabah.

ON-BOARDING FOR NEW EMPLOYEES

From the time new recruits join TM, they are engaged in a structured on-boarding programme. This serves as a wide-ranging induction course, equipping the new hires with information on the Company's mission and vision, products and services and its overall business direction. During their time with TM, employees are required to attend a minimum of 40 hours' training a year based on their functionalities plus other general management programmes to enhance their skills and hone their leadership capabilities as well as to keep them updated with current business needs.

SUPPORTING GOVERNMENT'S HUMAN CAPITAL DEVELOPMENT INITIATIVES

In support of the Government, TM participated in Government programmes such as *Skim Latihan 1Malaysia* (SL1M), which helps graduates gain employment. In 2011, TM recruited 150 SL1M participants, who were deployed into the various functions throughout the Company, for a period of six months. The participants were involved and exposed to in daily business operations to enrich their work experience and allow them to gain useful skills and capabilities.

TM was also involved in HEIGIP (High End Industries Graduate Internship Programme), a smart partnership with the Ministry of Higher Education.

Occupational Safety, Health and Environment (OSHE)

Facts at a Glance

**National
OSH
Excellence
Award 2011**

(Communication
Category) – for TM
Kelantan

154.8 tonnes
of e-waste collected

**3 EMS
ISO 14001**

complexes certified
EMS ISO 14001



TM will continue to ensure a safe workplace for its employees by constantly reinforcing safety principles and practices. In 2011, the Company maintained its Zero Fatal Accident record among employees.

SAFETY PERFORMANCE

TM has maintained a Zero Fatality record since year 2010. However, there was a slight increase in number of accidents. A total of 36 accidents were recorded in 2011 [Figure 1]. Although this is 28.6% higher than in 2010, the accident rate of roughly 1.33 accidents per thousand employees is significantly better than the National Average Incident Rate (IR) of 3.4 injuries per thousand workers (2009).

The increase in number of accidents resulted in a corresponding increase in lost work days (LWDs), from 158 days to 872 days [Figure 2]. Two accidents, in Penang and Selangor, caused by falling from height resulted in 280 and 96 LWDs respectively, contributing to about 43.0% of the total LWDs in 2011. Various initiatives have been put in place to address falls, including the supply of ladders with additional safety features such as the V-Bucket, Lanyard and Step Extender.

In 2011, 68.4% of the accidents recorded were due to personnel falling from high places, a result of field work that involves climbing ladders or poles.

Safety



has to be properly disposed of so as not to negatively impact the environment. With that in mind, the e-Waste Disposal Project was implemented in October 2010. Following its initiation, TM collected and disposed 154.8 tonnes of e-waste in 2011 as compared to 64.0 tonnes in 2010. With more than 200 tonnes collected thus far, it is expected that future waste collection will be significantly lower.

Accident-Free Awards

TM creates healthy competition among all state operations to strive for an accident-free environment with its Accident-Free Days Awards, introduced in 2009. These awards recognise the achievement of 100, 200 and 365 days with no accidents. The state of Pahang has achieved two accident-free years encompassing 730 days consecutively.

ACTIVITIES & PROGRAMMES

TM complies with all applicable Occupational Safety, Health and Environment legislation and other requirements. To promote a culture of safety, various programmes are run to instill safe work habits while awards are given in recognition of exemplary safety performance. As a responsible organisation, TM also extends these programmes to its contractors. This serves not only to benefit contractors' personnel but also to create a safe environment at all TM work sites.

Doctor (OHD). This fitness certification is valid for two years and should be kept for 30 years for reference. To comply with this new ICOP, TM launched a Confined Space Medical Surveillance Programme in November 2011 for about 1,400 Network Operations and Network Development personnel. The programme is expected to be completed in the third quarter of 2012.

e-Waste Management

The Environmental Quality (Scheduled Waste) Regulations 2005 stipulates that all scheduled waste including e-waste

Confined Space Medical Surveillance Programme

Working in a confined space imposes physiological demands which may affect workers' health. The Industry Code of Practice (ICOP) for Safe Working in a Confined Space 2010, gazetted in July 2010, therefore requires employers to ensure that all employees and contractors' personnel working in confined spaces are certified fit physically and mentally by an Occupational Health

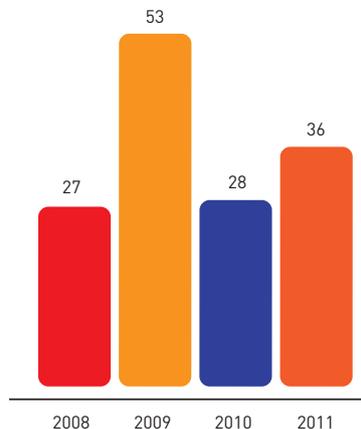


Figure 1: Accident Cases

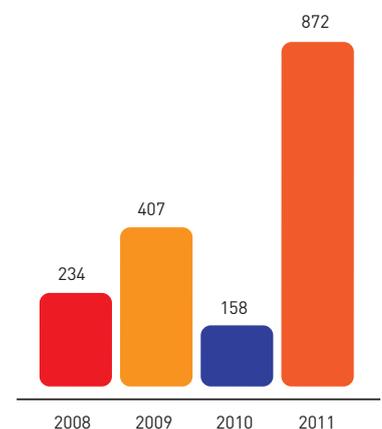


Figure 2: Last Workdays

States that have won the Awards since its introduction:

No	Category Of Awards	2011	2010	2009
1.	The 365-Days Accident-Free – Premier Award	Pahang	Perak	Kedah / Perlis
	The 365-Days Accident-Free – Special Mention	MSC	Perak, Kuala Lumpur, Pahang & Terengganu	MSC and Penang
2	The 200-Days Accident-Free Awards	Pahang, MSC, Negeri Sembilan	Kedah/Perlis, Pulau Pinang, Perak, Kuala Lumpur, Pahang, Terengganu, Johor & Sabah	Kedah/Perlis, MSC, Penang & Kelantan
3	The 100-Days Accident-Free Awards	Pahang, MSC, Negeri Sembilan and Terengganu	Kedah/Perlis, Penang, Perak, Kuala Lumpur, Pahang, Terengganu, Johor & Sabah	Kedah/Perlis, MSC, Penang & Kelantan

OSH Conference 2011

An OSH Conference was held in April 2011 at Menara TM, attended by 150 participants, mostly supervising officers (SO) who oversee network projects carried out by TM contractors. The one-and-a half day conference provided in-depth knowledge of safety rules and regulations at the worksite, particularly for work carried out in confined spaces. It also educated the participants on the new Industry Code of Practice for Safe Working in a Confined Space 2010.

OSHE Posters

The OSH Act, 1994 stipulates that employers have to provide adequate safety information to all employees. Towards this end, the OSHE Unit came up with TM safety posters that reinforced safety measures in high-risk activities, the use of personnel protective equipment and the introduction of the 6S (ie sort, straighten, sweep, standardise, sustain, safety) methodology.



Health Campaign

TM took part in the 14-day Nestle Shape Up Challenge launched by Nestle and Fitness First in October 2011. The programme also attracted the participation of Maybank, Etiqa, The Star, Genting, Ericsson, DiGi, QSR and Exim

Bank. The aim was for participants to lose as much weight as possible. A total of 61 teams from TM took part, with the 183 employees forming the biggest group of participants.

NIOSH-TM Safety Passport (NTMSP)

Since its inception in late 2006, this joint programme between NIOSH and TM has led to 32,459 contractors' personnel being trained. TM is the only telco in Malaysia to enforce this customised OSHE induction programme on contractors' personnel.

Confined Space Training

In accordance with the ICOP for Safe Working in a Confined Space 2010, TM provides a two-phased module comprising the Authorised Entrant and Stand-by Person (AESP) Course followed by the Authorised Gas Tester and Entry Supervisor Course. Once certified, employees must undergo a refresher course every two years. AESP is a customised course developed in collaboration with NIOSH. Six pilot training sessions were conducted in December 2011.



Other OSHE-Related Training

Various other OSHE-related courses were conducted either by external or in-house resources. These include the Basic Occupational First-Aid (BOFA), Train-the-Trainer, Ergonomics Awareness Training, OSHE Audit, OSHE Appreciation Course and OSHE Laws. OSHE managers were also called upon to give safety & health talks as part of TM's Supervisory Courses and On-Boarding Programme.

Hazard Identification, Risk Assessment & Risk Control (HIRARC) Programme

In 2010, a Hazard Identification, Risk Assessment & Risk Control (HIRARC) programme was drawn up, which Group OSHE Steering Committee has made compulsory for every TM Operating Company. Property Operations (PO) is one of the first to adopt the programme which is still being fine-tuned. A review of 10 Work Instructions identified by HIRARC began in 2011 and is expected to be completed in the first quarter of 2012. Meanwhile, Network Delivery has developed a comprehensive OSH Management System based on HIRARC.

Ergonomics Study

Ergoworks Sdn Bhd was appointed to conduct an Ergonomics Assessment in TM to ensure a conducive work environment in order to increase the Company's bottom line. The assessment was conducted at 30 Customer Service Management work stations nationwide. A Body Symptoms Survey was also conducted involving 232 employees. According to the assessment, office ergonomics at TM is manageable. However, to reduce the long-term risks of musculo-skeletal injuries, TM will develop ergonomics guidelines which will be completed in 2012.

ACHIEVEMENTS

During the year under review, TM Kelantan, TM Perak and TM R&D represented TM in the National OSH Excellence Award 2010 organised by the National Council For Occupational Safety and Health (NaCOSH) under the Human Resources Ministry. TM Kelantan was named winner of the Communications category. In previous years, TM Penang, TM Kedah/Perlis and TM Sarawak have won this award.

Meanwhile, three TM complexes were EMS ISO 14001 certified by SIRIM with minor non-compliance notices. The complexes were TM Johor Bahru, TM Alor Setar and TM Cyberjaya.

THE WAY FORWARD

TM will continue to enhance its OSHE performance by focusing on enforcement and conducting more worksite inspections in 2012. The Company acknowledges that the rapid pace of HSBB installation has contributed to an increase in number of accidents and is committed to emphasising safe practices among employees and contractors to improve its OSHE record.

Corporate Responsibility

Reaching out

Facts at a Glance

11,547

lives benefited from 10 schools under TM's School Adoption Programme

132.13m³

average water recycled per month via Water Recycling Irrigation Project

1,368

participants were involved in TM Earth Camp



Corporate Responsibility (CR) in TM is guided by a comprehensive CR Strategy which reflects the Group's vision to be Malaysia's leading new generation communications provider, embracing customer needs through innovation and seamless execution. In day-to-day operations, this covers promoting service excellence to enrich customers' lifestyles; providing a conducive environment to motivate and empower employees; upholding the highest principles of Corporate Governance to increase shareholder value; responding to societal needs including marginalised communities; and continuing to develop the nation by providing a new generation of innovative services and solutions.

TM's CR Strategy incorporates the Company's Corporate Integrity as well as our Kristal Values of Uncompromising Integrity; Total Commitment to Customers; and Respect and Care. It further includes the guidelines contained in the Silver Book for government-linked companies (GLCs), *Achieving Value Through Social Responsibility*. At TM, CR has become part of our corporate DNA; all our employees are expected to embrace the principles of responsibility and integrity in their dealings with our various stakeholders.

TM has been duly recognised for its efforts via several prestigious accolades, notably the National Annual Corporate Report Awards (NACRA) Overall Excellence Award for Most Outstanding Annual Report of the Year – Platinum Award in 2011, with a Silver Award for CSR; and at the Association of Chartered Certified Accountants Malaysia Malaysia Sustainability Reporting Awards as Winner – Reporting on Social Performance.

TM's CR approach is not only based on the four CR dimensions of workplace, marketplace, community and environment; TM has further broken down the latter two dimensions into three pillars for Corporate Social Responsibility (CSR) that is: Community/Nation-Building, Education and the Environment.

Reaching out

Promoting green knowledge

TM, MNS sign deal for a second year of eco-camps

By FADZLINA KAZI
Photos: SHARIF MOHY

TELEKOM MALAYSIA BERHAD (TM) and the Malaysian Nature Society (MNS) have signed a second-year deal for eco-camps.



24 EVENTS | Singapore, December 10, 2011

Earth camp heads to Perak

Taiping hosts fourth stop of 6-leg series

TELEKOM MALAYSIA BERHAD (TM) and the Malaysian Nature Society (MNS) have signed a second-year deal for eco-camps. The fourth stop of the six-leg series is being held in Taiping, Perak and Kuala Lumpur.

The fourth stop of the series, held in Taiping, Perak, was held on March 23-24. The camp was held at the Taiping Eco-Camp, which is a 100-acre site with a variety of activities and facilities. The camp was held in a lush green area with a variety of trees and plants. The camp was held in a lush green area with a variety of trees and plants.



First-hand experience

Students learn about the environment

BACK for the second year, Telekom Malaysia Berhad's (TM) Earth Camp started in March and will be wrapping up in July in several locations in Malaysia.

The collaboration with the Malaysian Nature Society (MNS) programme is a three-day, overnight event for students who are members of Kuala Lumpur Youth Centre and other environmental groups.



More-deep effort: Participants of the Earth Camp edition planning a tree of the 200 mangrove trees along the Kampong Mangrove shoreline.

Due for the album: Some of the participants of the Earth Camp edition gathered for a group photo.



TM's CR efforts getting recognition in major newspapers and publications.

WORKPLACE

TM strives to be an employer of choice so as to attract and retain the best talents. Towards this end, we provide a stimulating work environment that motivates employees to perform, allows them to develop their true potential and that satisfies their need to achieve a good work-life balance. With 26,627 employees nationwide, we also believe in engaging with our employees to engender a feeling of belonging, and to harness a team spirit built on commitment, harmony and integrity in working towards a common Group vision.

Employee Engagement

In 2009, we had introduced a programme to promote positive leadership among our senior management and align them with the Group's aspirations. This programme, called *Teaming With Passion* (TWP), proved so successful in creating a feeling of camaraderie, or 1TM, that it was run with all levels of employees from 2010 onwards.

At the same time, there exist various platforms to create an open channel of communication between management

and employees. The GCEO himself interacts directly with staff at sessions such as the Teh Tarik with GCEO, Turun Padang with GCEO, Jom Bersama GCEO and via his blog on the Company intranet. His teh tarik sessions have subsequently been extended to *Teh Tarik* with the Group Leadership Team; while our top management also engage with staff at the Leaders Dialogue, when they share personal experiences and knowledge. During the year, a new initiative was launched called Chill Out with Group Corporate Communications (GCC) with the aim of extending corporate messages

to staff at the ground level, especially staff who interact with customers to whom the importance of good communication is stressed. The programme began with 80 employees from TM Pahang in November 2011, and will be introduced in four other states in 2012.

As a result of these initiatives, the My1TM Survey [previously known as the Employee Engagement Index] conducted in 2011 showed a higher level of engagement at 89.0% as compared to 86.0% in 2010. This far exceeds the Malaysian average of 7.7% and even the global benchmark of high performing companies of 84.0%.



Engagement by the management, complemented by employees' involvement creates a winning formula for a conducive and harmonious workplace in TM.

TM organised its first ever Women's Day in March 2011 in appreciation of its women employees.



Training and Professional Development

In order to help our employees realise their true potential, TM provides continuous training and professional development opportunities, which begins from the time a new recruit joins the Company. The On-Boarding programme is structured to expose new employees to the different aspects of TM's operations. We also have a Fast Track Programme that identifies potential leaders and allows them to accelerate their career progression. In order to maintain a steady leadership pipeline, we place high achievers into our Talent Pool, and provide them with a structured programme to groom them into future leaders.

Most of our training modules are delivered at the TM Training Centre, which offers a mix of technical and soft skills programmes, using a blend of delivery methods to achieve optimum results. Employees are also sent for external programmes where these are deemed relevant. In recent years, we have also begun to make available a greater



number of training modules online for greater convenience of our employees, all of whom are expected to undergo a minimum of 40 hours of structured training a year.

Appraisals are conducted biannually for all employees, in which performance is measured against individual key performance indicators, while competency levels are also monitored via a Competency Index (CI) study. In 2011, a total of 9,435 executives from TM and local subsidiaries were assessed compared to 9,136 in 2010. The assessment recorded an increase of the CI score from 85.0% in 2010 to 86.0% in 2011.

Empowerment of Women

TM has always practised gender equity, by offering the same career opportunities and salaries to employees who do the same job, regardless of their gender. In addition, we provide extra benefits and facilities for women such as a childcare centre at Menara TM and specialised medical benefits and facilities such as gynaecology services to help them better manage the demands of their professional and personal lives. In 2011, we went a step further by organising our inaugural Women's Day, which actually took place over three days from 23-25 March 2011.

Employment & Benefits

TM offers competitive employment packages with salary schemes that reward high performers who create business value for the Company. Full-time employees receive comprehensive medical coverage which includes their spouse and children. To safeguard employees' retirement years, we contribute an additional 4.5-7.0% over and above the mandatory employer contribution of 12.0% of an employee's salary to his or her EPF savings, depending on how long the employee has served the Company. TM also provides social and recreational facilities including a fully-equipped sports complex, gymnasium, mosque and cafeteria at our headquarters, Menara TM. Counselling is provided by a professional and certified counsellor through the Employee Assistance Programme for any employee facing work-related or personal problems.

Safety & Health

TM is committed to keeping our workplaces free from hazards and all employees are required to comply with provisions of our Occupational Safety and Health Manual. We ensure all personnel have appropriate training and competency in Occupational Safety, Health and Environment (OSHE) matters. Extra focus is placed on employees who engage in work that has been identified as high-risk, for example those who work at height or in confined spaces. Such employees are required to have valid National Institute of Occupational Safety & Health (NIOSH) TM Safety Passports in order to carry out their functions. This applies equally to our contractors and sub-contractors. Towards promoting a healthy workforce, we organise health talks and began an in-house weight loss programme, the Quarter D Pounder.

Engagement with Unions

Our non-executives have very powerful representation at the Management level via the four unions: the National Union of Telecommunication Employees (NUTE), Sabah Union of Telekom Malaysia Berhad (SUTE), Union of Telekom Malaysia Berhad Sarawak Employees (UTES) and Sabah Union of Telecommunication Employees (SUTEN). These unions are kept updated of all proposed changes in Company policies, and their views taken into consideration before new policies are implemented. In 2010, new collective agreements were signed with the three unions covering a three-year period from 2010 to 2012. These agreements enforce stronger provisions in relation to Occupational Safety and Health.

MARKETPLACE

We believe, as the country’s leading telecommunications provider, we should promote healthy competition and fairplay in order to benefit the end user.

This is perfectly encapsulated by our offering open access to our high speed broadband (HSBB) network, through which we are also positively encouraging the development of a Communications Content and Infrastructure (CCI) ecosystem, which has been targeted as a National Key Economic Area (NKRA) in the Government’s Economic Transformation Programme (ETP).

We also believe that, as a responsible corporate citizen, we need to demonstrate the highest level of integrity in our dealings with vendors/suppliers as well as our customers.

Vendor Relations

TM is committed to supporting locally based suppliers although products are sourced internationally when the need arises. In 2011, 16,186 of 16,583 suppliers (98.0%) were locally based. Priority is given to Bumiputera manufacturer status companies.

To further develop the capability and capacity of small and medium-sized local manufacturers, contractors/ service providers and resellers/retailers, our Procurement Department has administered an Vendor Development Programme (VDP) since 1993. This programme provides technical, entrepreneurial and soft skills training as well as advice on funding and certifications.

We are guided in our interaction with vendors by comprehensive Procurement Ethics, Rules and Guidelines. To facilitate ease of transaction with our suppliers, in 2010, we introduced an online Supplier Management System (SRM) which was improved on in 2011 to include an online invoice function, which enables suppliers to submit their invoices online and to track the status of their payment via the SRM-SUS portal.

In order to gauge our vendors’ satisfaction with the Group, we conduct an annual online survey. Parameters measured in this survey include the competency of TM staff in managing procurement activities; adequacy of tender; Request for Quotation; Direct Award and Contract Management practices; and effectiveness of the SRM system. In 2011, 1,093 suppliers responded to this 60-question Transparency Index (TI) survey and a score of 7.4 was obtained against a target of 7.85, compared to 7.7 in 2010.

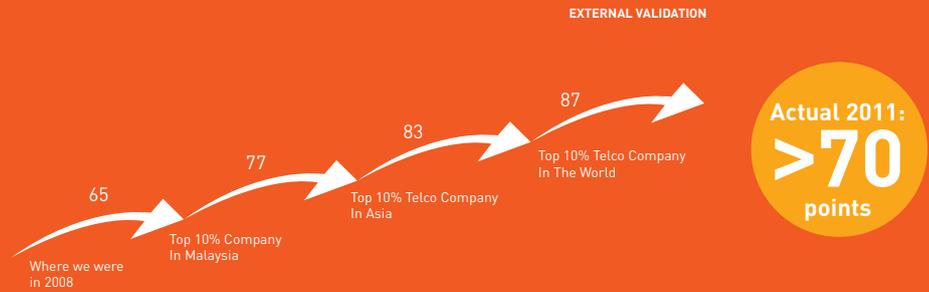
Customers First

Customers are the ultimate barometer of our success as a telco, and every effort is made to ensure the highest level of product and service quality in order to increase our customer base and garner their loyalty. We monitor international and local trends to keep a pulse on emerging lifestyles and the products that would best enable these. Products are developed at TM R&D, which was ISO 9001 certified in 2002 and has maintained this certification under the scope of Planning, Research & Development, Consultancy, Testing and Product Delivery for ICT.





TM Customer Satisfaction Index (CSI) 2011 – 2014 Roadmap



	2010	2011	2012	2013	2014
Target (points)	68	70	72	74	76



Loyalty pays – a customer receiving a token of appreciation from TM for his subscription to TM's services.



A demonstration of TM's new Customer Relationship Management (CRM) system, iCare Prime in improving TM's customer service.

At the same time, products are delivered with the highest level of professionalism to ensure a consistently positive customer experience. TM Consumer coordinates service delivery by personnel across the different customer interfaces, from frontliners at TMpoints to our call centre staff as well as telemarketers. Updates and training sessions on TM products and services are communicated to all agencies through video conferencing. As most of our customers still visit TMpoint when they need to carry out a transaction, we have embarked on a revamp of these outlets to make them as customer-friendly as possible. In 2011, we piloted the TMpoint transformation at our outlet in Kelana Jaya, and will be carrying out the same transformation at all outlets nationwide beginning in 2012.

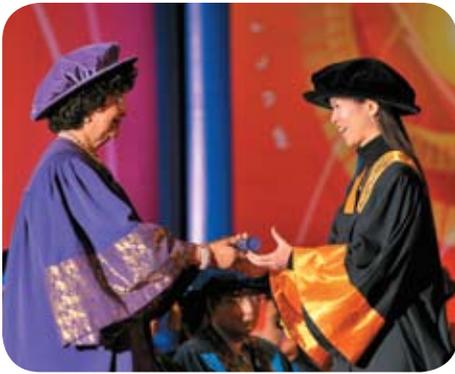
Meanwhile, constant effort is made to increase the competencies of our customer service staff. In May 2011, we introduced a new training and certification programme, S.M.I.L.E, specifically designed to raise the capability, confidence and capacity of TM frontliners so as to drive customer engagement excellence.

Today, as the nation awaits the enforcement of the Personal Data Protection Act (PDPA) in early 2012, TM is already prepared for the new regulation. The Group has always abided by the Protection of Personal Information under the General Consumer Code of Practice, but we have been collaborating intensely internally to ensure all systems are in place to satisfy the requirements of the PDPA.

As with all other stakeholders, we encourage open and transparent communication with our customers, and regularly engage with them over our website, at our touch points (TMpoints) as well as via newspapers, TV, radio and the social media. A customer rating system was piloted this year and is to be introduced to all TMpoints nationwide by 2012. At the same time, customer satisfaction is measured externally three times a year using TRI*M methodology which ascertains the likelihood of customers recommending TM to others; their likelihood of continuing to purchase from TM; and their rating of the benefits and advantages of dealing with TM rather than any other service provider. In 2011, we scored more than 70 points for TR*M Index for 2011, exceeding the target of 70.



TM's passion in education spreads through its contribution to those who matter most - from the school children to the graduates, the future generation.



COMMUNITY

Our CR initiatives targeted at the community are divided into three main areas: nation-building, education and charitable donations.

Nation-Building

TM's most significant contribution to the community is the provision of telecommunications services along the length and breadth of the country, as well as its interiors, to enable all Malaysians to connect, communicate and collaborate. Where it is too expensive to install infrastructure, TM has provided wireless services; where there is no electricity, we have relied on solar to power our systems. Where there are no TMpoints to cater to the needs of rural folk, TM deploys our 15 mobile TMpoint on Wheels to allow customers to carry out their transactions.

In recent years, we have taken on the role of a broadband champion, to support the Government in achieving its ICT objectives. We have been promoting our Broadband for the General Population (BBGP), or commonly known as Streamyx extensively, and have been largely responsible for the country achieving more than the targeted 50% household broadband penetration by end 2010. We are now working towards 75% household penetration by 2015 via a number of initiatives targeted at encouraging a greater take-up rate among the marginalised, such as the Schoolnet project, Digital Districts, Community Broadband Centres (CBCs), Wireless Villages and special packages for low-income groups. Since signing a public-private partnership with the Government to roll out a high speed broadband service, we have introduced to the country UniFi, perhaps the most exciting product we have launched to date. And we are proud to see how it is already transforming the way Malaysians live, work and keep entertained.

In addition to these efforts to bring telecommunications services to all and to bridge the digital divide, TM also contributes to nation-building by

supporting the underprivileged. One project that has had very positive results is Program Sejahtera, in which we have adopted the families of three single mothers in Pahang. We provided skills and basic entrepreneurial training to these women, and then gave them grants to set up their own businesses. We also helped to renovate their homes and installed services such as electricity and internet. Five children from these three families have been enrolled at TM's Multimedia College, where their fees and cost of accommodation are being borne by the Company. In 2011, TM also contributed RM5,000 towards the fees and living allowance of another child from Program Sejahtera who is studying at the Madrasah Mafhatul Ulum in Bandar Sri Petaling.

Education

TM believes in the incomparable value of education as an equaliser of communities, and we have been providing scholarships to deserving students since 1994, when our foundation Yayasan TM (YTM) was established. To date, YTM has disbursed a total of RM444.8 million in scholarships that have benefited a total of 12,878 students.

TM is also one of the most active participants of the Khazanah Nasional-inspired PINTAR school adoption programme, which aims to improve standards of education in rural and semi-urban schools while motivating students to excel academically. Our involvement in PINTAR began with the adoption of two schools – in Penang – under Phase 1 of the programme which ended in 2009; following which we adopted a school each in Kedah and Johor under Phase 2, which ends in December 2012. Meanwhile, in 2011, we adopted yet two more schools: Sekolah Kebangsaan Pendidikan Khas Pekan Tuaran (SKPKPT) in Sabah, and Sekolah Menengah Kebangsaan Chenderiang (SMKC), Tapah in Perak.

We have spent RM27,000 on upgrading the facilities and programmes at SKPKPT, which is a school for visually impaired children, to improve the quality of education provided and also enhance

the children’s mobility. TM is the first GLC among PINTAR participating companies to adopt a school for special needs children.

In addition to PINTAR, we also collaborate with the Ministry of Information, Communications and Culture (KPKK) in another school adoption programme that encourages the use of ICT in schools. Using the same model as PINTAR, we strive to achieve academic excellence, identify talent and inculcate strong moral values in the students of the adopted schools. Again, as with PINTAR, we provide Internet access in the schools which are used as community centres for ICT knowledge dissemination to bridge the digital divide. Participating schools under this project included Sekolah Menengah Kebangsaan Ayer Lanas (SMKAL), Sekolah Kebangsaan Teriang (SKTKK), Sekolah Menengah Rendah Agama Repah (SMRA Repah) and Sekolah Menengah Kebangsaan Pakan (SMKP).

In total, we now have 10 schools that have benefited from our overall School Adoption Programme, which touched 11,574 lives to date, nationwide.

At the tertiary level, TM has been contributing to the development of a knowledge-rich nation via our two institutions of higher learning, the Multimedia University (MMU) and Multimedia College (MMC).

MMU produces graduates who are trained to fill in the human resources requirements of the country’s growing ICT industry. With its strong focus on research, it is contributing to innovative developments in the niche areas of nanotechnology, microsystems, biometrics, virtual reality, green technologies, i-knowmedia, information security and cyber laws, microwave and telecommunications, engineering, photonics, advanced robotics and business. Those with commercial potential are further refined and brought to market by the university’s commercial arm, MMU Cynergy.

MMU has two campuses – in Melaka and Cyberjaya – and has produced 30,484 graduates consisting of 2,400 international and 28,084 local students. In 2011, more than 90.0% of its graduates successfully secured employment within six months. MMU has played a much broader, though indirect, role in nurturing a knowledge-rich nation. It has the distinction of being the first private

Touching and enriching lives through various activities under its School Adoption Programme and educational opportunities in MMU and MMC are part of TM’s CR under Education.



university in the country, paving the way for the large number of newer private universities that have followed in its wake.

In addition, MMU helps unemployed graduates gain employment via its Graduate Employability Outreach Programme (GEOP) run by MMU lecturers at the Melaka campus. The programme consists of two months' soft skills training at MMU followed by six months' on-the-job training in TM Group companies.

MMC is a subsidiary of MMU, and specialises in telecommunications and creative multimedia. It offers affordable full and part-time diploma programmes which students can complete within two and a half to three years. It invests heavily

on skills training and aims to introduce eight skills based diploma courses in 2012 in subjects including photography, animation and fibre optics.

Charitable Donations

As a caring organisation, TM also contributes to humanitarian causes. In 2011, we donated almost RM1.5 million to a number of beneficiaries including the Society of the Blind Malaysia, the National Cancer Society Malaysia (NCSM) and the Malaysian Armed Forces.

manage climate change. While we have always been guided in our operations by environmental laws, we have in recent years gone above legal requirements to promote a greener and more sustainable environment for all. We have launched a number of policies aimed at minimising our impact on the environment, including our Environmental Conservation Guidelines. In 2008, we also launched our Environment Management System (EMS), which outlines procedures to reduce the environmental footprint of our day-to-day activities.

ENVIRONMENT

TM believes it is the duty of every responsible corporate organisation to contribute towards global efforts to

Carbon Management Plan

During the United Nations Climate Change Conference (COP 15) in Copenhagen in December 2009, Prime Minister Datuk Seri Najib Abdul Razak announced the initiative to achieve a 40% reduction in carbon and other greenhouse gas (GHG) emissions by 2020. TM fully supports this vision, and in 2011 we incorporated carbon management, measurement and reporting into our Environmental Management Plan.

A critical component of our carbon management plan is the measurement of current carbon emission levels. This was carried out in 2011, and the results will be used as a benchmark for all future projects aimed at carbon reduction.



Diploma holders of MMC are very much demanded in the job market upon graduation.



TM's environmental activities focuses on experiential learning, giving the participants a first-hand experience of nature.





TM's environmental initiatives emphasises on the 'human' element, be it from its employees or the participants of TM Earth Camp.

Meanwhile we have begun to save electricity in earnest, beginning with processes and systems at Menara TM. In 2011, we launched a programme to reduce the energy usage of the Chilled Water Pumping System at our headquarters, using 2009 consumption as the baseline. It involves monitoring electricity usage, implementing electricity reduction initiatives and monitoring progress. Programmable thermostats are used which automatically coordinate indoor climates with daily and weekend patterns to increase comfort and reduce electricity.

A checklist for energy conservation has been introduced into the workplace, while energy-efficiency guidelines have been included in the design of new buildings. Hot radiation from the windows will be avoided while the use of energy-saving and energy-efficient appliances encouraged. In 2011, it was



recommended that blinds and shades on the south and west-facing windows of Menara TM be used during the day and shading devices such as tinted windows be installed. We have also begun to use light fixtures such as reflectors and directional lamps, which can save up to 50% of energy used in lighting, and employees are reminded to switch off lights when they leave a room. Computers, too, are switched off when not in use, and halogen floor lamps are discouraged as they use more power and produce heat. On the other hand, laptops are encouraged as they use a fifth of the amount of energy as desktop computers. Employees are also asked to minimise printing and use inkjet printers if possible as they require less power than laser printers.

Waste Management

TM has comprehensive waste management guidelines that ensure the

efficient disposal of all waste matter. At the same time, a policy to Reuse, Reduce and Recycle waste in the workplace has meant that total waste collected is decreasing. In 2011, the total volume of waste disposed was 1,055,369kg, which was 12.4% less than in the previous year. Recycling bins for paper, plastic and metal are provided in designated areas. Employees are encouraged to recycle old newspapers and other paper waste including printouts, memos and copies. Employees are also requested to use biodegradable or reusable products whenever possible, such as washable mugs instead of styrofoam or polystyrene cups.

In terms of scheduled waste, old computers are either donated to worthwhile causes, sold to scrap dealers or properly disposed of. Rechargeable batteries are used if possible and single use batteries are collected and disposed of in an environment-friendly way. Similar treatment was given to old or faulty telephone sets in ensuring that those are being disposed responsibly.

Water Management

TM has implemented a checklist for saving water in the workplace. Our water sprinklers are adjusted so that only large areas of grass are targeted. Smaller areas are watered by hand and the sprinklers are switched off if rain is

Support for endangered species, awareness and clean-up programmes are among the activities organised by TM with eager participants and volunteers.



expected or the system is malfunctioning. The plants are watered during the early morning hours and organic mulch is placed around them to minimise evaporation. Ornamental water features and fountains are avoided to reduce evaporation. We also introduced a Water Recycling Irrigation project to recycle water for watering the plants surrounding Menara TM. We set a target of using 50m³ of recycled water per month in 2011. Although we did not meet this target in January and April, the Company recycled an average of 132.13m³ per month, which was much higher than targeted.

In 2011, we also installed water-efficient fixtures in our washrooms, food court and cafeteria. Water-saving notices are displayed, and employees encouraged to use water sparingly.

BumiKu

We believe that any effort to create a greener TM needs the buy-in and support of our employees. In October 2009, therefore, we launched BumiKu, an employee awareness programme to educate staff on environmental practices, increase awareness of climate change and encourage energy savings at work and home. In 2011, Group Corporate Communications promoted BumiKu more aggressively by emailing environmental facts to all employees on a weekly basis. In conjunction with Earth Day on 22 April

2011, we launched a BumiKu Green Week during which we ran campaigns against plastic bags and promoted a recycling campaign for various types of wastes including paper, cartons, aluminium, e-waste, glass and mixed plastic. In addition, TM's 'Share-A-Ride' carpooling drive generated positive responses from employees and currently 40 parking bays are specially reserved for this purpose in Menara TM and TM Annexe building.

A BumiKu Camp was organised on 14-16 October 2011 at Hutan Belum Temenggor, Perak, attended by 101 members and 10 volunteers. All the participants commented that they look forward to joining the camp again. To further promote environmental awareness, a BumiKu Fun Run was held during the Karnival Sukan TM in July 2011, during which employees from all states ran in environment-themed outfits.

TM also established Kelab Pencinta Alam TM on 5 March 2011, which now has 626 members nationwide. The nature club, the first of its kind among Malaysian GLCs, is also affectionately known as Tapir Malaya.

TM Earth Camp

TM Earth Camp was launched in March 2010 in partnership with the Malaysian Nature Society (MNS). The three-day nature camp targets students who are members of nature clubs in their schools. TM aims to increase students' awareness of Malaysia's rich biodiversity through real-life experience, in the hope that they will spread their knowledge about nature's beauty with their school peers. Activities include campaigns on habitat protection, water testing and climate change awareness, nature craft, engagement with the local communities such as fishing and appreciation of handicraft and other cottage industry products.

A total of six camps were held for different zones between March and July 2011, involving a total of 1,368 participants from all over the country, including teachers, students from TM adopted schools, TM volunteers and members of the surrounding community. The involvement of government agencies and other organisations added value to the camps. These included Ministry of Education, Ministry of Natural Resources and Environment, Johor National Parks Corporation, Sabah Forestry Department and the local communities of Kampung Mangkok in Setiu, Kampung Dew in Taiping, Kampung Peta at Endau-Rompin and Kampung Santubong in Kuching.



206	Statements of Responsibility by Directors
207	Directors' Report
212	Income Statements
213	Statements of Comprehensive Income
214	Statements of Financial Position
216	Consolidated Statement of Changes in Equity
218	Company Statement of Changes in Equity
220	Statements of Cash Flows
221	Notes to the Financial Statements
342	Supplementary Information
343	Statement by Directors
343	Statutory Declaration
344	Independent Auditors' Report



Statement of Responsibility by Directors

In respect of the preparation of the Annual Audited Financial Statements

The Directors are required by the Companies Act, 1965 (CA 1965) to prepare financial statements for each year which have been prepared in accordance with the applicable approved accounting standards in Malaysia and give a true and fair view of the state of affairs of the Group and the Company at the end of the year and of the results and cash flows of the Group and the Company for the year.

In preparing the financial statements, the Directors have:

- adopted appropriate 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, and which enable them to ensure the financial statements comply with the CA 1965.

The Directors have the overall responsibilities to take such steps as are reasonably open to them to safeguard the assets of the Group and for establishment and implementation 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 2011



The Directors have pleasure in submitting their annual report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2011.

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	1,191.0	711.2
– non-controlling interests	46.1	–
Profit for the financial year	1,237.1	711.2

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 2010, a final gross dividend of 13.1 sen per share less tax at 25.0% was paid on 15 June 2011	351.5
(b) In respect of the financial year ended 31 December 2011, an interim single-tier dividend of 9.8 sen per share was paid on 23 September 2011	350.6

In respect of the financial year ended 31 December 2011, the Directors now recommend a final single-tier dividend of 9.8 sen per share for the shareholders' approval at the forthcoming Twenty-Seventh Annual General Meeting (27th AGM) of the Company.

SHARE CAPITAL

On 25 February 2011, the Company announced a proposed capital distribution to its shareholders of approximately RM1,037.4 million or RM0.29 for each ordinary share of RM1.00 each in the Company (Capital Distribution). The proposal was approved by its shareholders at an Extraordinary General Meeting (EGM) held on 10 May 2011.

To facilitate the Capital Distribution, the Company had, at the EGM, altered the composition of its authorised share capital by the creation of 4,000.0 million Class F Redeemable Preference Shares (Class F RPS) of RM0.01 each. On 7 June 2011, the Company implemented a bonus issue of 3,577.4 million Class F RPS of RM0.01 each to entitled shareholders, on the basis of 1 Class F RPS for each ordinary share of RM1.00 each held. The bonus issue was issued at a par value of RM0.01 for each Class F RPS by way of capitalisation of the Company's share premium account.

Subsequent thereto, the Company had, on the same day redeemed the Class F RPS at a redemption price of RM0.29 for each ordinary share held. The par value of RM0.01 per Class F RPS representing RM35.8 million in total, was redeemed out of the Company's retained profits and resulted in the creation of a capital redemption reserve, whilst, the premium on redemption of RM0.28 for each Class F RPS or RM1,001.6 million was redeemed out of the Company's share premium account resulting in cash payment of RM0.29 for each ordinary share held or RM1,037.4 million to entitled shareholders. The payment was made on 15 June 2011.

During the financial year, 9.3 million ordinary shares of RM1.00 each were issued upon disposals of ordinary shares attributable to lapsed options by TM ESOS Management Sdn Bhd. As explained under the main features of the expired Employees' Share Option Scheme (Special ESOS) in note 15 to the financial statements, the excess unallocated shares and shares attributable to lapsed options will be sold to the open market upon expiration of the Special ESOS at the discretion of the Special ESOS Option Committee.

The above ordinary shares rank pari passu in all respects with the existing issued ordinary shares of the Company.

ISLAMIC COMMERCIAL PAPERS AND MEDIUM TERM NOTES

On 5 April 2011, the Company received approval from the Securities Commission Malaysia for the establishment of an Islamic Commercial Papers (ICP) programme and an Islamic Medium Term Notes (IMTN) programme with a combined limit of up to RM2.0 billion in nominal value. These programmes have respective tenures of 7 and 15 years from the date of first issuance. The proceeds from the issuance of ICP and/or IMTN will be used by the Company to meet its capital expenditure requirement.

Details of the ICP and IMTN issued during the financial year are as follows:

Debt Securities	Date of Issue	Nominal Value	Maturity Date
ICP	25 April 2011	RM150.0 million	27 June 2011
ICP	1 August 2011	RM150.0 million	13 September 2011
ICP	14 November 2011	RM150.0 million	12 December 2011
IMTN	27 June 2011	RM300.0 million	27 June 2021
IMTN	13 September 2011	RM300.0 million	13 September 2021
IMTN	12 December 2011	RM200.0 million	10 December 2021

All of the ICP have been fully repaid on their maturity dates.

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.

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.

SIGNIFICANT SUBSEQUENT EVENT

The significant event subsequent to the end of the financial year is as disclosed in note 50 to the financial statements.

DIRECTORS

The Directors in office since the date of the last report are as follows:

Directors	Alternate Directors
Datuk Dr Halim Shafie	
Dato' Sri Zamzamzairani Mohd Isa	
Datuk Bazlan Osman	
Datuk Zalekha Hassan	Eshah Meor Suleiman <i>(Ceased on 1 June 2011)</i>
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	Dr Farid Mohamed Sani <i>(Ceased on 15 December 2011)</i>
Dato' Danapalan T.P. Vinggrasalam	
YB Datuk Nur Jazlan Tan Sri Mohamed	
Dato' Ir Abdul Rahim Abu Bakar	
Quah Poh Keat	
Ibrahim Marsidi	
Davide Giacomo Benello @ David Benello <i>(Appointed on 21 November 2011)</i>	
Dato' Mat Noor Nawi <i>(Appointed on 1 December 2011)</i>	Eshah Meor Suleiman <i>(Appointed on 1 December 2011)</i>
Datuk Dr Rahamat Bivi Yusoff <i>(Appointed on 2 June 2011 and resigned on 18 November 2011)</i>	Eshah Meor Suleiman <i>(Appointed on 20 June 2011 and ceased on 18 November 2011)</i>
Riccardo Ruggiero <i>(Retired by rotation at the 26th AGM held on 10 May 2011)</i>	

In accordance with Article 98(2) of the Company's Articles of Association, the following Directors who were appointed to the Board during the financial year, shall retire from the Board at the forthcoming 27th AGM of the Company and being eligible, offer themselves for re-election:

- (i) Davide Giacomo Benello @ David Benello; and
- (ii) Dato' Mat Noor Nawi

In accordance with Article 103 of the Company's Articles of Association, the following Directors shall retire by rotation from the Board at the forthcoming 27th AGM of the Company and being eligible, offer themselves for re-election:

- (i) Datuk Dr Halim Shafie
- (ii) YB Datuk Nur Jazlan Tan Sri Mohamed
- (iii) Datuk Zalekha Hassan

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:

Interest in the Company	Number of ordinary shares of RM1.00 each			Balance at 31.12.2011
	Balance at 1.1.2011	Bought	Sold	
Datuk Dr Halim Shafie	8,000 ⁺	–	–	8,000 ⁺
Dato' Sri Zamzamzairani Mohd Isa	9,000 [*]	–	–	9,000 [*]
Datuk Bazlan Osman	2,000	–	–	2,000

Note:

- + Deemed interest in shares of the Company held by spouse
- * Including deemed interest in 4,000 shares held by spouse

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.

DIRECTORS' BENEFITS

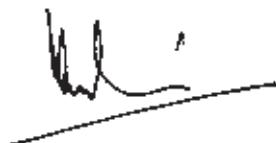
Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in note 7(b) to the financial statements) by reason of a contract made by the Company or a related 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.

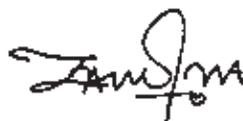
AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 24 February 2012.



DATUK DR HALIM SHAFIE
Director/Chairman



DATO' SRI ZAMZAMZAIRANI MOHD ISA
Managing Director/Group Chief Executive Officer

Income Statements

for the financial year ended 31 December 2011

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
OPERATING REVENUE	6	9,150.7	8,791.0	8,176.5	7,822.3
OPERATING COSTS					
– depreciation, impairment and amortisation	7(a)	(2,128.0)	(1,995.8)	(1,950.8)	(1,831.8)
– other operating costs	7(b)	(6,185.2)	(6,019.6)	(5,805.3)	(5,496.4)
OTHER OPERATING INCOME (net)	8	120.9	152.9	262.7	349.3
OTHER GAINS (net)	9	286.5	373.3	3.0	149.7
OPERATING PROFIT BEFORE FINANCE COST		1,244.9	1,301.8	686.1	993.1
FINANCE INCOME		133.0	120.0	121.4	111.4
FINANCE COST		(318.2)	(365.2)	(325.0)	(368.1)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS		(58.6)	303.7	(58.6)	303.7
NET FINANCE (COST)/INCOME	10	(243.8)	58.5	(262.2)	47.0
ASSOCIATES					
– share of results (net of tax)	29	0.1	(0.1)	–	–
PROFIT BEFORE TAXATION AND ZAKAT		1,001.2	1,360.2	423.9	1,040.1
TAXATION AND ZAKAT	11	235.9	(115.2)	287.3	(111.7)
PROFIT FOR THE FINANCIAL YEAR		1,237.1	1,245.0	711.2	928.4
ATTRIBUTABLE TO:					
– equity holders of the Company		1,191.0	1,206.5	711.2	928.4
– non-controlling interests		46.1	38.5	–	–
PROFIT FOR THE FINANCIAL YEAR		1,237.1	1,245.0	711.2	928.4
EARNINGS PER SHARE (sen)					
– basic/diluted	12	33.3	33.9		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 221 to 341.

Independent Auditors' Report – Pages 344 to 345.

Statements of Comprehensive Income

for the financial year ended 31 December 2011



All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
PROFIT FOR THE FINANCIAL YEAR		1,237.1	1,245.0	711.2	928.4
OTHER COMPREHENSIVE INCOME					
- increase/(decrease) in fair value of available-for-sale investments	30	26.8	352.5	(5.1)	53.5
- increase in fair value of available-for-sale receivables	31(a)	0.3	2.5	0.3	2.5
- reclassification adjustments relating to available-for-sale investments disposed	9	(287.2)	(278.5)	(3.7)	(75.6)
- cash flow hedge					
- increase in fair value of cash flow hedge	20(ii)	35.8	-	35.8	-
- reclassification to foreign exchange loss	10	(3.7)	-	(3.7)	-
- currency translation differences - subsidiaries		1.1	(0.4)	-	-
Other comprehensive (loss)/income for the financial year		(226.9)	76.1	23.6	(19.6)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		1,010.2	1,321.1	734.8	908.8
ATTRIBUTABLE TO:					
- equity holders of the Company		964.1	1,282.6	734.8	908.8
- non-controlling interests		46.1	38.5	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		1,010.2	1,321.1	734.8	908.8

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements on pages 221 to 341.

Independent Auditors' Report - Pages 344 to 345.

Statements of Financial Position

as at 31 December 2011

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
SHARE CAPITAL	14	3,577.4	3,568.1	3,577.4	3,568.1
SHARE PREMIUM		43.2	1,055.1	43.2	1,055.1
OTHER RESERVES	16	175.7	366.8	176.0	316.8
RETAINED PROFITS	17	3,172.5	2,719.4	2,484.0	1,996.9
TOTAL CAPITAL AND RESERVES					
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		6,968.8	7,709.4	6,280.6	6,936.9
NON-CONTROLLING INTERESTS		162.9	150.8	-	-
TOTAL EQUITY		7,131.7	7,860.2	6,280.6	6,936.9
LIABILITIES					
Borrowings	18	6,402.7	5,506.0	4,928.5	4,069.0
Payable to a subsidiary	19	-	-	1,474.2	1,434.0
Derivative financial instruments	20	18.9	28.0	18.9	28.0
Deferred tax liabilities	21	1,559.6	1,664.2	1,456.6	1,513.4
Deferred income	22	2,072.7	1,432.1	2,072.7	1,432.1
DEFERRED AND NON-CURRENT LIABILITIES		10,053.9	8,630.3	9,950.9	8,476.5
		17,185.6	16,490.5	16,231.5	15,413.4
ASSETS					
Property, plant and equipment	23	13,613.0	13,112.1	12,272.3	11,782.5
Investment property	24	-	-	94.7	93.0
Land held for property development	25	108.4	107.4	-	-
Intangible assets	26	320.9	312.3	-	-
Subsidiaries	27	-	-	1,346.7	1,623.4
Loans and advances to subsidiaries	28	-	-	219.7	236.7
Associates	29	0.6	0.5	-	-
Available-for-sale investments	30	104.8	114.6	104.7	114.6
Available-for-sale receivables	31(a)	11.1	14.9	11.1	14.9
Other non-current receivables	31(b)	199.5	89.4	199.5	89.4
Derivative financial instruments	20	66.2	3.6	66.2	3.6
Deferred tax assets	21	21.7	86.7	-	-
NON-CURRENT ASSETS		14,446.2	13,841.5	14,314.9	13,958.1

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Inventories	32	216.9	174.0	140.3	103.8
Customer acquisition costs		106.1	87.1	106.1	87.1
Trade and other receivables	33	1,951.4	2,329.3	1,803.0	2,185.4
Available-for-sale investments	30	418.1	838.1	418.1	356.2
Financial assets at fair value through profit or loss	34	20.1	21.5	20.1	21.5
Cash and bank balances	35	4,213.0	3,488.5	3,729.0	3,077.7
CURRENT ASSETS		6,925.6	6,938.5	6,216.6	5,831.7
Trade and other payables	36	3,552.1	3,639.2	3,670.5	3,725.4
Customer deposits	37	544.5	580.5	543.8	580.1
Borrowings	18	7.7	26.0	4.7	4.6
Taxation and zakat		81.9	43.8	81.0	66.3
CURRENT LIABILITIES		4,186.2	4,289.5	4,300.0	4,376.4
NET CURRENT ASSETS		2,739.4	2,649.0	1,916.6	1,455.3
		17,185.6	16,490.5	16,231.5	15,413.4

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 221 to 341.

Independent Auditors' Report – Pages 344 to 345.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2011

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company								
		Issued and Fully Paid of RM1.00 each		Fair Value Reserves	Hedging Reserve	Capital Redemption Reserve	Currency Translation Differences	Retained Profits	Non-controlling Interests	Total Equity
		Share Capital	Share Premium							
RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
At 1 January 2011		3,568.1	1,055.1	332.4	-	35.8	(1.4)	2,719.4	150.8	7,860.2
Profit for the financial year		-	-	-	-	-	-	1,191.0	46.1	1,237.1
Other comprehensive income										
- increase in fair value of available-for-sale investments	30	-	-	26.8	-	-	-	-	-	26.8
- increase in fair value of available-for-sale receivables	31(a)	-	-	0.3	-	-	-	-	-	0.3
- reclassification adjustments relating to available-for-sale investments disposed	9	-	-	(287.2)	-	-	-	-	-	(287.2)
- cash flow hedge										
- increase in fair value of cash flow hedge	20(ii)	-	-	-	35.8	-	-	-	-	35.8
- reclassification to foreign exchange loss	10	-	-	-	(3.7)	-	-	-	-	(3.7)
- currency translation differences										
- subsidiaries		-	-	-	-	-	1.1	-	-	1.1
Total comprehensive (loss)/income for the financial year		-	-	(260.1)	32.1	-	1.1	1,191.0	46.1	1,010.2
Transactions with owners:										
Shares issued upon disposal of shares attributed to lapsed options	14(d)(ii)	9.3	25.5	-	-	-	-	-	-	34.8
Bonus issue of Redeemable Preference Shares (RPS)	14(c)	35.8	(35.8)	-	-	-	-	-	-	-
Redemption of RPS	14(c)	(35.8)	(1,001.6)	-	-	-	-	-	-	(1,037.4)
Creation of capital redemption reserve upon redemption of RPS	14(c)	-	-	-	-	35.8	-	(35.8)	-	-
Final dividends paid for the financial year ended 31 December 2010	13	-	-	-	-	-	-	(351.5)	-	(351.5)
Interim dividends paid for the financial year ended 31 December 2011	13	-	-	-	-	-	-	(350.6)	-	(350.6)
Disposal of equity interest in a former subsidiary		-	-	-	-	-	-	-	(4.3)	(4.3)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(29.7)	(29.7)
Total transactions with owners		9.3	(1,011.9)	-	-	35.8	-	(737.9)	(34.0)	(1,738.7)
At 31 December 2011		3,577.4	43.2	72.3	32.1	71.6	(0.3)	3,172.5	162.9	7,131.7



		Attributable to equity holders of the Company								
		Issued and Fully Paid of RM1.00 each		Special Share*/		Ordinary Shares				
All amounts are in million unless otherwise stated	Note	Share Capital RM	Share Premium RM	ESOS Reserve RM	Fair Value Reserves RM	Capital Redemption Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2010										
As previously stated		3,543.5	1,011.8	19.7	155.5	35.8	(1.0)	2,222.2	142.5	7,130.0
Adjustments on application of FRS 139		-	-	-	100.4	-	-	(18.0)	-	82.4
At 1 January 2010, as restated										
		3,543.5	1,011.8	19.7	255.9	35.8	(1.0)	2,204.2	142.5	7,212.4
Profit for the financial year		-	-	-	-	-	-	1,206.5	38.5	1,245.0
Other comprehensive income										
- increase in fair value of available-for-sale investments	30	-	-	-	352.5	-	-	-	-	352.5
- increase in fair value of available-for-sale receivables	31(a)	-	-	-	2.5	-	-	-	-	2.5
- reclassification adjustments relating to available-for-sale investments disposed	9	-	-	-	(278.5)	-	-	-	-	(278.5)
- currency translation differences - subsidiaries		-	-	-	-	-	(0.4)	-	-	(0.4)
Total comprehensive income/(loss) for the financial year		-	-	-	76.5	-	(0.4)	1,206.5	38.5	1,321.1
Transactions with owners:										
Employees' Share Option Scheme (ESOS)										
- shares issued upon exercise of options	14&15	23.4	23.0	-	-	-	-	-	-	46.4
- transfer of reserve upon exercise of options		-	17.2	(17.2)	-	-	-	-	-	-
- transfer of reserve upon expiry of options		-	-	(2.5)	-	-	-	2.5	-	-
Shares issued upon disposal of shares by TM ESOS Management Sdn Bhd	14	1.2	3.1	-	-	-	-	-	-	4.3
Final dividends paid for the financial year ended 31 December 2009	13	-	-	-	-	-	-	(346.4)	-	(346.4)
Interim dividends paid for the financial year ended 31 December 2010	13	-	-	-	-	-	-	(347.4)	-	(347.4)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(30.2)	(30.2)
Total transactions with owners		24.6	43.3	(19.7)	-	-	-	(691.3)	(30.2)	(673.3)
At 31 December 2010										
		3,568.1	1,055.1	-	332.4	35.8	(1.4)	2,719.4	150.8	7,860.2

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 14(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 221 to 341.

Independent Auditors' Report – Pages 344 to 345.

Company Statement of Changes in Equity

for the financial year ended 31 December 2011

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM1.00 each		Non-distributable				Distributable	
		Special Share*/ Ordinary Shares		Special ESOS Reserve	Fair Value Reserves	Hedging Reserve	Capital Redemption Reserve	Retained Profits	Total Equity
		Share Capital RM	Share Premium RM	RM	RM	RM	RM	RM	RM
At 1 January 2011		3,568.1	1,055.1	200.2	80.8	-	35.8	1,996.9	6,936.9
Profit for the financial year		-	-	-	-	-	-	711.2	711.2
Other comprehensive income									
- decrease in fair value of available-for-sale investments	30	-	-	-	(5.1)	-	-	-	(5.1)
- increase in fair value of available-for-sale receivables	31(a)	-	-	-	0.3	-	-	-	0.3
- reclassification adjustments relating to available-for-sale investments disposed	9	-	-	-	(3.7)	-	-	-	(3.7)
- cash flow hedge									
- increase in fair value of cash flow hedge	20(ii)	-	-	-	-	35.8	-	-	35.8
- reclassification to foreign exchange loss	10	-	-	-	-	(3.7)	-	-	(3.7)
Total comprehensive (loss)/income for the financial year		-	-	-	(8.5)	32.1	-	711.2	734.8
Transactions with owners:									
Expired Employees' Share Option Scheme (ESOS)									
- repayment of capital contribution by TM ESOS Management Sdn Bhd (TEM) due to shareholder transaction	14(d)(i) & 27(b)	-	-	(513.8)	-	-	-	513.8	-
- reversal of impairment in investment in TEM due to shareholder transaction	14(d)(i) & 27(b)	-	-	321.7	-	-	-	-	321.7
Shares issued upon disposal of shares attributed to lapsed options	14(d)(ii)	9.3	25.5	-	-	-	-	-	34.8
Transfer of reserve upon disposal of ESOS shares		-	-	(8.1)	-	-	-	-	(8.1)
Bonus issue of Redeemable Preference Shares (RPS)	14(c)	35.8	(35.8)	-	-	-	-	-	-
Redemption of RPS	14(c)	(35.8)	(1,001.6)	-	-	-	-	-	(1,037.4)
Creation of capital redemption reserve upon redemption of RPS	14(c)	-	-	-	-	-	35.8	(35.8)	-
Final dividends paid for the financial year ended 31 December 2010	13	-	-	-	-	-	-	(351.5)	(351.5)
Interim dividends paid for the financial year ended 31 December 2011	13	-	-	-	-	-	-	(350.6)	(350.6)
Total transactions with owners		9.3	(1,011.9)	(200.2)	-	-	35.8	(224.1)	(1,391.1)
At 31 December 2011		3,577.4	43.2	-	72.3	32.1	71.6	2,484.0	6,280.6

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM1.00 each		Non-distributable			Distributable		Total Equity RM
		Special Share*/ Ordinary Shares		ESOS Reserve RM	Special ESOS Reserve RM	Fair Value Reserves RM	Capital Redemption Reserve RM	Retained Profits RM	
		Share Capital RM	Share Premium RM						
At 1 January 2010									
As previously stated		3,543.5	1,011.8	19.7	728.3	-	35.8	1,335.6	6,674.7
Adjustments on application of FRS 139		-	-	-	-	100.4	-	(18.0)	82.4
At 1 January 2010, as restated									
Profit for the financial year		-	-	-	-	-	-	928.4	928.4
Other comprehensive income		-	-	-	-	-	-	-	-
- increase in fair value of available-for-sale investments	30	-	-	-	-	53.5	-	-	53.5
- increase in fair value of available-for-sale receivables	31(a)	-	-	-	-	2.5	-	-	2.5
- reclassification adjustments relating to available-for-sale investments disposed	9	-	-	-	-	(75.6)	-	-	(75.6)
Total comprehensive (loss)/income for the financial year		-	-	-	-	(19.6)	-	928.4	908.8
Transactions with owners:									
Employees' Share Option Scheme (ESOS)									
- shares issued upon exercise of options	14 & 15	23.4	23.0	-	-	-	-	-	46.4
- transfer of reserve upon exercise of options		-	17.2	(17.2)	(59.1)	-	-	-	(59.1)
- transfer of reserve upon expiry of options		-	-	(2.5)	-	-	-	2.5	-
- repayment of capital contribution by TEM due to shareholder transaction	14(d)(i) & 27(b)	-	-	-	(446.0)	-	-	446.0	-
- impairment in investment in TEM due to shareholder transaction	14(d)(i) & 27(b)	-	-	-	(19.9)	-	-	-	(19.9)
Shares issued upon disposal of shares by TEM	14	1.2	3.1	-	(3.1)	-	-	-	1.2
Final dividends paid for the financial year ended 31 December 2009	13	-	-	-	-	-	-	(348.8)	(348.8)
Interim dividends paid for the financial year ended 31 December 2010	13	-	-	-	-	-	-	(348.8)	(348.8)
Total transactions with owners		24.6	43.3	(19.7)	(528.1)	-	-	(249.1)	(729.0)
At 31 December 2010									
		3,568.1	1,055.1	-	200.2	80.8	35.8	1,996.9	6,936.9

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 14(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Company Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 221 to 341.

Independent Auditors' Report – Pages 344 to 345.

Statements of Cash Flows

for the financial year ended 31 December 2011

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES	38	3,030.7	2,973.4	2,559.4	2,659.3
CASH FLOWS USED IN INVESTING ACTIVITIES	39	(1,338.0)	(1,446.9)	(991.9)	(998.9)
CASH FLOWS USED IN FINANCING ACTIVITIES	40	(962.5)	(1,534.2)	(911.4)	(1,489.6)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		730.2	(7.7)	656.1	170.8
EFFECT OF EXCHANGE RATE CHANGES		(5.6)	5.5	(4.8)	5.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		3,488.0	3,490.2	3,077.7	2,901.2
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	35	4,212.6	3,488.0	3,729.0	3,077.7

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 221 to 341.

Independent Auditors' Report – Pages 344 to 345.

Notes to the Financial Statements

for the financial year ended 31 December 2011



All amounts are in million unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 51 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

Telekom Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur. The principal office and place of business of the Company is Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements, and have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of Preparation of the Financial Statements

The financial statements of the Group and the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the Malaysian Accounting Standards Board (MASB) Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

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 Financial Reporting Standards, 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 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 Group's and the Company's financial statements are disclosed in note 3 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of Preparation of the Financial Statements (continued)****(i) New and revised standards, amendments and improvements to published standards and Interpretation Committee (IC) Interpretations that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2011**

The new and revised standards, amendments and improvements to published standards and IC Interpretations that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2011, are as follows:

		Effective date
Amendment to FRS 132	Financial Instruments: Presentation – Classification of Rights Issues	1 March 2010
FRS 3 (revised)	Business Combinations	1 July 2010
FRS 127 (revised)	Consolidated and Separate Financial Statements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendment to FRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7	Financial Instruments: Disclosures	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011

There are also amendments to the following standards which are part of the MASB's improvement projects:

FRS 2	Share-based Payment	1 July 2010
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 138	Intangible Assets	1 July 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
FRS 3	Business Combinations	1 January 2011
FRS 7	Financial Instruments: Disclosures	1 January 2011
FRS 101	Presentation of Financial Statements	1 January 2011
FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
FRS 128	Investments in Associates	1 January 2011
FRS 132	Financial Instruments: Presentation	1 January 2011
FRS 134	Interim Financial Reporting	1 January 2011
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 13	Customer Loyalty Programmes	1 January 2011

The adoption of the revised FRS 3 "Business Combinations" and FRS 127 "Consolidated and Separate Financial Statements" will have impact on the Group's future acquisition as these standards will change the accounting for business combinations and the preparation of the consolidated financial statements as these standards are applied prospectively.

The revised FRS 3 continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the profit or loss. There is now a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed off.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(i) New and revised standards, amendments and improvements to published standards and Interpretation Committee (IC) Interpretations that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2011 (continued)

The revised FRS 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the Income Statement.

The adoption of the Amendment to FRS 7 which requires enhanced disclosures about fair value measurement and liquidity risk, in particular, the disclosure of fair value measurements by the three-level fair value hierarchy, does not impact the financial results of the Group and the Company as the enhancements relate solely to disclosure.

IC Interpretation 18 "Transfers of Assets from Customers" provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 "Revenue". The Group and the Company have transactions where an item of property, plant and equipment is received from customer, which the Group and the Company then use to connect the customer to a network or to provide the customer with services. The adoption of IC Interpretation 18 does not have a material impact to the Group and the Company.

The adoption of the other applicable standards, amendments and improvements to published standards and IC Interpretations do not have any material impact to the Group's accounting policies and the financial statements of the Group and the Company.

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted

Following the announcement by MASB on 19 November 2011, with effect from 1 January 2012, the financial statements of the Group and the Company will be prepared in accordance with the Malaysian Financial Reporting Standards Framework (MFRS Framework) which comprises standards as issued by the International Accounting Standards Board (IASB) that are effective on that date. The adoption of the MFRS Framework enables entities to assert that their financial statements are in full compliance with International Financial Reporting Standards (IFRSs). This is because the MFRS Framework is a fully IFRS-compliant framework and its standards are equivalent to IFRSs.

The MFRS Framework is to be applied by all Entities Other than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 "Agriculture" and IC Interpretation 15 "Agreements for Construction of Real Estate" including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

For the FRS Framework, MASB has issued new/revised FRSs, namely FRS 9 "Financial Instruments", FRS 10 "Consolidated Financial Statements", FRS 11 "Joint Arrangements", FRS 12 "Disclosures of Interest in Other Entities", FRS 13 "Fair Value Measurement", FRS 119 "Employee Benefits", FRS 127 "Separate Financial Statements", and FRS 128 "Investments in Associates and Joint Ventures", four limited amendments to FRSs and a new Interpretation. Some of these pronouncements are effective on 1 January 2012 whilst others are later. In addition, MASB has withdrawn IC Interpretation 15 from the FRS Framework in light of its decision for the Transitioning Entities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of Preparation of the Financial Statements (continued)****(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted (continued)**

The key differences between the FRS Framework and MFRS Framework are that in the former,

- FRS 201₂₀₀₄ "Property Development Activities" will continue to be the extant standard for accounting for property development activities and not IC Interpretation 15 and
- there is no equivalent standard to IAS 41 "Agriculture".

The Group and the Company will adopt relevant standards issued under MFRS Framework on 1 January 2012. Except for the impact of adoption of the new and revised MFRSs as discussed below, the transition from FRS to MFRS is not expected to have a significant impact to the Group's accounting policies and the financial statements of the Group and the Company as in principle, FRSs are already largely aligned with MFRSs except for MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" which provides first time adopter certain exemptions and policy choice.

The new and revised standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows:

		Effective date
MFRS 124 (revised)	Related Party Disclosures	1 January 2012
Amendment to MFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets	1 January 2012
Amendment to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

- The revised MFRS 124 "Related Party Disclosures" removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government-related entities:
 - the name of the government and the nature of their relationship;
 - the nature and amount of each individually significant transactions; and
 - the extent of any collectively significant transactions, qualitatively or quantitatively.
- Amendment to MFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets" promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted (continued)

The new and revised standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- Amendment to MFRS 101 "Presentation of Items of Other Comprehensive Income" requires entities to separate items presented in 'other comprehensive income' (OCI) in the Statement of Comprehensive Income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.
- MFRS 10 "Consolidated Financial Statements" changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and Separate Financial Statements" and IC Interpretation 112 "Consolidation – Special Purpose Entities".
- MFRS 11 "Joint Arrangements" requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- MFRS 12 "Disclosure of Interests in Other Entities" sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in Associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
- MFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial Instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities.
- Amendment to MFRS 119 "Employee Benefits" makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.
- The revised MFRS 127 "Separate Financial Statements" includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted (continued)

The new and revised standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- The revised MFRS 128 “Investments in Associates and Joint Ventures” includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.
- MFRS 9 “Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities” replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments have been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss (FVTPL). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability’s credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

The adoption of the above applicable standards and amendments to published standards are not expected to have a material impact on the financial statements of the Group and the Company except for MFRS 124 (revised) and MFRS 9.

MFRS 124 (revised) does not have any impact on the financial results of the Group and the Company but requires additional disclosures of material transactions with the government and all other government-related entities. MFRS 9 will impact the classification and measurement of available-for-sale assets either at fair value or amortised cost. Where the available-for-sale assets qualify for amortised cost measurement, the assets will be accounted for under the amortised cost model whereby gains or losses upon derecognition, impairment or reclassification are recognised in profit or loss. Those that do not qualify will be measured at fair value through profit or loss or other comprehensive income. Gains or losses on remeasurement and disposal of financial assets carried at fair value through other comprehensive income are recognised in other comprehensive income.

There are no other standards, amendments to published standards or IC Interpretations that are not yet effective that would be expected to have a material impact on the Group or the Company.

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are those corporations or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

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 MASB 21, FRS 3 and FRS 3 (revised) to apply these standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these standards.

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 Group's share 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 gain is recognised in the Consolidated Income Statement (refer to Significant Accounting Policies note 2(g)(i) on Goodwill).

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

Effective from 1 January 2011, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intra-group transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary and is recognised in the Consolidated Income Statement.

Change in accounting policy

The Group has changed its accounting policy on business combinations and accounting for non-controlling interest when it adopted the revised FRS 3 "Business Combinations" and FRS 127 "Consolidated and Separate Financial Statements".

Previously, contingent consideration in a business combination was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquiree was measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interest of the Group was accounted for as a revaluation.

The Group has applied the new policies prospectively to transactions occurring on or after 1 January 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(ii) Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. 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 deducted from 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.

Change in accounting policy

The Group has changed its accounting policy on business combination and accounting for non-controlling interest when it adopted the revised FRS 3 "Business Combination" and FRS 127 "Consolidated and Separate Financial Statements".

Previously, the Group applied a policy of treating transactions with non-controlling interest as transactions with parties external to the Group. Accordingly, disposals resulted in gains or losses and purchases resulted in the recognition of goodwill, being the difference between consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

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 results of associates are taken from the most recent unaudited financial statements of the associates concerned, made up to dates not more than 3 months prior to the end of the financial year of the Group.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses are recognised in the Consolidated Income Statement.

When the Group increases its stake in an existing investment and the investment becomes an associate for the first time, goodwill is calculated at each stage of the acquisition. The Group does not revalue its previously owned share of net assets to fair value. Any existing available-for-sale reserve is reversed in other comprehensive income, restating the investment to cost. A share of profits (after dividends) together with a share of any equity movements relating to the previously held interest are accounted for in other comprehensive income.

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 FRS 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.

Changes in accounting policy

The Group has changed its accounting policy prospectively for transactions occurring on or after 1 January 2011 with non-controlling interests and transactions involving the loss of control, joint control or significant influence when it adopted the revised FRS 127 "Consolidated and Separate Financial Statements". The revision to FRS 127 contained consequential amendments to FRS 128 "Investments in Associates" and FRS 131 "Interest in Joint Ventures".

Previously, when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost on initial measurement as a financial asset in accordance with FRS 139.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(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(h) 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.

(i) Cost

Cost of telecommunications network comprises expenditure up to and including the last distribution point before the customers' premises and includes contractors' charges, materials, direct labour and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Significant Accounting Policies note 2(p)(ii) on borrowing costs).

Subsequent cost is included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease is amortised in equal installments over the period of the respective lease. Long term leasehold land has an unexpired lease period of 50 years and above. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives in years as summarised below:

Telecommunications network	3 – 25
Movable plant and equipment	5 – 8
Computer support systems	3 – 5
Buildings	5 – 40

Capital work-in-progress are stated at cost and are not depreciated. Upon completion, capital work-in-progress are transferred to categories of property, plant and equipment depending on nature of assets. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(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(h) 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment Properties (continued)

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) Land Held for Property Development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount (refer to Significant Accounting Policies note 2(h) on Impairment of Non-Financial Assets).

Land held for property development is transferred to property development cost (within current assets) when development activities have commenced and where the development activities can be completed within the normal operating cycle of 2 to 5 years.

(g) 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.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the Consolidated Income Statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

(ii) Software

Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Amortisation is calculated using straight line method at 20% per annum subject to impairment.

(iii) Programme Rights

Programme rights comprise rights licensed from third parties with the primary intention to broadcast in the normal course of operating cycle. The rights are stated at cost less accumulated amortisation and accumulated impairment losses (refer to Significant Accounting Policies note 2(h) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) 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.

Other non-current receivables, are classified as loans and receivables and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Assets (continued)

(iii) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

Fixed income securities (within current assets) and certain non-current equity investments are classified as available-for-sale investments, whilst convertible education loans (within non-current assets) are classified as available-for-sale receivables. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

Changes in the fair values of available-for-sale investments are recognised in other comprehensive income. Whereas, changes in the fair value of available-for-sale receivables classified as non-current assets can be analysed by way of changes arising from conversion of the receivables to scholarship and other fair value changes. Changes arising from the conversion are recognised in the Income Statement, whereas, other fair value changes are recognised in other comprehensive income. Interests on available-for-sale receivables calculated using the effective interest method are recognised in the Income Statement.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the Income Statement.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(v) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented on the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(j) 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;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of Financial Assets (continued)

(i) Assets Carried at Amortised Cost (continued)

- it becomes probable that the customers will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of customers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Income Statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Income Statement.

(ii) Assets Classified as Available-for-sale

In the case of equity and fixed income securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, the following criteria are also considered as indicators of impairment:

- significant financial difficulty of the issuer or obligor;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired.

If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the Income Statement, is reversed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement. Impairment losses recognised in the Income Statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through the Income Statement.

(k) 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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Derivative Financial Instruments and Hedging Activities (continued)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the Income Statement within 'other gains or losses – net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the Income Statement within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the Income Statement over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within 'other gains or losses – net'.

Amounts accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects the Income Statement. The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'.

When a hedging instrument matures, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the Income Statement.

(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.

Inventories include maintenance spares acquired for the purpose of replacing damaged or faulty plant or spares and supplies used in constructing and maintaining the network. Inventories also include certain items such as land, capacity and network equipments held for resale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Customer Acquisition Costs

Customer acquisition costs are incurred in activating new customers pursuant to a contract. Customer acquisition costs are capitalised and amortised over the contract period. In the event that a customer terminates the service within the contract period, any unamortised customer acquisition costs are written off to the Income Statement immediately.

(n) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of 3 months or less. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

(o) Share Capital

(i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is debited directly to equity.

(ii) Share Issue Costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(iii) Dividend to Shareholders of the Company

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

Dividend in specie of shares distributed to the Company's shareholders is recorded at the carrying value of net asset distributed. The distribution is recorded as a movement in equity.

(p) Financial Liabilities

Trade and other payables, customer deposits and borrowings are classified as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

(ii) Bonds, Notes, Debentures and Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Interests, dividends, gains and losses relating to a financial instrument, or a component part, classified as a liability are reported within finance cost in the Income Statement. Foreign exchange gains or losses arising from translation of foreign currency borrowings are reported within finance cost in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial Liabilities (continued)

(ii) Bonds, Notes, Debentures and Borrowings (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other borrowing costs are charged to the Income Statement.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(q) Leases

(i) Finance Leases

Leases of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the leases at the lower of the present value of the minimum lease payments and the fair value of the leased assets. The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the reduction of the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Income Statement.

Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease terms.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(r) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the Income Statement over the financial period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to the Income Statement on a straight line basis over the estimated useful lives of the related assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income Taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries or associates on distributions of retained profits to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the future, against which the deductible temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised.

Deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group's share of income taxes of associates are included in the Group's share of results of associates.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

(u) Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingent Liabilities and Contingent Assets (continued)

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 FRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118.

(v) Revenue Recognition

Operating revenue comprises the fair value of the consideration received or receivables for the sale of products and rendering of services net of returns, duties, sales discounts and sales taxes paid, after eliminating sales within the Group. Operating revenue is recognised or accrued at the time of the provision of products or services, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Advance rental billing comprises mainly billing in advance for data services, which is amortised on a straight line basis according to contractual terms.

Dividend income from investment in subsidiaries, associates and equity investments is recognised within 'other operating income (net)' when a right to receive payment is established.

Finance income includes income from deposits with licensed banks, other financial institutions, other deposits, available-for-sale receivables and staff loans, and is recognised using the effective interest method.

(w) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the Income Statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee Benefits (continued)

(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.

(iv) Share-based Compensation

- Equity-settled share-based compensation

Employee services received in exchange for the grant of the share options of the Company are recognised as an expense in the Income Statements of the Group and the Company over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiaries, the fair value of the options granted is recognised as cost of investment in the subsidiaries over the vesting period with a corresponding adjustment to equity in the Company's financial statements.

Post demerger, the fair value of the options granted to employees of former subsidiaries, Axiata Group Berhad and Celcom Axiata Berhad (collectively known as Axiata Group) is recognised as an expense in the Income Statements of the Group and the Company over the vesting period.

The total amount to be expensed (or capitalised as cost of investment in subsidiaries) over the vesting periods is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each reporting date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

- Cash-settled share-based compensation

Share-based compensation that are settled with equity instruments of a former subsidiary, Axiata Group Berhad (Axiata), which became a non-Group entity pursuant to the demerger in April 2008, is accounted for as cash-settled.

Employee services received in exchange for the grant of such share options are recognised at the fair value of the liability incurred as expense in the Income Statement over the vesting period of the grant.

The charge in relation to such share options received by non-Group employees, in this case the employees of Axiata Group, is accelerated at demerger as this portion of the options is cancelled given that Axiata is no longer part of the Group.

The liability arising from the cash-settled share-based compensation is remeasured at each reporting date to its fair value, with all changes recognised immediately in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the Income Statement within 'net finance cost'. All other foreign exchange gains and losses are presented in the Income Statement within 'operating costs'.

(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 of or sold, such exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on disposal.

(y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions.

Further disclosures on Segment Reporting are set out in note 44 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.

During the current financial year, the Group has reviewed and revised the useful life of certain telecommunication equipment and network assets, as detailed in note 23(d) to the financial statements.

(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.

For the investment in TM ESOS Management Sdn Bhd (TEM), a wholly owned special purpose entity, the Company measures the recoverable amount at the fair value less cost to sell of the Company's and Axiata Group Berhad's shares held by TEM. The Directors have made assumptions concerning its recoverable amount. Any changes to this estimate will have a material impact to the carrying amount of the investment. Any adjustment to the carrying amount will be recorded in equity given that it represents a transaction with a shareholder. The results and conclusion of the impairment assessment are disclosed in note 27(b) to the financial statements.

(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 26 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.

3. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Critical Accounting Estimates and Assumptions (continued)

(e) Taxation

(i) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

(ii) Deferred Tax Assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves judgment regarding future taxable profits of a particular entity in which the deferred tax asset has been recognised.

Estimating the future taxable profits involved significant assumptions, especially in respect of demand on existing and new services, competition and regulatory changes that may impact the pricing of services. These assumptions were derived based on past performance and adjusted for non-recurring circumstances.

During the current financial year, the Company has recognised deferred tax assets arising from unutilised tax incentive as disclosed in note 21 to the financial statements.

(f) Share-based Payments

Equity-settled and cash-settled share-based payments (share options) are measured at fair values at the grant dates. In addition, liabilities arising from cash-settled share-based payments are remeasured at every reporting date. The assumptions used in the valuation to determine these fair values in the preceding financial year are explained in note 15 to the financial statements.

(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 2011 is disclosed in note 49 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. 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 45 to the financial statements. The valuation of such financial instruments is further discussed in note 46 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 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. During the financial year, in addition to the existing US Dollar forward contracts, the Group entered into Cross Currency Interest Rate Swap (CCIRS) plus Sinking Fund structures, primarily used to hedge selected US Dollar borrowing to reduce the foreign currency exposures. After hedging of the US Dollar borrowings, the foreign currency borrowings composition is reduced to 28.0% [2010: 37.1%] of the Group's total borrowings as at 31 December 2011. There was no repayment of these US Dollar borrowings during the financial year.

Based on the borrowings position as at 31 December 2011, if the Ringgit Malaysia had weakened/strengthened by 5.0% against the US Dollar with all other variables held constant, the post-tax profit for the financial year for the Group would have been lower/higher by approximately RM121.3 million (before hedging) and RM89.6 million (after hedging) as a result of foreign exchange losses or gains on translation of US Dollar denominated borrowings.

- Price Risk

The Group is exposed to equity and fixed income securities price risk arising from investments 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. To reduce its price risk arising from investments in equity securities, the Group has been winding down its quoted equity securities portfolio during the financial year which has reduced from RM503.4 million at the end of 2010 to RM20.1 million at the end of 2011.

Based on the quoted equity securities portfolio as at 31 December 2011, if Bursa Malaysia equity index move by 5.0%, with all other variables remain constant, post-tax profit for the financial year would have been impacted by approximately RM1.1 million. Moving forward, the impact will further reduce towards the total closure of equity portfolio.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Price Risk (continued)

Post-tax profit for the financial year would increase/decrease as a result of gains/losses on equity securities classified as at 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.

- 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 2011 were RM3,577.1 million (2010: RM3,051.3 million) and RM418.1 million (2010: RM356.2 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 RM8.9 million while the net asset value of the fixed income portfolio would inversely move by approximately RM3.6 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 2011, if there were to be a hike in the OPR by 25 basis points, the finance cost would be higher by approximately RM2.5 million.

As at 31 December 2011, the Group's fixed-to-floating interest rate profile, after hedging, was 69:31 (2010: 62:38).

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.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(ii) Credit Risk (continued)

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 A/P2 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 30 to the financial statements.

All hedging instruments are executed with creditworthy financial institutions with a view to limiting the credit risk exposure of the Group. The Group, however, is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but does not expect any counterparties to fail to meet their obligations.

In complying with the risk management policies, all counterparties are required to maintain certain credit rating as defined by the international and local rating agencies.

(iii) Liquidity Risk

Group Treasury maintains cash and cash equivalents at a level that is deemed appropriate by the management to finance the Group's operations. It also actively monitors and controls liquidity risk exposures and funding needs across legal entities within the Group, business lines and currencies, taking into account legal, regulatory and operational limitations via a centralised Treasury operation.

Due to the dynamic nature of the underlying business, the Group also aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

Cash flow forecasts are performed in the operating entities of the Group on a rolling basis and are aggregated by Group Treasury to ensure sufficient cash is available to meet operational needs while maintaining sufficient headroom on its undrawn committed credit facilities at all times. As at 31 December 2011, the Group held deposits with financial institutions of RM3,577.1 million (2010: RM3,051.3 million) and cash and bank balances of RM635.9 million (2010: RM437.2 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 no significant debt maturities until December 2013. The analysis of the maturity profile of the Group's and the Company's financial liabilities is shown in note 47 to the financial statements.

There has been no significant change in the Group's financial risk management objectives and policies as well as its financial risk exposure in the current financial year as compared to the preceding financial year.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) Capital Risk Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to the shareholders or may return capital to shareholders vis-à-vis its debt-to-equity ratio (gearing level).

The Group also monitors its gearing level in comparison to its peers within the industry while maintaining the desired level of credit rating. During 2011, the Group's credit rating remained unchanged at AAA by RAM, A- by S&P and A3 by Moody's.

5. SIGNIFICANT DISPOSALS**(a) Disposal of investment in Axiata Group Berhad (Axiata) during the financial year ended 31 December 2011 and 2010**

On 2 December 2010, the Company announced the proposal to undertake the disposal via TM ESOS Management Sdn Bhd (TEM), a wholly owned subsidiary, of up to 191,458,007 Axiata shares (representing approximately 2.27% equity interest in Axiata), being the remaining unexercised share options and excess unallocated shares held by TEM. TEM is the trustee for Special ESOS as explained in note 15 to the financial statements.

The proposed disposal was to be satisfied entirely by cash and undertaken through the following modes:

- (i) private placements via a bookbuilding process to eligible third-party institutional/sophisticated investors; and/or
- (ii) open market disposals.

On 26 July 2011, the Company, via TEM, completed the bookbuilding exercise for 92.4 million Axiata shares to successful third-party institutional investors at a price of RM5.07 per Axiata share. In addition, there were also disposals of 9.1 million Axiata shares in the open market. The above disposals resulted in a gain of RM283.5 million and a net cash inflow of RM513.8 million.

In the last financial year, there were disposal of 95.9 million Axiata shares through bookbuilding and open market disposal. In addition, 2.1 million Axiata shares were disposed pursuant to the exercise of options under Special ESOS. The above disposals gave rise to a gain of RM223.6 million and a net cash inflow of RM446.0 million.

	The Group	
	2011 RM	2010 RM
Net proceed	513.8	446.0
Carrying amount (note 30)	(513.8)	(425.3)
Reclassification adjustment on fair value gain from reserve to the Income Statement	283.5	202.9
Gain on disposal	283.5	223.6

5. SIGNIFICANT DISPOSALS (CONTINUED)

(b) Disposal of investment in MEASAT Global Berhad (MEASAT) during the financial year ended 31 December 2010

On 28 July 2010, the Company received a notice of conditional take-over offer of its investment in MEASAT, from CIMB Investment Bank Berhad and Maybank Investment Bank Berhad on behalf of MEASAT Global Network Systems Sdn Bhd (MGNS), to acquire all the ordinary shares of RM0.78 each in MEASAT not already held by MGNS (Offer Shares) for a cash offer price of RM4.20 per Offer Share (the Offer).

On 6 September 2010, the Company accepted the Offer. The disposal of the Company's entire holding of 60,024,010 Offer Shares, representing 15.39% equity interest in MEASAT vide the acceptance of the Offer, was completed on 7 September 2010. Arising from the disposal, the Group netted a gain on disposal of RM141.7 million as illustrated below, and a cash inflow of RM252.1 million in the last financial year.

The Group and Company	RM
Sales proceed	252.1
Carrying amount of MEASAT (note 30)	(185.4)
Reclassification adjustment on fair value gain from reserve to the Income Statement	75.0
<hr/>	
Gain on disposal	141.7

6. OPERATING REVENUE

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Voice services	3,733.9	3,862.9	3,731.8	3,864.6
Data services	1,819.3	1,754.3	1,755.6	1,743.0
Internet and multimedia services	2,001.1	1,652.8	2,009.9	1,667.5
Other telecommunications related services	1,304.2	1,223.4	679.2	547.2
Non-telecommunications related services	292.2	297.6	-	-
<hr/>				
TOTAL OPERATING REVENUE	9,150.7	8,791.0	8,176.5	7,822.3

7(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Depreciation of property, plant and equipment (PPE)	2,015.5	1,922.9	1,853.6	1,759.7
Depreciation of investment property	–	–	2.1	1.9
Impairment of PPE	0.2	0.7	–	–
Write off/retirement of PPE	97.4	71.1	95.1	70.2
Amortisation of intangible assets	14.9	1.1	–	–
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	2,128.0	1,995.8	1,950.8	1,831.8

7(b) OTHER OPERATING COSTS

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Agency commissions and charges	90.7	59.5	140.0	143.0
Domestic interconnect and international outpayment	744.7	929.9	802.4	993.0
Impairment of trade and other receivables (net of bad debt recoveries)	72.8	66.9	104.0	65.3
Impairment of an investment in a subsidiary	–	–	76.0	1.7
Impairment (reversal)/charge for available-for-sale receivables	(1.2)	17.7	(1.2)	17.7
Maintenance	587.0	498.9	646.5	542.0
Marketing, advertising and promotion	317.1	326.2	332.5	315.1
Net loss/(gain) on foreign exchange on settlements and placements				
– realised	15.0	55.1	15.7	48.0
– unrealised	6.9	(33.4)	9.9	(33.6)
Outsourcing costs	71.2	64.9	361.2	344.9
Rental – equipment	88.9	84.7	113.1	104.9
Rental – land and buildings	151.0	162.5	129.9	130.5
Rental – leased lines	128.6	117.7	–	–
Rental – others	12.8	6.2	12.6	15.0
Research and development	5.0	–	58.6	66.5
Staff costs	1,931.3	1,783.0	1,510.2	1,420.7
Staff costs capitalised into PPE	(92.9)	(90.1)	(92.9)	(93.9)
Supplies and inventories	570.1	514.1	450.9	406.4
Transportation and travelling	68.0	67.8	54.5	53.4
Universal Service Provision contribution	245.6	230.9	233.6	210.0
Utilities	298.1	278.8	264.9	249.6
Others	874.5	878.3	582.9	496.2
TOTAL OTHER OPERATING COSTS	6,185.2	6,019.6	5,805.3	5,496.4

7(b) OTHER OPERATING COSTS (CONTINUED)

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Staff costs include:				
– salaries, allowances, overtime and bonus	1,585.2	1,452.2	1,232.1	1,148.7
– termination benefit	5.7	10.6	5.7	10.2
– contribution to Employees Provident Fund (EPF)	220.4	201.5	175.0	163.0
– other staff benefits	113.7	102.6	91.3	84.7
– ESOS costs	–	11.5	–	9.7
– remuneration of Executive Directors of the Company				
– salaries, allowances and bonus	4.0	2.5	4.0	2.5
– contribution to EPF	0.7	0.5	0.7	0.5
– ESOS costs	–	0.1	–	0.1
– remuneration of Non-Executive Directors of the Company				
– fees	1.2	1.3	1.0	1.1
– allowances and bonus	0.3	0.2	0.3	0.2
– remuneration of former Non-Executive Directors of the Company				
– fees	0.1	–	0.1	–
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	2.4	2.4	1.6	1.7
– member firms of PricewaterhouseCoopers International Limited	0.2	0.2	–	–
– audit related fees	0.6	0.9	0.4	0.5
– tax and other non-audit services	0.9	0.7	0.6	0.5

Estimated money value of benefits of Directors amounted to RM686,886 (2010: RM773,219) for the Group and the Company.

8. OTHER OPERATING INCOME (net)

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Dividend income from subsidiaries	–	–	101.4	166.9
Dividend income from equity securities – quoted	11.7	1.4	1.5	1.4
– unquoted	6.2	8.9	6.2	8.9
Gain/(loss) on disposal of a former subsidiary	0.8	–	(0.3)	–
Income from sales of scraps	10.1	22.6	10.1	22.6
Income from subsidiaries – interest	–	–	11.4	13.0
– others	–	–	4.9	4.9
Insurance claims	2.5	13.9	2.4	13.9
Loss on disposal of staff loans	(1.2)	(2.1)	(1.2)	(2.1)
Profit on disposal of PPE	8.6	4.0	8.4	3.7
Penalty on breach of contract	8.9	3.6	8.4	3.4
Rental income from buildings	43.6	39.8	69.1	55.4
Rental income from vehicles	1.6	6.7	3.2	8.5
Revenue from training and related activities	1.2	1.8	2.1	2.2
Others	26.9	52.3	35.1	46.6
TOTAL OTHER OPERATING INCOME (net)	120.9	152.9	262.7	349.3

9. OTHER GAINS (net)

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Financial assets at fair value through profit or loss				
– fair value (loss)/gain	(0.7)	6.1	(0.7)	6.1
– gain on disposal	–	1.2	–	1.2
Available-for-sale investments				
– gains on disposal	–	87.5	–	66.8
– reclassification from fair value reserves	287.2	278.5	3.7	75.6
	287.2	366.0	3.7	142.4
TOTAL OTHER GAINS (net)	286.5	373.3	3.0	149.7

10. NET FINANCE (COST)/INCOME

The Group	2011				2010			
	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	#	75.9	51.5	127.4	0.1	69.7	35.7	105.5
– other deposits	–	–	1.4	1.4	–	–	1.1	1.1
– staff loans	–	0.4	2.0	2.4	–	5.7	4.8	10.5
– available-for-sale receivables	–	1.8	–	1.8	–	2.9	–	2.9
TOTAL FINANCE INCOME	#	78.1	54.9	133.0	0.1	78.3	41.6	120.0
Finance cost on								
– borrowings	(147.8)	(0.8)	–	(148.6)	(216.9)	(2.3)	–	(219.2)
– TM Islamic Stapled Income Securities (note 18(a))	–	–	(163.2)	(163.2)	–	–	(162.8)	(162.8)
– fair value gain on interest rate swaps – realised (note 18(b))	–	–	8.4	8.4	–	–	22.9	22.9
– Islamic Commercial Papers (note 18(c))	–	–	(0.7)	(0.7)	–	–	–	–
– Islamic Medium Term Notes (note 18(c))	–	–	(10.2)	(10.2)	–	–	–	–
– accretion of finance cost (note 18(d))	–	(7.3)	–	(7.3)	–	(7.0)	–	(7.0)
– finance lease (note 18(e))	–	(3.8)	–	(3.8)	–	(4.0)	–	(4.0)
– amortisation of interest subsidy on staff loan	–	(1.7)	(0.5)	(2.2)	–	(1.2)	(0.9)	(2.1)
Borrowing costs capitalised	–	7.3	2.1	9.4	–	7.0	–	7.0
TOTAL FINANCE COST	(147.8)	(6.3)	(164.1)	(318.2)	(216.9)	(7.5)	(140.8)	(365.2)
Foreign exchange (loss)/gain on borrowings								
– realised	–	–	–	–	169.7	–	–	169.7
– unrealised	(66.2)	–	–	(66.2)	162.6	–	–	162.6
– reclassification from hedging reserve	3.7	–	–	3.7	–	–	–	–
Fair value gain/(loss) on forward foreign currency contracts								
– realised	–	–	–	–	(8.8)	–	–	(8.8)
– unrealised (note 20)	3.9	–	–	3.9	(19.8)	–	–	(19.8)
TOTAL FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	(58.6)	–	–	(58.6)	303.7	–	–	303.7
NET FINANCE (COST)/INCOME	(206.4)	71.8	(109.2)	(243.8)	86.9	70.8	(99.2)	58.5

Amount less than RM0.1 million

10. NET FINANCE (COST)/INCOME (CONTINUED)

The Company	2011				2010			
	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	#	68.8	47.0	115.8	0.1	64.3	32.5	96.9
– other deposits	–	–	1.4	1.4	–	–	1.1	1.1
– staff loans	–	0.4	2.0	2.4	–	5.7	4.8	10.5
– available-for-sale receivables	–	1.8	–	1.8	–	2.9	–	2.9
TOTAL FINANCE INCOME	#	71.0	50.4	121.4	0.1	72.9	38.4	111.4
Finance cost on								
– borrowings	(147.8)	(0.2)	–	(148.0)	(216.9)	(0.5)	–	(217.4)
– TM Islamic Stapled Income Securities (note 18(a))	–	–	(163.2)	(163.2)	–	–	(162.8)	(162.8)
– fair value gain on interest rate swaps – realised (note 18(b))	–	–	8.4	8.4	–	–	22.9	22.9
– Islamic Commercial Papers (note 18(c))	–	–	(0.7)	(0.7)	–	–	–	–
– Islamic Medium Term Notes (note 18(c))	–	–	(10.2)	(10.2)	–	–	–	–
– accretion of finance cost (note 18(d))	–	(7.3)	–	(7.3)	–	(7.0)	–	(7.0)
– finance lease (note 18(e))	–	(3.8)	–	(3.8)	–	(4.0)	–	(4.0)
– Inter-Company Fund Optimisation (note 42(f))	–	(7.4)	–	(7.4)	–	(4.7)	–	(4.7)
– amortisation of interest subsidy on staff loan	–	(1.7)	(0.5)	(2.2)	–	(1.2)	(0.9)	(2.1)
Borrowing costs capitalised	–	7.3	2.1	9.4	–	7.0	–	7.0
TOTAL FINANCE COST	(147.8)	(13.1)	(164.1)	(325.0)	(216.9)	(10.4)	(140.8)	(368.1)
Foreign exchange (loss)/gain on borrowings								
– realised	–	–	–	–	169.7	–	–	169.7
– unrealised	(66.2)	–	–	(66.2)	162.6	–	–	162.6
– reclassification from hedging reserve	3.7	–	–	3.7	–	–	–	–
Fair value gain/(loss) on forward foreign currency contracts								
– realised	–	–	–	–	(8.8)	–	–	(8.8)
– unrealised (note 20)	3.9	–	–	3.9	(19.8)	–	–	(19.8)
TOTAL FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	(58.6)	–	–	(58.6)	303.7	–	–	303.7
NET FINANCE (COST)/INCOME	(206.4)	57.9	(113.7)	(262.2)	86.9	62.5	(102.4)	47.0

Amount less than RM0.1 million

11. TAXATION AND ZAKAT

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	44.8	113.3	4.0	102.3
Prior year	(254.1)	1.3	(240.6)	13.6
Deferred Tax (net)	(39.3)	9.7	(56.8)	(4.2)
	(248.6)	124.3	(293.4)	111.7
Overseas				
Income Tax				
Current year	5.1	1.5	-	-
Prior year	1.2	0.3	-	-
Deferred Tax (net)	(0.1)	(10.3)	-	-
	6.2	(8.5)	-	-
TOTAL TAXATION	(242.4)	115.8	(293.4)	111.7
Zakat	6.5	(0.6)	6.1	-
TAXATION AND ZAKAT	(235.9)	115.2	(287.3)	111.7
Current taxation				
Current year	49.9	114.8	4.0	102.3
(Over)/under accrual in prior years (net)	(252.9)	1.6	(240.6)	13.6
Deferred taxation				
Origination and reversal of temporary differences	300.5	58.9	278.8	53.0
Tax incentive (note 21)	(335.6)	-	(335.6)	-
Benefit from previously unrecognised tax losses and deductible temporary differences	(4.3)	(59.5)	-	(57.2)
	(242.4)	115.8	(293.4)	111.7

11. TAXATION AND ZAKAT (CONTINUED)

The relationship between taxation and profit before taxation and zakat can be explained by the numerical reconciliation between taxation expense and the product of accounting profit multiplied by the Malaysian tax rate as follows:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit Before Taxation and Zakat	1,001.2	1,360.2	423.9	1,040.1
Taxation calculated at the applicable Malaysian taxation rate of 25.0%	250.3	340.1	106.0	260.0
Tax effects of:				
– different taxation rates in other countries	(1.8)	(0.7)	–	–
– expenses not deductible for taxation purposes	71.0	64.8	75.9	47.5
– income not subject to taxation	(120.3)	(199.4)	(25.7)	(120.0)
– expenses allowed for double deduction	(14.7)	(13.0)	(14.7)	(13.0)
– tax incentive	(335.6)	–	(335.6)	–
– benefit from previously unrecognised tax losses and deductible temporary differences	(3.6)	(59.5)	–	(57.2)
– current year tax losses not recognised	12.6	15.4	–	–
– (over)/under accrual of income tax (net)	(252.9)	1.6	(240.6)	13.6
– adjustment of previously unrecognised/(recognised) temporary differences	152.6	(33.5)	141.3	(19.2)
TOTAL TAXATION	(242.4)	115.8	(293.4)	111.7

12. EARNINGS PER SHARE

Basic earnings per share of the Group was calculated by dividing the net profit attributable to equity holders by the weighted average number of issued and paid-up ordinary shares of the Company in issue during the financial year. There is no dilutive potential ordinary shares as at 31 December 2011 as the Company's Special ESOS has expired on 16 September 2010 and the remaining options unexercised as at that date had lapsed and became null and void. Thus, diluted earnings per share equals basic earnings per share for the current financial year.

	The Group	
	2011	2010
Profit attributable to equity holders of the Company (RM million)	1,191.0	1,206.5
Weighted average number of ordinary shares (million)	3,576.5	3,556.1
Basic/diluted earnings per share (sen) attributable to equity holders of the Company	33.3	33.9

13. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

The Company	2011			2010	
	Gross dividend per share Sen	Amount of dividend, net of 25.0% tax RM	Amount of single-tier dividend RM	Gross dividend per share Sen	Amount of dividend, net of 25.0% tax RM
Final dividends paid in respect of the financial years ended:					
– 31 December 2010	13.1	351.5	–	–	–
– 31 December 2009	–	–	–	13.0	348.8
Interim dividends paid in respect of the financial years ended:					
– 31 December 2011	9.8	–	350.6	–	–
– 31 December 2010	–	–	–	13.0	348.8
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	22.9	351.5	350.6	26.0	697.6

The dividends paid in respect of the financial year ended 31 December 2010 included dividends paid on shares held by TM ESOS Management Sdn Bhd (TEM) amounted to RM3.8 million which was adjusted on consolidation. No such dividend was paid to TEM in 2011 as all the shares in the Company which were held by TEM have been disposed in the open market by March 2011.

In respect of the financial year ended 31 December 2011, the Directors now recommend a final single-tier dividend of 9.8 sen per share amounting to RM350.6 million (2010: a final gross dividend of 13.1 sen per share less tax at 25.0% amounting to RM351.5 million) for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

14. SHARE CAPITAL

The Group and Company	2011		2010	
	Number of shares	RM	Number of shares	RM
Authorised:				
Ordinary shares of RM1.00 each	5,000.0	5,000.0	5,000.0	5,000.0
Special Share of RM1.00 (sub-note (a))	#	#	#	#
1,000 Class A Redeemable Preference Shares of RM0.01 each*	-	-	#	#
1,000 Class B Redeemable Preference Shares of RM0.01 each*	-	-	#	#
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))	#	#	#	#
Class E Redeemable Preference Shares of RM0.01 each*	-	-	4,000.0	40.0
Class F Redeemable Preference Shares of RM0.01 each (sub-note (c))	4,000.0	40.0	-	-
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	3,568.1	3,568.1	3,543.5	3,543.5
Exercise of share options	-	-	23.4	23.4
Disposal of shares attributed to the lapsed options (sub-note (d)(ii))	9.3	9.3	1.2	1.2
At 31 December	3,577.4	3,577.4	3,568.1	3,568.1
Class F Redeemable Preference Shares of RM0.01 each				
At 1 January	-	-	-	-
Bonus issue of Redeemable Preference Shares (sub-note (c))	3,577.4	35.8	-	-
Redemption of Redeemable Preference Shares (sub-note (c))	(3,577.4)	(35.8)	-	-
At 31 December	-	-	-	-
Special Share of RM1.00 (sub-note (a))				
At 1 January and 31 December	#	#	#	#
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	3,577.4	3,577.4	3,568.1	3,568.1

Amount less than RM0.1 million

* During the financial year, the Company had altered the composition of its authorised share capital which was approved by the shareholders at an Extraordinary General Meeting (EGM) held on 10 May 2011.

(a) Special Rights Redeemable Preference Share (Special Share)

The Special Share of RM1.00 would enable the Government through the Minister of Finance to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policy. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but does not carry any right to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

14. SHARE CAPITAL (CONTINUED)

(a) Special Rights Redeemable Preference Share (Special Share) (continued)

Certain matters, in particular, the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, the dissolution of the Company, any substantial acquisitions and disposal of assets, amalgamation, merger and takeover, require the prior consent of the Special Shareholder.

The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time. In a distribution of capital in a winding up of the Company, the Special Shareholder is entitled to the repayment of the capital paid-up on the Special Share in priority to any repayment of capital to any other member. The Special Share does not confer any right to participate in the capital or profits of the Company.

(b) Non-Convertible Redeemable Preference Shares (NCRPS)

These comprise 2,000 Class C NCRPS of RM1.00 each and 1,000 Class D NCRPS of RM1.00 each. On 20 July 2007, the Company issued 2,000 Class C NCRPS (TM NCRPS C) and 925 Class D NCRPS (TM NCRPS D) at a premium of RM999.00 each over the par value of RM1.00 each. TM NCRPS C and TM NCRPS D rank *pari passu* amongst themselves but below the Special Share and ahead of the ordinary shares of the Company in a distribution of capital in the event of the winding up or liquidation of the Company. TM NCRPS C and TM NCRPS D have been classified as liabilities.

The details of TM NCRPS C and TM NCRPS D are set out in note 18(a)(i) to the financial statements.

(c) Class F Redeemable Preference Shares (Class F RPS)

On 25 February 2011, the Company announced a proposed capital distribution to its shareholders of approximately RM1,037.4 million or RM0.29 for each ordinary share of RM1.00 each in the Company (Capital Distribution). The proposal was approved by its shareholders at an EGM held on 10 May 2011.

To facilitate the Capital Distribution, the Company had, at the EGM, altered the composition of its authorised share capital by the creation of 4,000.0 million Class F RPS of RM0.01 each. On 7 June 2011, the Company implemented a bonus issue of 3,577.4 million Class F RPS of RM0.01 each to entitled shareholders, on the basis of 1 Class F RPS for each ordinary share of RM1.00 each held. The bonus issue was issued at a par value of RM0.01 for each Class F RPS by way of capitalisation of the Company's share premium account.

Subsequent thereto, the Company had, on the same day redeemed the Class F RPS at a redemption price of RM0.29 for each ordinary share held. The par value of RM0.01 per Class F RPS representing RM35.8 million in total, was redeemed out of the Company's retained profits and resulted in the creation of a capital redemption reserve, whilst, the premium on redemption of RM0.28 for each Class F RPS or RM1,001.6 million was redeemed out of the Company's share premium account resulting in cash payment of RM0.29 for each ordinary share held or RM1,037.4 million to entitled shareholders. The payment was made on 15 June 2011.

(d) Special ESOS Shares

- (i) On 17 March 2008, the Company issued 137,592,300 shares (Special ESOS Shares) at fair value to TM ESOS Management Sdn Bhd (TEM), a newly incorporated trust company, under Special ESOS (note 15) in exchange for investment in TEM, thereby making TEM a subsidiary as well as a shareholder of the Company. Adjustments to the investment in TEM is a transaction with the Company's shareholder and is therefore recorded in equity.

In the Company's separate financial statements, this is recorded as 'Special ESOS Reserve' which will be reclassified to paid-up capital and share premium of the Company upon receipt of the consideration for the issuance of shares to employees or other third parties. In the consolidated financial statements, the issuance of Special ESOS Shares to TEM is an intra-group transaction and therefore not recorded until the Special ESOS Shares are issued to employees or other parties outside the Group.

14. SHARE CAPITAL (CONTINUED)

(d) Special ESOS Shares (continued)

- (ii) During the financial year, 9.3 million ordinary shares of RM1.00 each were issued upon disposals of ordinary shares attributed to lapsed options by TEM. As explained under the main features of the Special ESOS in note 15 to the financial statements, the excess unallocated shares and shares attributable to lapsed options will be sold to the open market upon expiration of the Special ESOS at the discretion of the Special ESOS Option Committee.

The above shares rank *pari passu* in all respects with the existing issued ordinary shares of the Company.

15. EMPLOYEES' SHARE OPTION SCHEME

On 10 December 2007, the Company announced that, in conjunction with the proposed demerger, an Employees' Share Option Scheme (Special ESOS) for eligible employees and Executive Director(s) of the Group (other than subsidiaries that are dormant) (collectively referred to as 'Eligible Employees') was established. This Special ESOS was subsequently approved by the shareholders at an Extraordinary General Meeting held on 6 March 2008.

The Special ESOS expired on 16 September 2010 and the remaining options unexercised on that date had lapsed and became null and void.

On expiry of the Special ESOS, the remaining shares attributable to the unexercised options shall be sold to the market, at the discretion of the Option Committee. As at 31 December 2010, the balance of shares in the Company and Axiata Group Berhad (Axiata) under the Special ESOS held by TEM, and remained unsold was 9.3 million and 101.5 million respectively. As at 31 December 2011, all the Special ESOS shares in the Company and Axiata held by TEM have been sold except for 807 Axiata shares.

The following information is in respect of 2010 disclosures.

Main Features of Special ESOS

(i) Duration of the Special ESOS

The Special ESOS shall be in force for a period of 18 months from the grant date until 16 September 2009. Subsequent to resolution passed at an Extraordinary General Meeting on 7 May 2009, the exercise period for the options granted under the Special ESOS to employees of the Group was extended to 16 September 2010.

(ii) Subscription price

The subscription price of each RM1.00 share shall be the 5-day weighted average market price of the share immediately preceding the date of offer with maximum discount of up to 10.0%. Post demerger, the subscription price of each RM1.00 share of the Company and Axiata shall be the 5-day weighted average market price of the shares immediately preceding the date of offer respectively, with maximum discount of up to 10.0% each. The combined subscription price is RM9.70, being the subscription price prior to demerger.

(iii) Trust arrangement

The Special ESOS was implemented through TEM, a trust company specifically established by the Company to act as a trustee to acquire, hold and manage the Special ESOS Shares and other related benefits under the Special ESOS. TEM shall grant the options over the Special ESOS Shares to Eligible Employees only on the instructions of the Options Committee appointed by the Board. Excess unallocated shares will be sold in the open market at fair market value upon expiration of the Special ESOS.

On the basis of the trust arrangement, TEM was concluded to be controlled by the Company and is consolidated for the purpose of the financial statements.

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Allocation and Exercise Price of Special ESOS

On 17 March 2008, the Company issued 137,592,300 shares (Special ESOS Shares), representing 4.0% of the issued and paid-up share capital of the Company, to TEM. The actual number of options over these shares granted to employees of the Group since 31 March 2008 up to the expiry of the scheme is as follows:

Employees of	Grant date	Number of options granted '000
The Company		
– initial allocation	31 March 2008*	82,365.0
– additional allocation to non-executive employees	22 April 2008	5,496.5
– additional allocation to promotees**	16 October 2008	2,805.0
– additional allocation to promotees***	17 September 2009	1,203.6
Subsidiaries		
– initial allocation	31 March 2008*	18,588.0
– additional allocation to non-executive employees	22 April 2008	640.0
– additional allocation to promotees**	16 October 2008	262.8
– additional allocation to promotees***	17 September 2009	100.8
Subtotal		111,461.7
Axiata Group of companies		
– initial allocation	31 March 2008*	23,473.0
– additional allocation to non-executive employees	22 April 2008	134.0
– additional allocation to promotees**	16 October 2008	0.6
Total		135,069.3

* This is the deemed grant date as the majority of the offers made on 17 March 2008 had been duly accepted by the Eligible Employees.

** These additional options were granted due to promotion during the financial year ended 31 December 2008.

*** These additional options were granted due to promotion up to 16 March 2009.

The Special ESOS was designed with the intention to retain the employees of the Group during the transitional period of the demerger. In this regards, the total options granted to each employee were vested as follows:

Grant date	Vesting date/Percentage of options exercisable (%)					
	Tranche 1		Tranche 2		Tranche 3	
	31 March 2008	22 April 2008	16 September 2008	16 October 2008	16 March 2009	17 September 2009
31 March 2008	40	–	30	–	30	–
22 April 2008	–	40	30	–	30	–
16 October 2008	–	–	–	50	50	–
17 September 2009	–	–	–	–	–	100

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)**Allocation and Exercise Price of Special ESOS (continued)**

Prior to demerger, at grant date, the employees were entitled to options over the ordinary shares of the Company (TM Options) only. TM Options were granted in contemplation of the demerger. With this, the TM Options were granted on the basis that the value of these options would include the value of options over the ordinary shares of Axiata (Axiata Options) at demerger.

Pursuant to the distribution of shares in Axiata via dividend in specie to effect the demerger on 25 April 2008, 137,295,600 ordinary shares of Axiata (Axiata shares) were distributed to TEM on the basis of 1 Axiata share for each TM share held by TEM. Consequently, the Eligible Employees were entitled to 1 Axiata Option for each TM Option remained unexercised on that date. The allocation on 16 October 2008 included 1 Axiata Option for each TM Option granted on that date whereas the allocation on 17 September 2009 included 1.4645 Axiata Option for every 1 TM Option for reason as explained in sub-note (ii) below. The TM Options and Axiata Options could be exercised independently.

Following the events that took place in 2009, the exercise price of TM Options and Axiata Options respectively was adjusted as illustrated below:

Grant date	Exercise price (RM)					
	Prior to demerger TM Options	At demerger			(i) Subsequent to capital repayment TM Options	(ii) Subsequent to Axiata rights issue Axiata Options
		TM Options	Axiata Options			
31 March 2008	9.70	2.71	6.99		1.91	4.77
22 April 2008	9.70	2.71	6.99		1.91	4.77
16 October 2008	n.a.	3.14	6.56		2.22	4.47
17 September 2009	n.a.	n.a.	n.a.		2.91	3.99

(i) Capital repayment to shareholders on 12 June 2009.

(ii) Pursuant to the Axiata rights issue in April 2009, the Company had further subscribed to 64.3 million rights out of 171.3 million rights entitled, for a total cash consideration of RM72.0 million. Accordingly, the exercise price of Axiata Options and the number of Axiata Options allotted to Eligible Employees was adjusted based on the ratio of 1.4645 for every 1 Axiata Option remain unexercised which was consistent with the ratio on the alteration of Axiata capital structure.

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Fair Valuation of Special ESOS

The fair values of options granted at the respective grant date in which FRS 2 applies, were determined using the Black Scholes valuation model. The fair values of the options had been determined in contemplation of the demerger and the alteration in capital structure for both the Company and Axiata. The inputs into the model are as follows:

Special ESOS over the ordinary shares of:	The Company			Axiata		
Exercise price	RM2.71*^	RM3.14^	RM2.91	RM6.99^	RM6.56^	RM3.99
Estimated option life (number of days)						
– tranche 1	183	n.a.	n.a.	183	n.a.	n.a.
– tranche 2	350	182	n.a.	350	182	n.a.
– tranche 3	534	335	180	534	335	180
Weighted average share price at grant date	RM3.58	RM3.32	RM3.14	RM7.25	RM5.00	RM3.16
Expected dividend yield	5.60%	5.60%	6.23%	1.80%	1.80%	1.61%
Risk free interest rates (Yield of Malaysian Government Securities)	3.38%	3.67%	2.01%	3.38%	3.67%	2.01%
Expected volatility	21.48%	27.14%	25.12%	24.62%	23.15%	38.38%
Historical volatility period for the shares of:						
– from	31.03.2006	16.10.2007	17.09.2008	@	@	17.09.2008
– to	31.03.2008	16.10.2008	17.09.2009	@	@	17.09.2009
Option value						
– tranche 1	0.82	n.a.	n.a.	0.66	n.a.	n.a.
– tranche 2	0.80	0.32	n.a.	0.86	0.02	n.a.
– tranche 3	0.79	0.38	0.28	1.03	0.08	0.10

The volatility measured at the standard deviation of continuously compounded share return were based on statistical analysis of daily share prices over the last 1 to 2 years from the grant date.

- * The valuation parameters for the grant on 31 March 2008 and 22 April 2008 are similar due to the proximity of grant dates.
- ^ There was no change in fair value of these options as a result of change in exercise prices following the alteration in capital structure of the respective companies.
- @ The volatility rate for options over Axiata shares for 2008 was derived after considering the pattern and level of historical volatility of entities within the same industry since information on historical volatility of Axiata shares was not available as it was only listed on the Bursa Malaysia Securities Berhad on 28 April 2008.
- n.a. not applicable

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)**Fair Valuation of Special ESOS (continued)**

On 7 May 2009, the exercise period of the Special ESOS had been extended for Group employees. This extension gave rise to a modification of the terms and conditions of the Special ESOS. Incremental values of this modification was recognised accordingly. The modification effect for TM Options had been quantified to have no incremental fair value arising from the extension.

The incremental fair values of the modification arising from the extension of exercise period at the date of modification was determined using the Black Scholes valuation model. The inputs into the model are as follows:

Special ESOS over the ordinary shares of:	Axiata	
Exercise price	RM4.77	RM4.47
Estimated option life (number of days)		
– before modification	132	132
– after modification	497	497
Weighted average share price at modification date	RM2.30	RM2.30
Expected dividend yield	3.20%	3.20%
Risk free interest rates (Yield of Malaysian Government Securities)	2.20%	2.20%
Expected volatility	38.71%	38.71%
Historical volatility period for the shares of:		
– from	28.04.2008	28.04.2008
– to	07.05.2009	07.05.2009
Option value		
– before modification	#	#
– after modification	0.03	0.04

Amount less than 0.01 sen

The volatility measured at the standard deviation of continuously compounded share return was based on statistical analysis of daily share prices over the last 1 year from the date of modification.

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Movement during the Financial Year

The movement during the last financial year in the number of TM Options is as follows:

Grant date	Exercise price RM	At 1 January '000	Exercised '000	Forfeited/ Lapsed '000	At 31 December '000	Fair value at grant date RM
2010						
31 March/22 April 2008	1.91	22,904.4	(20,579.5)	(2,324.9)#	-	0.79 – 0.82
16 October 2008	2.22	1,906.8	(1,721.0)	(185.8)#	-	0.32 – 0.38
17 September 2009	2.91	1,296.3	(1,113.6)	(182.7)#	-	0.28
Total		26,107.5	(23,414.1)	(2,693.4)	-	

The movement during the last financial year in the number of Axiata Options is as follows:

Grant date	Exercise price RM	At 1 January '000	Exercised '000	Forfeited/ Lapsed '000	At 31 December '000	Fair value at grant date RM
2010						
31 March/22 April 2008	4.77	144,695.5	(10.3)	(144,685.2)#	-	0.66 – 1.03
16 October 2008	4.47	4,481.9	(699.3)	(3,782.6)#	-	0.02 – 0.08
17 September 2009	3.99	1,910.1	(1,371.6)	(538.5)#	-	0.10
Total		151,087.5	(2,081.2)	(149,006.3)	-	

Include options granted to employees of the Group which remained unexercised on expiry of Special ESOS on 16 September 2010 and therefore, considered lapsed.

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)**Fair Value of Shares at Exercise Date**

Details relating to TM Options exercised during the last financial year are as follows:

Exercise date	Fair value of shares at exercise date RM/share	TM Options		
		Exercise price/Number of options exercised ('000)		
		RM1.91	RM2.22	RM2.91
2010				
January	3.13	1,100.1	75.6	4.5
February	3.23	1,657.6	62.7	2.9
March	3.34	2,381.0	170.1	25.1
April	3.47	1,514.6	97.0	52.9
May to July	3.32 – 3.37	3,770.8	249.8	109.2
August	3.48	5,119.2	361.9	319.9
September	3.46	5,036.2	703.9	599.1
Total		20,579.5	1,721.0	1,113.6

Details relating to Axiata Options exercised during the last financial year are as follows:

Exercise date	Fair value of shares at exercise date RM/share	Axiata Options		
		Exercise price/Number of options exercised ('000)		
		RM4.77	RM4.47	RM3.99
2010				
August	4.37	0.3	–	139.8
September	4.51	10.0	699.3	1,231.8
Total		10.3	699.3	1,371.6

The fair value of shares issued on the exercise of options was the mean market price at which the Company's and Axiata's shares were traded on Bursa Malaysia Securities Berhad on the day prior to the exercise of the options.

15. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Special ESOS Cost/Liability

The amounts recognised in the 2010 Income Statements arising from Special ESOS are summarised below:

	2010	
	The Group RM	The Company RM
Cost of options granted to employees of the Company and its subsidiaries		
Cash-settled	11.6	9.8
Total ESOS costs (note 7(b))	11.6	9.8

There is no liability recognised in the Statement of Financial Position for cash-settled arrangement as at 31 December 2010 and 31 December 2011 as the Special ESOS had expired on 16 September 2010.

16. OTHER RESERVES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Special ESOS reserve (note 14(d)(i))	–	–	–	200.2
Fair value reserves	72.3	332.4	72.3	80.8
Hedging reserve	32.1	–	32.1	–
Capital redemption reserve (note 14(c))	71.6	35.8	71.6	35.8
Currency translation differences arising from translation of subsidiaries	(0.3)	(1.4)	–	–
TOTAL OTHER RESERVES	175.7	366.8	176.0	316.8

17. RETAINED PROFITS

Pursuant to the Finance Act, 2007, the single-tier company income tax system was introduced with effect from the year of assessment 2008. Under the single-tier system, the tax on a company's profit is a final tax and the dividends distributed to its shareholders would be exempted from tax. The Company did not elect for the irrevocable option to disregard the unutilised Section 108 balances as at 31 December 2007. The Section 108 balances as at 31 December 2007 will be available until such time the tax credit is fully utilised or upon expiry of the 6 years transitional period on 31 December 2013, whichever is earlier.

As at 31 December 2011, the Company has nil balance (2010: RM120.8 million) in its Section 108 account and a tax exempt profits of RM144.8 million (2010: RM138.6 million), subject to the agreement by the Inland Revenue Board.

for the financial year ended 31 December 2011

18. BORROWINGS

The Group	2011				2010			
	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM
DOMESTIC								
Unsecured								
Borrowings from financial institutions	5.53%	-	3.0	3.0	5.70%	3.0	21.4	24.4
Borrowings under Islamic principles								
- TM Islamic Stapled Income Securities (sub-note (a) and (b))	5.57%	2,925.0	-	2,925.0	5.57%	2,925.0	-	2,925.0
- Fair value of hedged risk (sub-note (b))	-	30.4	-	30.4	-	(1.6)	-	(1.6)
- Islamic Medium Term Notes (sub-note (c))	4.31%	800.0	-	800.0	-	-	-	-
Other borrowings (sub-note (d))	4.69%	166.0	0.9	166.9	4.69%	160.8	1.0	161.8
Finance lease (sub-note (e))	6.23%	54.6	3.6	58.2	6.34%	58.2	3.4	61.6
Total Domestic	5.24%	3,976.0	7.5	3,983.5	5.54%	3,145.4	25.8	3,171.2
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (f))	6.28%	2,423.2	-	2,423.2	6.28%	2,356.9	-	2,356.9
Other borrowings	-	3.5	0.2	3.7	-	3.7	0.2	3.9
Total Foreign	6.27%	2,426.7	0.2	2,426.9	6.27%	2,360.6	0.2	2,360.8
TOTAL BORROWINGS	5.63%	6,402.7	7.7	6,410.4	5.85%	5,506.0	26.0	5,532.0

	2011			2010		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Group's non-current borrowings are repayable as follows:						
After one year and up to five years	2,154.3	1,474.9	3,629.2	2,099.1	1,434.7	3,533.8
After five years and up to ten years	1,811.8	0.8	1,812.6	1,029.9	0.8	1,030.7
After ten years and up to fifteen years	9.9	949.8	959.7	16.3	923.7	940.0
After fifteen years	-	1.2	1.2	0.1	1.4	1.5
	3,976.0	2,426.7	6,402.7	3,145.4	2,360.6	5,506.0

18. BORROWINGS (CONTINUED)

The Company	2011			2010			Total RM	Total RM
	Weighted Average Rate of Finance	Non-current RM	Current RM	Weighted Average Rate of Finance	Non-current RM	Current RM		
DOMESTIC								
Unsecured								
Borrowings under Islamic principles								
- TM Islamic Stapled Income Securities (sub-note (a) and (b))	5.57%	2,925.0	-	2,925.0	5.57%	2,925.0	-	2,925.0
- Fair value of hedged risk (sub-note (b))	-	30.4	-	30.4	-	(1.6)	-	(1.6)
- Islamic Medium Term Notes (sub-note (c))	4.31%	800.0	-	800.0	-	-	-	-
Other borrowings (sub-note (d))	4.69%	166.0	0.9	166.9	4.69%	160.8	1.0	161.8
Finance lease (sub-note (e))	6.23%	54.6	3.6	58.2	6.34%	58.2	3.4	61.6
Total Domestic	5.24%	3,976.0	4.5	3,980.5	5.54%	3,142.4	4.4	3,146.8
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (f))	7.89%	949.0	-	949.0	7.89%	922.9	-	922.9
Other borrowings	-	3.5	0.2	3.7	-	3.7	0.2	3.9
Total Foreign	7.86%	952.5	0.2	952.7	7.86%	926.6	0.2	926.8
TOTAL BORROWINGS	5.75%	4,928.5	4.7	4,933.2	6.07%	4,069.0	4.6	4,073.6

	2011			2010		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Company's non-current borrowings are repayable as follows:						
After one year and up to five years	2,154.3	0.7	2,155.0	2,096.1	0.7	2,096.8
After five years and up to ten years	1,811.8	0.8	1,812.6	1,029.9	0.8	1,030.7
After ten years and up to fifteen years	9.9	949.8	959.7	16.3	923.7	940.0
After fifteen years	-	1.2	1.2	0.1	1.4	1.5
	3,976.0	952.5	4,928.5	3,142.4	926.6	4,069.0

18. BORROWINGS (CONTINUED)

The currency exposure profile of borrowings is as follows:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	3,983.5	3,171.2	3,980.5	3,146.8
US Dollar	2,423.2	2,356.9	949.0	922.9
Other currencies	3.7	3.9	3.7	3.9
	6,410.4	5,532.0	4,933.2	4,073.6

- (a) On 20 July 2007, the Company had, through itself and its wholly owned subsidiary, Hijrah Pertama Berhad (HPB), issued the TM Islamic Stapled Income Securities (TM ISIS) consisting of:
- (i) (a) RM2.0 million Class C Non-Convertible Redeemable Preference Shares (NCRPS) (TM NCRPS C) consisting of 2,000 Class C NCRPS of RM1.00 each at a premium of RM999 issued by the Company at an issue price of RM1,000 each;
 - (b) Sukuk Ijarah Class A of nominal value RM1,998.0 million issued by HPB; and
 - (ii) (a) RM925,000 Class D NCRPS (TM NCRPS D) consisting of 925 Class D NCRPS of RM1.00 each at a premium of RM999 issued by the Company at an issue price of RM1,000 each;
 - (b) Sukuk Ijarah Class B of nominal value RM924,075,000 issued by HPB.

Sukuk Ijarah Class A and B are collectively referred to as 'Sukuk'.

The TM NCRPS (which comprises Class C and Class D NCRPS respectively) are effectively linked to the Sukuk in that the TM NCRPS and the Sukuk are issued simultaneously to the same parties and the periodic distribution obligations under the Sukuk are dependent on the payments made under the TM NCRPS. The outstanding amount of Sukuk are treated as borrowing by the Company as the Sukuk are effectively obligations of the Company.

The TM ISIS are classified as debt instruments and hence are reported as liabilities. Consequently, dividend payable under TM NCRPS and rental payable under Sukuk are reported as finance cost.

18. BORROWINGS (CONTINUED)

(a) Salient terms of the above transactions are:

(I) TM NCRPS

The principle features of the TM NCRPS are summarised as follows:

- (i) The NCRPS will not be convertible to ordinary shares of the Company.
- (ii) The NCRPS are not transferable/tradable and will be held by Primary Subscribers until redeemed by the Company (anticipated to be concurrent with Sukuk maturity).
- (iii) There will be no voting rights except with regards to the proposal to reduce the capital of the Company, sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NCRPS holders or as provided for in the Companies Act, 1965.
- (iv) The NCRPS will not be listed on any of the boards of Bursa Malaysia Securities Berhad.
- (v) The NCRPS shall rank pari passu amongst themselves but below the Special Share and ahead of the Company's ordinary shares in a distribution of capital in the event of the winding up or liquidation of the Company.

(II) Sukuk Ijarah

The Sukuk are issued in 4 classes and is for the purposes of financing the purchase by HPB of the beneficial ownership of certain assets. The Sukuk comprise the following classes:

- (i) Class A Sukuk comprising Class A1 Sukuk and Class A2 Sukuk (collectively referred to as 'Class A Sukuk')
- (ii) Class B Sukuk comprising Class B1 Sukuk and Class B2 Sukuk (collectively referred to as 'Class B Sukuk')

The Class A Sukuk and Class B Sukuk shall represent undivided beneficial ownership in the relevant assets and shall constitute direct, unconditional and unsecured trust obligations of HPB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves.

Features of the Sukuk are summarised as follows:

- (i) The Sukuk shall constitute trust obligations of HPB in relation to, and represent undivided beneficial ownership in the assets.
- (ii) Class A2 Sukuk and Class B2 Sukuk are not transferable/tradable and will be held by Primary Subscribers until maturity of the Sukuk.
- (iii) The Sukuk will constitute, inter alia, the obligations of the Company.
- (iv) The obligations of the Company in respect of the Sukuk will constitute direct, unconditional and unsecured obligations of the Company and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Company, subject to those preferred by law or the transaction documents.

for the financial year ended 31 December 2011

18. BORROWINGS (CONTINUED)

- (a) Salient terms of the above transactions are: (continued)

(ii) Sukuk Ijarah (continued)

- (v) The Sukuk carry a rating of AAA by RAM Rating Services Berhad at the date of issue.

The respective tenure of the Sukuk are as follows:

Class	Maturity Dates
A1	30 December 2013
A2	30 December 2013
B1	28 December 2018
B2	28 December 2018

During the tenure of the TM ISIS, the Company can elect to either:

- (i) Pay gross dividends, comprising net dividend with the respective tax credits to investors and Nominal Rental payable to HPB; or
- (ii) Pay full rental to HPB, which in turn distributes the same as periodic distribution to investors who are holding Class A2 Sukuk and Class B2 Sukuk.

Where the Company elects to pay dividend, HPB will only receive Nominal Rental under the lease agreement which it in turn would pay out to investors under Class A2 Sukuk and Class B2 Sukuk as nominal periodic distribution. The nominal periodic distribution rate is 0.01% per annum.

Where the Company elects to pay full rental, the Periodic Distribution Rate as in the TM ISIS of Class C NCRPS and Class D NCRPS which is linked to Class A Sukuk and Class B Sukuk is 6.20% and 5.25% per annum respectively, payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset on 31 December 2008 to 4.193% per annum payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk will be reset again in December 2013.

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.

- (b) A portion of the security as described in sub-note (a) above, has been hedged with interest rate swaps which are accounted for using hedge accounting. Hence, fair value attributable to the changes in interest rate risk that has been hedged, is included in borrowings.
- (c) During the financial year, the Company established an Islamic Commercial Papers (ICP) programme and an Islamic Medium Term Notes (IMTN) programme with a combined limit of up to RM2.0 billion in nominal value. These programmes have respective tenures of 7 and 15 years from the date of first issuance. The proceeds from the issuance of ICP and/or IMTN will be used by the Company to meet its capital expenditure requirement. The IMTN issued during the financial year will mature in 2021.
- (d) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company.

18. BORROWINGS (CONTINUED)

(e) Minimum lease payments at the reporting date are as follows:

	The Group and Company	
	2011 RM	2010 RM
Not later than one year	7.1	7.1
Later than one year and not later than five years	28.4	28.6
Later than five years and not later than ten years	35.5	35.7
Later than ten years and not later than fifteen years	10.0	17.3
	81.0	88.7
Future finance charges	(22.8)	(27.1)
Present value of finance lease liabilities	58.2	61.6

Present value of finance lease liabilities at the reporting date is as follows:

Not later than one year	3.6	3.4
Later than one year and not later than five years	16.9	15.8
Later than five years and not later than ten years	28.0	26.3
Later than ten years and not later than fifteen years	9.7	16.1
	58.2	61.6

The finance lease refers to a leasing arrangement for an office building of the Company in Melaka.

(f) Notes and Debentures consist of the following:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
USD465.1 million 5.25% Guaranteed Notes due in 2014 (note 19)	1,474.2	1,434.0	–	–
USD300.0 million 7.875% Debentures due in 2025	949.0	922.9	949.0	922.9
	2,423.2	2,356.9	949.0	922.9

None of the Notes and Debentures was redeemed, purchased or cancelled during the current financial year.

for the financial year ended 31 December 2011

19. PAYABLE TO A SUBSIDIARY

On 22 September 2004, the Company's wholly owned subsidiary, TM Global Incorporated, a company incorporated in the Federal Territory of Labuan, under the Offshore Companies Act, 1990, issued a 10-year USD500.0 million Guaranteed Notes due in 2014 (Notes). The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 22 March and 22 September in each financial year commencing in March 2005. The Notes will mature on 22 September 2014. Proceeds from the transaction were utilised to refinance the Company's maturing debt and general working capital. The Notes are unconditional and irrevocably guaranteed by the Company.

On 4 December 2009, the Company repurchased USD34.9 million in nominal value of the Notes. None of the remaining Notes was redeemed, purchased or cancelled during the current financial year.

20. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Group and Company	Contract or notional amount RM	Fair value		Fair value changes during the financial year RM
		Assets RM	Liabilities RM	
2011				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts – cash flow hedge (sub-note (b)) – more than 3 years	344.3	–	18.9	3.9
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– 1 year to 3 years (sub-note (c))	1,500.0	10.0	–	15.2
– more than 3 years (sub-note (d))	500.0	20.4	–	16.8
	2,000.0	30.4	–	32.0
Cross currency interest rate swaps – cash flow hedge (sub-note (ii)) – more than 3 years (sub-note (a))	310.5	35.8	–	35.8
TOTAL	2,654.8	66.2	18.9	71.7
2010				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts – cash flow hedge (sub-note (b)) – more than 3 years	344.3	–	22.8	(19.8)
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– 1 year to 3 years (sub-note (c))	1,500.0	–	5.2	1.5
– more than 3 years (sub-note (d))	500.0	3.6	–	2.0
	2,000.0	3.6	5.2	3.5
TOTAL	2,344.3	3.6	28.0	(16.3)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

- (i) The cumulative gains or losses on the hedged items attributable to the hedged risk is disclosed in note 18 to the financial statements.
- (ii) Hedge accounting has been applied for these cash flow hedges where the underlying hedged items are the hedged portion of the recurring semi-annual coupon payment and final settlement of the USD300.0 million 7.875% Debentures due in 2025.

There is no ineffectiveness to be recorded from fair value and cash flow hedges accounted for under hedge accounting.

Fair values of financial derivative instruments are the present values of their future cash flows. Favourable fair value indicates amount receivable by the Group and the Company if the contracts are terminated or vice versa. The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination.

The maximum exposure to credit risk at the reporting date is the carrying amount of the derivative assets as presented on the Statements of Financial Position.

Summarised below are the derivative hedging transactions entered into by the Company:

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts

Underlying Liability

USD300.0 million 7.875% Debentures due in 2025

In 1995, the Company issued USD300.0 million 7.875% Debentures due in 2025.

Hedging Instruments

On 17 October 2011, the Company entered into a CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM154.0 million.

On 2 December 2011, the Company entered into another CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM156.5 million.

The CCIRS contracts effectively convert part of the USD liability into RM liability.

20. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(b) Forward Foreign Currency Contracts**Underlying Liability****USD465.1 million 5.25% Guaranteed Notes due in 2014**

In 2004, TM Global Incorporated issued USD500.0 million 5.25% Guaranteed Notes due in 2014 as disclosed in note 19 to the financial statements. The Notes are redeemable in full on 22 September 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes.

Hedging Instruments

On 10 March 2009, the Company entered into a forward foreign currency contract which will mature on 22 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment of RM174.5 million. The objective of this transaction is to effectively convert part of the USD liability into RM principal liability.

On 28 May 2009, the Company entered into another forward foreign currency contract which will mature on 22 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment of RM169.8 million. The objective of this transaction is to effectively convert part of the USD liability into RM principal liability.

(c) Interest Rate Swap (IRS) Contracts**Underlying Liability****RM2,000.0 million 6.20% TM Islamic Stapled Income Securities (TM ISIS) due in 2013**

In 2007, the Company issued RM2,000.0 million 6.20% TM ISIS due in 2013.

Hedging Instruments

On 9 July 2009, the Company entered into an IRS agreement with a notional principal of RM1,000.0 million that entitles it to receive interest at a fixed rate of 6.20% per annum and obliges it to pay interest at a floating rate of 6 months Kuala Lumpur Interbank Offer Rate (KLIBOR) plus 2.80% per annum. The swap will mature on 30 December 2013.

On 17 December 2009, the Company entered into another two IRS agreements with a notional principal of RM300.0 million and RM200.0 million respectively. Both structures entitle the Company to receive interest at a fixed rate of 6.20% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR plus 2.76% per annum. The swaps will mature on 30 December 2013.

(d) Interest Rate Swap (IRS) Contract**Underlying Liability****RM925.0 million 4.193% TM ISIS due in 2018**

In 2007, the Company issued RM925.0 million 5.25% TM ISIS due in 2018. The coupon was reset to 4.193% per annum payable semi-annually in arrears on 31 December 2008 and will be reset again in December 2013.

Hedging Instrument

On 2 November 2009, the Company entered into an IRS agreement with a notional principal of RM500.0 million that entitles it to receive interest at a fixed rate of 4.193% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR minus 0.035% per annum. The swap will mature on 30 December 2016.

21. 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	
	2011 RM	2010 RM	2011 RM	2010 RM
Subject to income tax:				
Deferred tax assets	21.7	86.7	-	-
Deferred tax liabilities	1,559.6	1,664.2	1,456.6	1,513.4
TOTAL DEFERRED TAX	1,537.9	1,577.5	1,456.6	1,513.4
At 1 January	1,577.5	1,578.1	1,513.4	1,517.6
Current year (credited)/charged to the Income Statement arising from:				
- property, plant and equipment	401.1	(102.4)	387.1	(60.8)
- tax incentive	(335.6)	-	(335.6)	-
- tax losses	(1.1)	4.8	-	-
- provisions and others	(103.8)	97.0	(108.3)	56.6
	(39.4)	(0.6)	(56.8)	(4.2)
- currency translation differences	(0.2)	#	-	-
At 31 December	1,537.9	1,577.5	1,456.6	1,513.4

Amount less than RM0.1 million

21. DEFERRED TAX (CONTINUED)

Breakdown of cumulative balances by each type of temporary difference:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
(a) Deferred tax assets				
Property, plant and equipment	142.3	370.7	130.2	353.5
Tax incentive	335.6	–	335.6	–
Tax losses	1.9	0.6	–	–
Provisions and others	390.1	299.5	378.4	290.3
	869.9	670.8	844.2	643.8
Offsetting	(848.2)	(584.1)	(844.2)	(643.8)
Total deferred tax assets after offsetting	21.7	86.7	–	–
(b) Deferred tax liabilities				
Property, plant and equipment	2,378.4	2,205.7	2,300.8	2,137.0
Provisions and others	29.4	42.6	–	20.2
	2,407.8	2,248.3	2,300.8	2,157.2
Offsetting	(848.2)	(584.1)	(844.2)	(643.8)
Total deferred tax liabilities after offsetting	1,559.6	1,664.2	1,456.6	1,513.4

The Company was granted approval under Section 127 of the Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance (IA) of 100% on qualifying last mile broadband assets acquired within a period of 5 years commencing 8 September 2007 to 7 September 2012 to be set off against 70% of statutory income for each year of assessment. 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.

Tax credit in respect of prior years and deferred tax assets on unutilised IA has been recognised during the financial year, upon further clarification being received from Ministry of Finance on 30 November 2011. The deferred tax assets 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.

21. DEFERRED TAX (CONTINUED)

The tax effects of unutilised tax losses and unabsorbed capital/other tax allowances of subsidiaries for which no deferred tax asset has been recognised on the Statement of Financial Position are as follows:

	The Group	
	2011 RM	2010 RM
Unutilised tax losses	143.3	134.3
Unabsorbed capital/other tax allowances	298.6	292.8
	441.9	427.1

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.

22. DEFERRED INCOME

	The Group and Company	
	2011 RM	2010 RM
At 1 January	1,432.1	985.9
Additions	764.4	546.8
Credited to the Income Statement	(123.8)	(100.6)
At 31 December	2,072.7	1,432.1

Deferred income includes government funding for Universal Service Provision (USP) and High Speed Broadband (HSBB) project which is amortised on a straight line basis over the estimated useful lives of the related assets.

23. PROPERTY, PLANT AND EQUIPMENT

The Group	Telecom- munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub- note (e)) RM	Buildings (sub- note (c)) RM	Capital Work-In- Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2011	7,979.1	363.0	830.9	363.2	1,925.8	1,650.1	13,112.1
Additions (sub-note (a))	257.8	102.8	4.7	0.4	2.1	2,254.6	2,622.4
Assetisation	2,040.1	20.3	394.2	6.9	152.7	(2,614.2)	-
Disposals	(4.1)	(3.4)	-	(1.2)	(0.3)	-	(9.0)
Disposal of a subsidiary	-	(0.1)	(0.1)	-	-	-	(0.2)
Write off (note 7(a))	(84.3)	(1.2)	(2.9)	-	(9.0)	-	(97.4)
Depreciation (note 7(a))	(1,427.9)	(120.5)	(337.6)	(1.0)	(128.5)	-	(2,015.5)
Impairment (note 7(a))	(0.1)	-	-	(0.1)	-	-	(0.2)
Currency translation differences	0.7	0.1	-	-	-	-	0.8
Reclassification	(49.8)	13.5	44.8	-	(8.5)	-	-
At 31 December 2011	8,711.5	374.5	934.0	368.2	1,934.3	1,290.5	13,613.0
At 31 December 2011							
Cost (sub-note (b))	36,156.9	2,175.8	4,187.3	382.8	3,723.8	1,290.5	47,917.1
Accumulated depreciation	(27,211.4)	(1,800.5)	(3,247.9)	(11.9)	(1,789.4)	-	(34,061.1)
Accumulated impairment	(234.0)	(0.8)	(5.4)	(2.7)	(0.1)	-	(243.0)
Net Book Value	8,711.5	374.5	934.0	368.2	1,934.3	1,290.5	13,613.0
Net Book Value							
At 1 January 2010	7,782.9	324.6	674.2	364.2	1,873.8	1,384.6	12,404.3
Additions (sub-note (a))	80.3	77.3	15.0	0.7	3.6	2,563.2	2,740.1
Assetisation	1,594.3	90.7	437.9	-	174.7	(2,297.6)	-
Disposals	(30.1)	-	-	(0.9)	(2.2)	(0.1)	(33.3)
Write off (note 7(a))	(66.6)	(3.9)	(0.6)	-	-	-	(71.1)
Depreciation (note 7(a))	(1,378.9)	(123.5)	(295.6)	(1.0)	(123.9)	-	(1,922.9)
Impairment (note 7(a))	(0.4)	(0.3)	-	-	-	-	(0.7)
Currency translation differences	(4.3)	-	-	-	-	-	(4.3)
Reclassification	1.9	(1.9)	-	0.2	(0.2)	-	-
At 31 December 2010	7,979.1	363.0	830.9	363.2	1,925.8	1,650.1	13,112.1
At 31 December 2010							
Cost	35,031.3	2,099.2	4,080.5	376.7	3,606.3	1,650.1	46,844.1
Accumulated depreciation	(26,803.3)	(1,734.2)	(3,243.2)	(10.9)	(1,680.4)	-	(33,472.0)
Accumulated impairment	(248.9)	(2.0)	(6.4)	(2.6)	(0.1)	-	(260.0)
Net Book Value	7,979.1	363.0	830.9	363.2	1,925.8	1,650.1	13,112.1

23. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Telecom- munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub- note (e)) RM	Buildings (sub- note (c)) RM	Capital Work-In- Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2011	7,549.7	293.4	746.6	187.2	1,381.6	1,624.0	11,782.5
Additions (sub-note (a))	247.8	68.8	0.6	0.4	2.1	2,126.8	2,446.5
Assetisation	1,962.5	19.6	354.6	6.9	142.8	(2,486.4)	-
Disposals [#]	(3.8)	(3.4)	-	(0.8)	-	-	(8.0)
Write off (note 7(a))	(84.2)	(1.2)	(0.7)	-	(9.0)	-	(95.1)
Depreciation (note 7(a))	(1,360.4)	(83.4)	(304.2)	(0.9)	(104.7)	-	(1,853.6)
Reclassification	9.2	(2.5)	3.6	-	(10.3)	-	-
At 31 December 2011	8,320.8	291.3	800.5	192.8	1,402.5	1,264.4	12,272.3
At 31 December 2011							
Cost (sub-note (b))	35,179.9	1,720.9	3,690.1	205.3	2,993.9	1,264.4	45,054.5
Accumulated depreciation	(26,655.6)	(1,429.6)	(2,889.6)	(9.9)	(1,591.4)	-	(32,576.1)
Accumulated impairment	(203.5)	-	-	(2.6)	-	-	(206.1)
Net Book Value	8,320.8	291.3	800.5	192.8	1,402.5	1,264.4	12,272.3
Net Book Value							
At 1 January 2010	7,390.7	246.6	626.5	187.2	1,342.5	1,332.2	11,125.7
Additions (sub-note (a))	16.4	58.3	9.0	0.7	2.1	2,449.9	2,536.4
Assetisation	1,551.6	81.1	389.1	-	136.3	(2,158.1)	-
Disposals [*]	(42.3)	(2.3)	(4.2)	-	(0.9)	-	(49.7)
Write off (note 7(a))	(65.9)	(3.9)	(0.4)	-	-	-	(70.2)
Depreciation (note 7(a))	(1,302.7)	(84.5)	(273.4)	(0.9)	(98.2)	-	(1,759.7)
Reclassification	1.9	(1.9)	-	0.2	(0.2)	-	-
At 31 December 2010	7,549.7	293.4	746.6	187.2	1,381.6	1,624.0	11,782.5
At 31 December 2010							
Cost	33,948.2	1,702.0	3,707.7	198.8	2,888.1	1,624.0	44,068.8
Accumulated depreciation	(26,187.0)	(1,408.6)	(2,961.1)	(9.0)	(1,506.5)	-	(32,072.2)
Accumulated impairment	(211.5)	-	-	(2.6)	-	-	(214.1)
Net Book Value	7,549.7	293.4	746.6	187.2	1,381.6	1,624.0	11,782.5

Included RM0.1 million being movable plant and equipment disposed to a subsidiary.

* Included RM19.1 million being telecommunications network assets, movable plant and equipment and computer support systems disposed to subsidiaries.

23. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Included in additions of the Group and the Company are borrowing costs of RM9.4 million (2010: RM7.0 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 RM21,130.4 million (2010: RM20,919.9 million) and RM21,014.7 million (2010: RM20,816.1 million) respectively.
- (c) Included in property, plant and equipment of the Group and the Company is an office building with net book value of RM58.0 million (2010: RM61.1 million) which is under finance lease arrangement.
- (d) During the financial year, the Company performed an annual review to assess the useful lives of its property, plant and equipment. This review has taken into consideration changes in technology, latest findings in research and development and updated practices to enhance performance of certain network assets. Arising from this review, the useful lives of certain network equipments have been shortened from 15 and 7 years to 10 and 5 years whilst the useful lives of certain network assets have been extended from useful lives ranging from 7 to 20 years to a range of 10 to 25 years effective from 1 October 2011. The net impact of this change in estimates was a lower depreciation charge of RM58.6 million.
- (e) Details of land are as follows:

The Group	Freehold RM	Leasehold RM	Other Land (sub- note (ii)) RM	Total RM
Net Book Value				
At 1 January 2011	226.3	74.1	62.8	363.2
Additions	–	0.4	–	0.4
Assetisation	–	6.9	–	6.9
Disposals	–	(1.2)	–	(1.2)
Depreciation	–	(1.0)	–	(1.0)
Impairment	(0.1)	–	–	(0.1)
Reclassification	0.1	0.7	(0.8)	–
At 31 December 2011	226.3	79.9	62.0	368.2
At 31 December 2011				
Cost	229.0	91.2	62.6	382.8
Accumulated depreciation	–	(11.3)	(0.6)	(11.9)
Accumulated impairment	(2.7)	–	–	(2.7)
Net Book Value	226.3	79.9	62.0	368.2

23. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(e) Details of land are as follows: (continued)

The Group	Freehold RM	Leasehold RM	Other Land (sub- note (ii)) RM	Total RM
Net Book Value				
At 1 January 2010	226.3	74.4	63.5	364.2
Additions	–	0.7	–	0.7
Disposals	–	(0.9)	–	(0.9)
Depreciation	–	(1.0)	–	(1.0)
Reclassified from building	–	0.2	–	0.2
Reclassification	–	0.7	(0.7)	–
At 31 December 2010	226.3	74.1	62.8	363.2
At 31 December 2010				
Cost	228.9	84.4	63.4	376.7
Accumulated depreciation	–	(10.3)	(0.6)	(10.9)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	226.3	74.1	62.8	363.2
The Company	Freehold RM	Leasehold RM	Other Land (sub- note (ii)) RM	Total RM
Net Book Value				
At 1 January 2011	61.5	62.9	62.8	187.2
Additions	–	0.4	–	0.4
Assetisation	–	6.9	–	6.9
Disposals	–	(0.8)	–	(0.8)
Depreciation	–	(0.9)	–	(0.9)
Reclassification	0.1	0.7	(0.8)	–
At 31 December 2011	61.6	69.2	62.0	192.8
At 31 December 2011				
Cost	64.2	78.5	62.6	205.3
Accumulated depreciation	–	(9.3)	(0.6)	(9.9)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	61.6	69.2	62.0	192.8

23. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(e) Details of land are as follows: (continued)

The Company	Freehold RM	Leasehold RM	Other Land (sub- note (ii)) RM	Total RM
Net Book Value				
At 1 January 2010	61.5	62.2	63.5	187.2
Additions	–	0.7	–	0.7
Depreciation	–	(0.9)	–	(0.9)
Reclassified from building	–	0.2	–	0.2
Reclassification	–	0.7	(0.7)	–
At 31 December 2010	61.5	62.9	62.8	187.2
At 31 December 2010				
Cost	64.1	71.3	63.4	198.8
Accumulated depreciation	–	(8.4)	(0.6)	(9.0)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	61.5	62.9	62.8	187.2

(i) Leasehold land comprise the followings:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Long term leasehold land	60.1	55.4	58.8	53.9
Short term leasehold land	19.8	18.7	10.4	9.0
At 31 December	79.9	74.1	69.2	62.9

Long term leasehold land has an unexpired lease period of 50 years and above.

(ii) The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, these lands have not been classified according to their tenures.

The other land will be reclassified accordingly as and when the title deeds pertaining to these lands have been registered.

24. INVESTMENT PROPERTY

The Company	2011 RM	2010 RM
Net Book Value		
At 1 January	93.0	91.6
Additions	3.8	3.3
Depreciation (note 7(a))	(2.1)	(1.9)
At 31 December	94.7	93.0
At 31 December		
Cost	101.4	97.6
Accumulated depreciation	(6.7)	(4.6)
Net Book Value	94.7	93.0

The fair value of the property at 31 December 2011 is RM116.2 million (2010: RM103.8 million) based on a valuation performed by an independent professional valuer. The valuation was based on current price in an active market.

25. LAND HELD FOR PROPERTY DEVELOPMENT

The Group	2011 RM	2010 RM
Net Book Value		
At 1 January	107.4	163.7
Transferred to land held for sale	(1.6)	(56.3)
Impairment reclassified to land held for sale	2.6	-
At 31 December	108.4	107.4
At 31 December		
Cost	116.5	118.1
Accumulated impairment	(8.1)	(10.7)
Net Book Value	108.4	107.4

26. INTANGIBLE ASSETS

The Group	Goodwill RM	Other Intangibles* RM	Total RM
Net Book Value			
At 1 January 2011	309.6	2.7	312.3
Additions	–	23.5	23.5
Amortisation (note 7(a))	–	(14.9)	(14.9)
At 31 December 2011	309.6	11.3	320.9
Net Book Value			
At 1 January 2010	309.6	3.8	313.4
Amortisation (note 7(a))	–	(1.1)	(1.1)
At 31 December 2010	309.6	2.7	312.3
At 31 December 2011			
Cost	314.6	30.2	344.8
Accumulated amortisation	–	(18.9)	(18.9)
Accumulated impairment	(5.0)	–	(5.0)
Net Book Value	309.6	11.3	320.9
At 31 December 2010			
Cost	314.6	6.7	321.3
Accumulated amortisation	–	(4.0)	(4.0)
Accumulated impairment	(5.0)	–	(5.0)
Net Book Value	309.6	2.7	312.3

* Other intangibles comprise the fair value of sales contracts acquired by a subsidiary in 2007, and software and program rights of other subsidiaries.

26. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. No impairment loss was required for the carrying amounts of goodwill assessed as at 31 December 2011 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:

	2011 RM	2010 RM
VADS Berhad	308.4	308.4
Others	1.2	1.2
	309.6	309.6

The amount of goodwill initially recognised is dependent upon the allocation of the purchase price to the fair value of identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment.

(i) Key assumptions used in the value-in-use calculation for VADS Berhad (VADS)

The recoverable amount of the cash-generating unit including goodwill in this test, is determined based on value-in-use calculation.

This value-in-use calculation applies a discounted cash flow model using cash flows projection based on forecast and projection approved by management covering a four-year period for VADS. The forecast and projection reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on past experience. Cash flows beyond the third year for VADS are extrapolated using estimated terminal growth rate. The rate has been determined with regards to projected growth rate for the market in which the cash-generating unit participates.

The discount rate applied to the cash flows forecast is benchmarked against local peers at the date of the assessment of the cash-generating unit.

The following assumptions have been applied in the value-in-use calculation:

	2011	2010
Pre-tax discount rate	12.9%	12.4%
Terminal growth rate	1.5%	1.5%

26. INTANGIBLE ASSETS (CONTINUED)**(ii) Impact of possible change in key assumptions used for VADS**

Changing the assumptions selected by management, in particular the discount rate assumption used in the discounted cash flow model could significantly affect the result of the impairment test and consequently the Group's results. The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

If the following pre-tax discount rate is applied to the cash flows forecast and projection of the Group's cash-generating unit, the carrying amount of the cash-generating unit including goodwill will equal the corresponding recoverable value, assuming all other variables remain unchanged.

	2011	2010
Pre-tax discount rate	34.0%	24.0%

27. SUBSIDIARIES

The Company	2011			2010		
	Malaysia RM	Overseas RM	Total RM	Malaysia RM	Overseas RM	Total RM
Unquoted investments, at cost	1,391.3	22.0	1,413.3	1,391.5	22.0	1,413.5
Accumulated impairment (sub-note (a))	(77.7)	(13.2)	(90.9)	(1.7)	(13.2)	(14.9)
	1,313.6	8.8	1,322.4	1,389.8	8.8	1,398.6
Investment in TM ESOS Management Sdn Bhd						
– at cost (sub-note (b))	1,431.0	–	1,431.0	1,431.0	–	1,431.0
– exercise of options	(411.1)	–	(411.1)	(411.1)	–	(411.1)
– repayment of capital contribution	(1,008.7)	–	(1,008.7)	(494.9)	–	(494.9)
– accumulated impairment	–	–	–	(321.7)	–	(321.7)
– disposal of shares attributed to lapsed options	(11.2)	–	(11.2)	(3.1)	–	(3.1)
	–	–	–	200.2	–	200.2
Options granted to employees of subsidiaries	24.3	–	24.3	24.6	–	24.6
Unquoted investments, at written down value (sub-note (c))	–	–	–	–	–	–
NET INVESTMENTS IN SUBSIDIARIES	1,337.9	8.8	1,346.7	1,614.6	8.8	1,623.4

- (a) During the financial year, consequent to the Company's assessment of the recoverable amount from its investments in subsidiaries, an impairment loss of RM76.0 million was recognised in respect of a wholly owned subsidiary.

27. SUBSIDIARIES (CONTINUED)

- (b) This represents the fair value of Special ESOS shares issued to TM ESOS Management Sdn Bhd (TEM) as explained in note 14(d) to the financial statements, thereby making TEM a subsidiary as well as a shareholder of the Company.

During the financial year, TEM made a repayment of capital contribution of RM513.8 million (2010: RM446.0 million) being proceeds from the disposal of Axiata shares attributed to the lapsed options under Special ESOS.

The Company has assessed the carrying value of its investment in TEM. An impairment reversal of RM321.7 million was made to equity as it represents a transaction with a shareholder. 2010 included an impairment charge of RM19.9 million.

- (c) 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.

28. LOANS AND ADVANCES TO SUBSIDIARIES

Loans and advances to subsidiaries of RM219.7 million (2010: RM236.7 million) represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 4.43% to 4.44% (2010: 4.16% to 5.35%) and will mature between 3 to 5 years.

29. ASSOCIATES

	The Group	
	2011 RM	2010 RM
Share of net assets of associates		
Unquoted investments	0.6	0.5
TOTAL	0.6	0.5
The Group's share of revenue and profit of associates is as follows:		
Revenue	3.5	3.3
Profit/(loss) after taxation	0.1	(0.1)
The Group's share of assets and liabilities of associates is as follows:		
Non-current assets	0.1	0.1
Current assets	1.4	1.6
Current liabilities	(0.9)	(1.2)
Net assets	0.6	0.5

The Group has not recognised the share of loss after taxation of an associate amounting to nil (2010: nil) and RM1.1 million (2010: RM1.1 million) in respect of the current and cumulative financial year respectively.

The Group's effective equity interest in the associates, their respective principal activities and countries of incorporation are listed in note 52 to the financial statements.

30. AVAILABLE-FOR-SALE INVESTMENTS

The Group	Investment in Axiata Shares RM	Investment in Equity Securities Quoted RM	Investment in Equity Securities Unquoted RM	Investment in Fixed Income Securities RM	Total RM
2011					
At 1 January	481.9	–	114.6	356.2	952.7
Additions	–	–	0.1	383.5	383.6
Fair value changes transferred to other comprehensive income	31.9	–	(9.9)	4.8	26.8
Disposal of Axiata shares attributed to lapsed options (sub-note (i) & note 5(a))	(513.8)	–	–	–	(513.8)
Other disposals	–	–	–	(326.4)	(326.4)
At 31 December	#	–	104.8	418.1	522.9
Current portion	#	–	–	418.1	418.1
Non-current portion	–	–	104.8	–	104.8
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	–	–	104.8	418.1	522.9
# Amount less than RM0.1 million					
2010					
At 1 January	608.2	–	–	–	608.2
Reclassified from other investments	–	110.4	42.4	–	152.8
Reclassified from short term investments	–	–	–	224.5	224.5
Adjustment to restate at fair value on adoption of FRS 139					
– fair value reserve	–	–	99.4	–	99.4
– retained profits	–	–	–	1.1	1.1
Adjusted at 1 January	608.2	110.4	141.8	225.6	1,086.0
Additions	–	–	–	351.9	351.9
Fair value changes transferred to other comprehensive income	299.0	75.0	(27.2)	5.7	352.5
Disposal of Axiata shares attributed to lapsed options (sub-note (i) & note 5(a))	(416.7)	–	–	–	(416.7)
Disposal (sub-note (ii) & note 5(a))	(8.6)	–	–	–	(8.6)
Other disposals	(425.3)	–	–	–	(425.3)
	–	(185.4)	–	(227.0)	(412.4)
At 31 December	481.9	–	114.6	356.2	952.7
Current portion	481.9	–	–	356.2	838.1
Non-current portion	–	–	114.6	–	114.6
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	481.9	–	114.6	356.2	952.7

30. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

- (i) Disposal of Axiata shares attributed to lapsed options under the Employees' Share Option Scheme (Special ESOS), as described in note 15 to the financial statements.
- (ii) Disposal of Axiata shares pursuant to the exercise of options under the Special ESOS.

The Company	Investment in Equity Securities		Investment in Fixed Income Securities	Total RM
	Quoted RM	Unquoted RM	RM	
2011				
At 1 January	-	114.6	356.2	470.8
Additions	-	-	383.5	383.5
Fair value changes transferred to other comprehensive income	-	(9.9)	4.8	(5.1)
Other disposals	-	-	(326.4)	(326.4)
At 31 December	-	104.7	418.1	522.8
Current portion	-	-	418.1	418.1
Non-current portion	-	104.7	-	104.7
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	-	104.7	418.1	522.8
2010				
At 1 January	-	-	-	-
Reclassified from other investments	110.4	42.4	-	152.8
Reclassified from short term investments	-	-	224.5	224.5
Adjustment to restate at fair value on adoption of FRS 139				
- fair value reserve	-	99.4	-	99.4
- retained profits	-	-	1.1	1.1
Adjusted at 1 January	110.4	141.8	225.6	477.8
Additions	-	-	351.9	351.9
Fair value changes transferred to other comprehensive income	75.0	(27.2)	5.7	53.5
Other disposals	(185.4)	-	(227.0)	(412.4)
At 31 December	-	114.6	356.2	470.8
Current portion	-	-	356.2	356.2
Non-current portion	-	114.6	-	114.6
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	-	114.6	356.2	470.8

for the financial year ended 31 December 2011

30. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The currency exposure profile of available-for-sale investments is as follows:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	421.9	841.7	421.8	359.8
US Dollar	43.9	60.6	43.9	60.6
Singapore Dollar	57.1	50.4	57.1	50.4
	522.9	952.7	522.8	470.8

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment in fixed income securities.

The credit quality of investment in fixed income securities is as follows:

	The Group and Company	
	2011 RM	2010 RM
AAA	100.8	120.1
AA	229.2	187.3
A	50.5	34.6
MARC-1	18.7	–
Malaysian Government Securities	8.3	13.3
P2	5.0	–
P1	4.9	–
BBB (sub-note (a))	0.7	0.9
	418.1	356.2

(a) The credit rating of the issuer was downgraded from AA to BBB subsequent to the Company's investment.

31. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES

(a) Available-for-sale receivables

	The Group and Company	
	2011 RM	2010 RM
At 1 January	36.1	-
Reclassified from other non-current receivables	-	56.8
Adjustment to restate at fair value on adoption of FRS 139		
– fair value reserve	-	1.0
– retained profits	-	(18.0)
Adjusted at 1 January	36.1	39.8
Additions (including interest)	1.9	3.0
Repayments	(6.6)	(4.0)
Conversion to scholarship	(0.6)	(5.2)
Fair value changes transferred to other comprehensive income	0.3	2.5
At 31 December	31.1	36.1
Impairment	(20.0)	(21.2)
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	11.1	14.9

Movement in the impairment account is as follows:

At 1 January	(21.2)	-
Reclassified from other non-current receivables	-	(3.5)
Adjusted at 1 January	(21.2)	(3.5)
Impairment reversal/(charge) (note 7(b))	1.2	(17.7)
At 31 December	(20.0)	(21.2)

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 2011, all overdue amounts have been impaired.

During the financial year, RM0.6 million (2010: RM5.2 million) was converted to scholarship and was expensed off to the Income Statement under other operating costs.

The Company does not hold any collateral for security in respect of education loans.

31. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES (CONTINUED)**(b) Other non-current receivables**

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Staff loans at amortised cost				
– under Islamic principles	31.7	41.3	31.7	41.3
– under conventional principles	3.0	5.5	2.8	5.2
Total staff loans (sub-note (i))	34.7	46.8	34.5	46.5
Other non-current receivables				
– other deposits (ii)	53.5	43.8	53.5	43.8
– tax recoverable (iii)	113.8	–	113.8	–
	202.0	90.6	201.8	90.3
Prepaid employee benefits	2.4	5.3	2.4	5.3
	204.4	95.9	204.2	95.6
Staff loans receivable within twelve months included under other receivables (note 33)	(4.9)	(6.5)	(4.7)	(6.2)
TOTAL OTHER NON-CURRENT RECEIVABLES	199.5	89.4	199.5	89.4

(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

During the current financial year, the Company disposed RM15.6 million (2010: RM21.4 million) of its employees housing loans for a total cash consideration of RM14.4 million (2010: RM19.3 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.

Credit risk arising from staff loans is mitigated by the enforcement of salary deduction as a mode of repayment. In addition, collaterals are obtained for the followings:

- Housing loans – registered land charges and assignments over the properties financed
- Vehicle loans – ownership claims over the vehicles financed

31. AVAILABLE-FOR-SALE/OTHER NON-CURRENT RECEIVABLES (CONTINUED)

(b) Other non-current receivables (continued)

- (ii) Other deposits comprise deposit and accrued interest relating to the non-cancellable operating lease of four office buildings and a long term deposit.

During the current financial year, the Company entered into two RM deposit agreements 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 when 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 21 to the financial statements, to be offset against the tax payables for years of assessment 2013 to 2016.

32. INVENTORIES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cables and wires	31.7	27.3	31.7	27.3
Network materials	21.7	27.0	21.7	25.5
Telecommunications equipment	52.0	34.0	52.1	34.0
Spares and others*	63.2	33.8	34.8	17.0
Land held for sale	48.3	51.9	-	-
TOTAL INVENTORIES	216.9	174.0	140.3	103.8

- * Included in spares and others are trading inventories comprising prepaid cards, telephone sets, network equipments, other consumables and capacity for resale purposes.

33. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Receivables from telephone customers	1,546.6	1,291.3	1,264.5	998.3
Receivables from non-telephone customers	1,285.8	1,653.0	904.6	1,029.7
Receivables from subsidiaries	–	–	55.3	216.5
	2,832.4	2,944.3	2,224.4	2,244.5
Impairment of trade receivables	(1,384.4)	(1,139.9)	(963.3)	(689.2)
	1,448.0	1,804.4	1,261.1	1,555.3
Accrued earnings	406.8	291.6	376.3	267.2
Advance rental billings	(371.8)	(299.0)	(356.0)	(278.6)
Total trade receivables (net)	1,483.0	1,797.0	1,281.4	1,543.9
Prepayments	120.3	124.3	83.0	88.6
Tax recoverable	101.0	124.3	63.8	123.1
Staff loans (note 31(b))	4.9	6.5	4.7	6.2
Other receivables from subsidiaries	–	–	131.1	157.8
Other receivables from associates	1.1	1.1	1.1	1.1
Other receivables	301.2	341.6	289.0	321.7
Impairment of other receivables	(60.1)	(65.5)	(51.1)	(57.0)
Total other receivables (net)	468.4	532.3	521.6	641.5
TOTAL TRADE AND OTHER RECEIVABLES (net)	1,951.4	2,329.3	1,803.0	2,185.4

Movements in the impairment accounts of trade and other receivables are as follows:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
(a) Trade receivables				
At 1 January	1,139.9	1,298.3	689.2	845.2
Impairment	62.8	40.7	93.4	36.3
Receivables gross up adjustment	221.0	–	221.0	–
Receivables written off as uncollectible	(38.2)	(197.0)	(40.3)	(192.3)
Disposal of a former subsidiary	(1.5)	–	–	–
Foreign exchange difference	0.4	(2.1)	–	–
At 31 December	1,384.4	1,139.9	963.3	689.2

33. TRADE AND OTHER RECEIVABLES (CONTINUED)

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
(b) Other receivables				
At 1 January	65.5	68.6	57.0	59.0
Impairment	13.0	33.0	12.5	31.4
Receivables written off as uncollectible	(18.4)	(36.1)	(18.4)	(33.4)
At 31 December	60.1	65.5	51.1	57.0

The creation and release of impaired receivables has been included in 'other operating costs' on the Income Statement (note 7(b) to the financial statements). Amounts charged to the impairment accounts are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

Trade receivables of RM796.5 million (2010: RM918.9 million) and RM686.1 million (2010: RM910.1 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	
2011					
Collectively assessed	389.2	56.4	40.3	17.6	503.5
Individually assessed	262.3	304.8	248.1	129.3	944.5
	651.5	361.2	288.4	146.9	1,448.0
2010					
Collectively assessed	375.0	104.1	56.0	18.8	553.9
Individually assessed	510.5	344.5	262.0	133.5	1,250.5
	885.5	448.6	318.0	152.3	1,804.4

33. TRADE AND OTHER RECEIVABLES (CONTINUED)

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	
2011					
Collectively assessed	364.9	54.6	33.8	12.0	465.3
Individually assessed	195.8	242.9	205.1	111.4	755.2
Amount due from subsidiaries	14.3	10.1	5.3	10.9	40.6
	575.0	307.6	244.2	134.3	1,261.1
2010					
Collectively assessed	331.7	78.7	49.3	10.5	470.2
Individually assessed	269.7	287.6	192.4	118.9	868.6
Amount due from subsidiaries	43.8	70.6	80.1	22.0	216.5
	645.2	436.9	321.8	151.4	1,555.3

An analysis of trade receivables that are neither past due nor impaired is as follows:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Global	106.7	71.3	99.3	67.8
Wholesale	39.1	60.3	15.5	35.1
Retail – Consumer	205.5	186.4	203.6	182.7
Retail – SME	161.3	149.0	161.3	149.0
Retail – Enterprise	44.2	107.1	21.3	57.0
Retail – Government	63.6	262.3	59.7	109.8
Amount due from subsidiaries	–	–	14.3	43.8
Others*	31.1	49.1	–	–
	651.5	885.5	575.0	645.2

* Others mainly comprise student debtors of a subsidiary.

33. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group and the Company are not exposed to major concentrations of credit risk due to the diversified 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 37 to the financial statements) and bankers' guarantee obtained from customers amounting to RM12.3 million (2010: RM11.4 million). The Group and the Company consider the impairment at the reporting date to be adequate to cover the potential financial loss.

Trade receivables that are individually assessed for impairment are those under Global, Wholesale, Retail – Enterprise and Retail – Government lines of business.

Credit terms of trade receivables excluding accrued earnings and advance rental billings range from 30 to 90 days (2010: 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	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	1,462.3	1,770.6	1,330.4	1,577.8
US Dollar	452.7	534.8	443.2	594.4
Special Drawing Rights	24.5	7.5	24.5	7.5
Other currencies	11.9	16.4	4.9	5.7
	1,951.4	2,329.3	1,803.0	2,185.4

34. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and Company	
	2011 RM	2010 RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	20.1	21.5
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	20.1	21.5
Market value of quoted equity securities	20.1	21.5

35. CASH AND BANK BALANCES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Deposits with:				
Licensed banks	1,778.4	1,719.2	1,745.2	1,656.8
Other financial institutions	116.6	116.5	88.0	96.3
Deposits under Islamic principles	1,682.1	1,215.6	1,540.0	1,124.0
Total deposits	3,577.1	3,051.3	3,373.2	2,877.1
Cash and bank balances	605.3	423.8	355.8	200.6
Cash and bank balances under Islamic principles	30.6	13.4	–	–
TOTAL CASH AND BANK BALANCES	4,213.0	3,488.5	3,729.0	3,077.7
Less:				
Deposits pledged	(0.4)	(0.5)	–	–
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	4,212.6	3,488.0	3,729.0	3,077.7

The currency exposure profile of cash and bank balances is as follows:

Ringgit Malaysia	4,109.2	3,379.8	3,691.5	3,037.1
US Dollar	88.6	99.6	37.5	40.6
Other currencies	15.2	9.1	–	–
	4,213.0	3,488.5	3,729.0	3,077.7

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	
	2011 RM	2010 RM	2011 RM	2010 RM
AAA	1,343.5	1,294.4	1,050.6	987.9
AA	2,247.7	1,243.8	2,120.7	1,162.6
A	319.0	832.4	264.2	821.4
NR (sub-note (a))	302.8	117.9	293.5	105.8
	4,213.0	3,488.5	3,729.0	3,077.7

(a) Mainly comprise deposits with other financial institutions with sovereign equivalent rating.

35. CASH AND BANK BALANCES (CONTINUED)

Deposits have maturities ranging from overnight to 92 days (2010: 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 2011 was 3.48% (2010: 3.22%) and 3.50% (2010: 3.22%) for the Group and the Company respectively.

36. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade payables and accruals	2,302.8	2,403.2	2,079.3	2,171.3
Payable for Universal Service Provision	385.0	419.0	344.1	392.5
Deferred revenue	92.3	98.1	25.0	35.8
Finance cost payable	57.8	51.5	57.8	51.4
Duties and other taxes payable	42.4	15.0	32.7	12.0
Deposits and trust monies	64.2	62.7	39.3	36.7
Payables to subsidiaries (sub-note (a))	-	-	661.6	620.2
Other payables and accruals	607.6	589.7	430.7	405.5
TOTAL TRADE AND OTHER PAYABLES	3,552.1	3,639.2	3,670.5	3,725.4
The currency exposure profile of trade and other payables is as follows:				
Ringgit Malaysia	3,180.3	3,191.0	3,294.8	3,299.3
US Dollar	354.6	435.7	367.8	419.1
Special Drawing Rights	6.3	4.0	6.3	4.0
Other currencies	10.9	8.5	1.6	3.0
	3,552.1	3,639.2	3,670.5	3,725.4

(a) Include excess funds of subsidiaries managed and invested by the Company, which are interest bearing as disclosed in note 42(f) to the financial statements.

Credit terms of trade and other payables excluding accruals vary from 30 to 90 days (2010: from 30 to 90 days) depending on the terms of the contracts.

37. CUSTOMER DEPOSITS

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Telephone services	542.9	559.3	542.8	559.2
Data services	1.6	21.2	1.0	20.9
TOTAL CUSTOMER DEPOSITS	544.5	580.5	543.8	580.1

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.

38. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Receipts from customers	9,188.3	8,600.1	8,257.4	7,786.6
Payments to suppliers and employees	(5,988.0)	(5,226.6)	(5,587.5)	(4,793.1)
Payments of finance cost	(312.6)	(372.1)	(311.2)	(372.1)
Refunds/(payments) of income taxes and zakat (net)	143.0	(28.0)	200.7	37.9
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	3,030.7	2,973.4	2,559.4	2,659.3

39. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Contribution for purchase of property, plant and equipment	772.6	597.0	772.6	597.0
Disposal of property, plant and equipment	17.6	37.3	16.4	53.4
Purchase of property, plant and equipment	(2,735.0)	(2,864.3)	(2,582.2)	(2,660.1)
Disposal of available-for-sale investments	840.2	925.2	326.4	479.2
Purchase of available-for-sale investments	(383.6)	(351.9)	(383.5)	(351.9)
Disposal of financial assets at fair value through profit or loss	0.8	75.8	0.8	75.8
Purchase of financial assets at fair value through profit or loss	-	(20.0)	-	(20.0)
Long term deposits	(8.3)	-	(8.3)	-
Disposal of a former subsidiary*	(2.3)	-	-	-
Repayments of capital contribution from subsidiaries	-	-	513.8	447.9
Repayments from subsidiaries – loans and advances	-	-	17.0	30.6
– other receivables	-	-	125.1	63.4
Advances to subsidiaries	-	-	(67.0)	(54.9)
Repayments to subsidiaries	-	-	(685.8)	(231.0)
Advances from subsidiaries	-	-	728.8	301.3
Repayments of loans by employees	12.9	32.5	12.7	32.5
Loans to employees	(10.7)	(23.1)	(10.6)	(23.1)
Disposal of housing loan	14.4	19.3	14.4	19.3
Interests received	125.7	115.0	118.3	106.3
Dividends received	17.7	10.3	99.2	135.4
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	(1,338.0)	(1,446.9)	(991.9)	(998.9)

* Net of cash and cash equivalents disposed

40. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Issue of share capital	34.8	50.7	34.8	50.7
Redemption of Redeemable Preference Shares (note 14(c))	(1,037.4)	-	(1,037.4)	-
Proceeds from borrowings	1,268.3	-	1,268.3	-
Repayments of borrowings	(493.0)	(857.7)	(471.6)	(839.5)
Repayments of finance lease	(3.4)	(3.2)	(3.4)	(3.2)
Dividends paid to shareholders	(702.1)	(693.8)	(702.1)	(697.6)
Dividends paid to minority interests	(29.7)	(30.2)	-	-
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	(962.5)	(1,534.2)	(911.4)	(1,489.6)

41. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	-	-	18.6	30.9
(b) Contra settlements with customers cum suppliers between trade receivables and trade payables	69.7	16.4	69.7	16.4
(c) Consideration for transfer of equity interest in Fibrecomm Network (M) Sdn Bhd from Telekom Enterprise Sdn Bhd to the Company, contra with loans and advances to subsidiaries	-	-	-	33.0

42. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions of the Company comprise mainly transactions between the Company and its following subsidiaries:

Fiberail Sdn Bhd	Telekom Sales and Services Sdn Bhd
Fibrecomm Network (M) Sdn Bhd	TM ESOS Management Sdn Bhd
GITN Sdn Berhad	TM Facilities Sdn Bhd
Meganet Communications Sdn Bhd	TMF Autolease Sdn Bhd
Menara Kuala Lumpur Sdn Bhd	TM Global Incorporated
Telekom Applied Business Sdn Bhd	TM Info-Media Sdn Bhd
Telekom Malaysia (Hong Kong) Limited	TM Net Sdn Bhd
Telekom Malaysia (S) Pte Ltd	Universiti Telekom Sdn Bhd
Telekom Malaysia (UK) Limited	VADS Berhad
Telekom Malaysia (USA) Inc	VADS e-Services Sdn Bhd
Telekom Multi-Media Sdn Bhd	VADS Solutions Sdn Bhd
Telekom Research & Development Sdn Bhd	VADS Business Process Sdn Bhd

All related party transactions were entered into in the normal course of business and at prices available to third parties or at negotiated terms.

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.73% (2010: 33.93%) equity interest and is a related party of the Company.

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.

42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties:

	The Company	
	2011 RM	2010 RM
(a) Sales of goods and rendering of services to subsidiaries:		
– telecommunications related services	253.5	296.9
– lease/rental of buildings and vehicles	29.0	17.4
– other income*	23.0	15.1
(b) Dividend and interest income from subsidiaries	112.8	179.9
(c) Purchases of goods and services from subsidiaries:		
– telecommunications related services	735.8	652.5
– lease/rental of buildings	5.5	7.8
– maintenance of vehicles and buildings	48.7	48.1
– other expenses	93.1	109.6
(d) Finance cost paid/payable to a subsidiary	74.3	139.8

* Includes management fees, royalties, charges for security and other shared services, training and related activities.

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
(e) Key management compensation^(a)				
– short term employee benefits				
– fees	1.3	1.3	1.1	1.1
– salaries, allowances and bonus	9.9	7.7	9.9	7.7
– contribution to Employees Provident Fund (EPF)	1.3	1.0	1.3	1.0
– gratuity	–	#	–	#
– other staff benefits	0.4	0.4	0.4	0.4
– estimated money value of benefits	1.1	1.1	1.1	1.1
– ESOS costs	–	0.2	–	0.2

^(a) Includes the Directors' remuneration (whether executive or otherwise) as disclosed in note 7(b) to the financial statements.

Amount less than RM0.1 million

In addition, certain key management personnel have family members who are officers of subsidiaries of the Company with total remuneration amounting to RM0.4 million (2010: RM0.5 million).

42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are the significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties: (continued)

	The Company	
	2011 RM	2010 RM
(f) Year end balances arising from:		
(i) Sales/purchases of goods/services		
– receivables from subsidiaries	186.4	374.3
– payables to subsidiaries	397.1	419.0
(ii) Other payables		
– subsidiaries	264.5	201.2

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 3.02% to 3.36% (2010: 2.25% to 3.11%).

	The Company	
	2011 RM	2010 RM
(g) Loans and advances to subsidiaries		
At 1 January	236.7	425.6
Repayments (note 39)	(17.0)	(30.6)
Consideration for transfer of equity interest of a subsidiary (note 41(c))	–	(33.0)
Interest charged (note 8)	11.4	13.0
Reclassified as other receivables	(11.4)	(138.6)
Foreign exchange differences	–	0.3
At 31 December (note 28)	219.7	236.7

43. CAPITAL AND OTHER COMMITMENTS

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
(a) Property, plant and equipment (sub-note (i))				
Commitments in respect of expenditure approved and contracted for	2,770.8	4,499.5	2,701.0	4,414.0
Commitments in respect of expenditure approved but not contracted for	4,570.2	4,752.4	4,507.2	4,722.7

(i) Includes expenditure in relation to High Speed Broadband project.

(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 will be covering 1.3 million premises by 2012.

Under the above arrangement, the Company shall claim from the GoM fifty percent (50.0%) of the capital expenditure incurred for the HSBB project on a quarterly basis over a projected 3.5 years period up to the maximum amount of RM2.4 billion.

In conjunction with the arrangement, the Company has to fulfill certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred in relation to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for the GoM, develop certain number of telecentres, formulate a broadband package with low cost internet access and provide promotion and public awareness on HSBB which would contribute towards achieving the objective of the project.

	The Group and Company	
	2011 RM	2010 RM
(c) Donation to Yayasan Telekom Malaysia		
Amount approved and committed	30.2	33.1

43. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

	The Group and Company	
	2011 RM	2010 RM
(d) Future minimum lease payments of non-cancellable operating lease commitments		
Not later than one year	65.4	65.4
Later than one year and not later than five years	300.8	291.0
Later than five years	507.6	582.8
	873.8	939.2

The above lease payments relate to the non-cancellable operating lease of four office buildings from Menara ABS Berhad.

44. SEGMENT REPORTING**By Business Segments**

The Group organises its business into the following segments, summarised as follows:

- Retail Business comprises the Company's retail arm and its subsidiaries which complement the retail business. Retail Business is further segregated into four specific segments, i.e. Consumer, Small and Medium Enterprise (SME), Enterprise and Government to focus on different market segments and customers' needs. This line of business is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.
- Wholesale Business comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of telecommunications services delivered over the Group's networks to other licensed network operators namely Network Facilities Providers (NFP), Network Service Providers (NSP) and Application Service Providers (ASP).
- Global Business is responsible for the provision of inbound and outbound services for a wide range of telecommunications services including the fixed network operations of the Group's overseas subsidiaries.
- Shared Services/Others include all shared services divisions, all business functions divisions such as information technology and network, and subsidiaries that do not fall under the above lines of business.

Segment profits represent segment operating revenue less segment expenses. Unallocated income/other gains comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, 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.

44. SEGMENT REPORTING (CONTINUED)

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables and inventories. Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets as well as cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to property, plant and equipment and intangibles, including additions resulting from acquisition of subsidiaries.

Significant non-cash expenses comprise mainly allowance for impairment of receivables and unrealised foreign exchange gains or losses on settlement as disclosed in note 7(b) to the financial statements.

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services/ Others	Total
	Consumer	SME	Enterprise	Government					
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Financial year ended									
31 December 2011									
Operating revenue									
Total operating revenue	2,487.8	1,840.6	1,926.5	1,433.9	7,688.8	1,067.5	1,079.0	4,771.3	14,606.6
Inter-segment ^(a)	(28.7)	(2.5)	(464.9)	(0.5)	(496.6)	(297.5)	(233.7)	(4,428.1)	(5,455.9)
External operating revenue	2,459.1	1,838.1	1,461.6	1,433.4	7,192.2	770.0	845.3	343.2	9,150.7
Results									
Segment profits/(losses)	31.5	303.9	321.1	347.8	1,004.3	151.4	167.2	(138.1)	1,184.8
Unallocated income/other gains									307.8
Unallocated costs									(247.7)
Operating profit before finance cost									1,244.9
Finance income									133.0
Finance cost									(318.2)
Foreign exchange loss on borrowings									(58.6)
Associates									
- share of results (net of tax)									0.1
Profit before taxation and zakat									1,001.2
Taxation and zakat									235.9

44. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
	Consumer RM	SME RM	Enterprise RM	Government RM					
Profit for the financial year									1,237.1
At 31 December 2011									
Segment assets	492.7	220.7	871.5	623.9	2,208.8	548.7	506.0	13,491.3	16,754.8
Associates									0.6
Unallocated assets									4,616.4
Total assets									21,371.8
Segment liabilities	292.1	311.3	230.9	233.9	1,068.2	196.9	292.2	4,554.2	6,111.5
Borrowings									6,410.4
Unallocated liabilities									1,718.2
Total liabilities									14,240.1
Financial year ended 31 December 2011									
Other information									
Capital expenditure									
- additions during the financial year	0.2	0.3	47.8	71.0	119.3	62.6	30.1	2,433.9	2,645.9
Depreciation and amortisation	2.4	0.2	66.6	89.7	158.9	46.5	7.4	1,817.6	2,030.4
Write off of property, plant and equipment	0.2	#	#	2.5	2.7	0.6	0.2	93.9	97.4
Impairment of property, plant and equipment	-	-	-	-	-	0.1	-	0.1	0.2
Significant non-cash expenses	42.3	35.2	(4.4)	6.6	79.7	3.8	(0.9)	(6.2)	76.4

44. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
	Consumer RM	SME RM	Enterprise RM	Government RM					
Financial year ended									
31 December 2010									
Operating revenue									
Total operating revenue	2,291.8	1,772.2	1,758.9	1,316.8	7,139.7	1,096.8	1,145.8	4,253.5	13,635.8
Inter-segment ^a	(28.0)	-	(328.2)	(0.3)	(356.5)	(341.4)	(231.0)	(3,915.9)	(4,844.8)
External operating revenue	2,263.8	1,772.2	1,430.7	1,316.5	6,783.2	755.4	914.8	337.6	8,791.0
Results									
Segment (losses)/profits	(36.3)	249.3	316.6	333.5	863.1	212.4	221.4	(150.4)	1,146.5
Unallocated income/other gains									408.2
Unallocated costs									(252.9)
Operating profit before finance cost									1,301.8
Finance income									120.0
Finance cost									(365.2)
Foreign exchange gain on borrowings									303.7
Associates – share of results (net of tax)									(0.1)
Profit before taxation and zakat									1,360.2
Taxation and zakat									(115.2)
Profit for the financial year									1,245.0
At 31 December 2010									
Segment assets	502.2	213.5	901.2	864.9	2,481.8	667.8	596.1	12,506.5	16,252.2
Associates									0.5
Unallocated assets									4,527.3
Total assets									20,780.0
Segment liabilities	331.4	304.4	274.3	351.3	1,261.4	219.9	271.4	3,847.6	5,600.3
Borrowings									5,532.0
Unallocated liabilities									1,787.5
Total liabilities									12,919.8

44. SEGMENT REPORTING (CONTINUED)

	Retail Business				Total Retail Business RM	Wholesale Business RM	Global Business RM	Shared Services/ Others RM	Total RM
	Consumer RM	SME RM	Enterprise RM	Government RM					
Financial year ended									
31 December 2010									
Other information									
Capital expenditure									
– additions during the financial year	2.9	1.1	53.2	144.9	202.1	49.2	128.2	2,360.6	2,740.1
Depreciation and amortisation	3.4	0.4	34.8	66.5	105.1	51.9	8.8	1,758.2	1,924.0
Write off of property, plant and equipment	0.1	–	0.8	–	0.9	–	–	70.2	71.1
Impairment of property, plant and equipment	0.3	–	–	–	0.3	–	0.4	–	0.7
Significant non-cash expenses	27.5	60.7	(8.1)	(27.3)	52.8	4.7	(33.7)	35.0	58.8

^(a) Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. These inter-segment trading arrangements are entered into in the normal course of business and are subject to periodic review.

Amount less than RM0.1 million

By Geographical Location

The Group operates in a few countries as disclosed in note 51 to the financial statements. Accordingly, the segmentisation of the Group's operations by geographical location is segmentised into Malaysia and overseas. The overseas operation is not further segregated as no individual overseas country contributed more than 10.0% of the consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

	Operating Revenue		Total Assets		Capital Expenditure	
	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM
Malaysia	8,305.4	7,876.2	16,199.0	15,642.6	2,380.0	2,707.7
Other countries	845.3	914.8	556.4	610.1	265.9	32.4
Unallocated assets	–	–	4,616.4	4,527.3	–	–
	9,150.7	8,791.0	21,371.8	20,780.0	2,645.9	2,740.1

45. 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
2011						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 20)	-	-	66.2	-	-	66.2
Available-for-sale investments (note 30)	-	-	-	522.9	-	522.9
Available-for-sale receivables (note 31(a))	-	-	-	11.1	-	11.1
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 31(b))	88.2	-	-	-	-	88.2
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 33)	1,725.2	-	-	-	-	1,725.2
Financial assets at fair value through profit or loss (note 34)	-	20.1	-	-	-	20.1
Cash and bank balances (note 35)	4,213.0	-	-	-	-	4,213.0
Total	6,026.4	20.1	66.2	534.0	-	6,646.7
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 18)	-	-	-	-	6,352.2	6,352.2
Finance lease liabilities (note 18)	-	-	-	-	58.2	58.2
Derivative financial instruments (note 20)	-	18.9	-	-	-	18.9
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 36)	-	-	-	-	3,032.4	3,032.4
Customer deposits (note 37)	-	-	-	-	544.5	544.5
Total	-	18.9	-	-	9,987.3	10,006.2

45. 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
2010						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 20)	-	-	3.6	-	-	3.6
Available-for-sale investments (note 30)	-	-	-	952.7	-	952.7
Available-for-sale receivables (note 31(a))	-	-	-	14.9	-	14.9
Staff loans and other non-current receivables (excluding prepaid employee benefits) (note 31(b))	90.6	-	-	-	-	90.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 33)	2,074.2	-	-	-	-	2,074.2
Financial assets at fair value through profit or loss (note 34)	-	21.5	-	-	-	21.5
Cash and bank balances (note 35)	3,488.5	-	-	-	-	3,488.5
Total	5,653.3	21.5	3.6	967.6	-	6,646.0
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 18)	-	-	-	-	5,470.4	5,470.4
Finance lease liabilities (note 18)	-	-	-	-	61.6	61.6
Derivative financial instruments (note 20)	-	22.8	5.2	-	-	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 36)	-	-	-	-	3,107.1	3,107.1
Customer deposits (note 37)	-	-	-	-	580.5	580.5
Total	-	22.8	5.2	-	9,219.6	9,247.6

45. 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
2011						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 20)	-	-	66.2	-	-	66.2
Loans and advances to subsidiaries (note 28)	219.7	-	-	-	-	219.7
Available-for-sale investments (note 30)	-	-	-	522.8	-	522.8
Available-for-sale receivables (note 31(a))	-	-	-	11.1	-	11.1
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 31(b))	88.0	-	-	-	-	88.0
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 33)	1,651.5	-	-	-	-	1,651.5
Financial assets at fair value through profit or loss (note 34)	-	20.1	-	-	-	20.1
Cash and bank balances (note 35)	3,729.0	-	-	-	-	3,729.0
Total	5,688.2	20.1	66.2	533.9	-	6,308.4
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 18)	-	-	-	-	4,875.0	4,875.0
Finance lease liabilities (note 18)	-	-	-	-	58.2	58.2
Derivative financial instruments (note 20)	-	18.9	-	-	-	18.9
Payable to a subsidiary (note 19)	-	-	-	-	1,474.2	1,474.2
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 36)	-	-	-	-	3,268.7	3,268.7
Customer deposits (note 37)	-	-	-	-	543.8	543.8
Total	-	18.9	-	-	10,219.9	10,238.8

45. 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
2010						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 20)	-	-	3.6	-	-	3.6
Loans and advances to subsidiaries (note 28)	236.7	-	-	-	-	236.7
Available-for-sale investments (note 30)	-	-	-	470.8	-	470.8
Available-for-sale receivables (note 31(a))	-	-	-	14.9	-	14.9
Staff loans and other non-current receivables (excluding prepaid employee benefits) (note 31(b))	90.3	-	-	-	-	90.3
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 33)	1,967.5	-	-	-	-	1,967.5
Financial assets at fair value through profit or loss (note 34)	-	21.5	-	-	-	21.5
Cash and bank balances (note 35)	3,077.7	-	-	-	-	3,077.7
Total	5,372.2	21.5	3.6	485.7	-	5,883.0
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 18)	-	-	-	-	4,012.0	4,012.0
Finance lease liabilities (note 18)	-	-	-	-	61.6	61.6
Derivative financial instruments (note 20)	-	22.8	5.2	-	-	28.0
Payable to a subsidiary (note 19)	-	-	-	-	1,434.0	1,434.0
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 36)	-	-	-	-	3,285.1	3,285.1
Customer deposits (note 37)	-	-	-	-	580.1	580.1
Total	-	22.8	5.2	-	9,372.8	9,400.8

46. FAIR VALUES

The fair value of a financial instrument is assumed to be the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale.

(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:

The Group	2011				2010			
	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	20.1	–	–	20.1	21.5	–	–	21.5
Derivatives accounted for under hedge accounting	–	66.2	–	66.2	–	3.6	–	3.6
Available-for-sale financial assets								
– investments	#	465.8	57.1	522.9	481.9	420.4	50.4	952.7
– receivables	–	11.1	–	11.1	–	14.9	–	14.9
Total	20.1	543.1	57.1	620.3	503.4	438.9	50.4	992.7
Liabilities								
Derivatives at fair value through profit or loss	–	18.9	–	18.9	–	22.8	–	22.8
Derivatives accounted for under hedge accounting	–	–	–	–	–	5.2	–	5.2
Total	–	18.9	–	18.9	–	28.0	–	28.0

Amount less than RM0.1 million

46. FAIR VALUES (CONTINUED)**(a) Financial Instruments Carried at Fair Value (continued)**

The Company	2011				2010			
	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	20.1	–	–	20.1	21.5	–	–	21.5
Derivatives accounted for under hedge accounting	–	66.2	–	66.2	–	3.6	–	3.6
Available-for-sale financial assets								
– investments	–	465.7	57.1	522.8	–	420.4	50.4	470.8
– receivables	–	11.1	–	11.1	–	14.9	–	14.9
Total	20.1	543.0	57.1	620.2	21.5	438.9	50.4	510.8
Liabilities								
Derivatives at fair value through profit or loss	–	18.9	–	18.9	–	22.8	–	22.8
Derivatives accounted for under hedge accounting	–	–	–	–	–	5.2	–	5.2
Total	–	18.9	–	18.9	–	28.0	–	28.0

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 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.

46. FAIR VALUES (CONTINUED)

(a) Financial Instruments Carried at Fair Value (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in Level 2 except for an investment in non-traded equity security.

The following table shows a reconciliation from the opening balance to the closing balance for fair value measurements in Level 3 of the fair value hierarchy:

	The Group and Company	
	2011 RM	2010 RM
At 1 January	50.4	50.4
Fair value changes transferred to other comprehensive income	6.7	-
At 31 December	57.1	50.4

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 RM2.7 million lower or RM3.2 million higher.

46. 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			
	2011		2010		2011		2010	
	Carrying amount RM	Net fair value RM						
Assets								
Loans and advances to subsidiaries	-	-	-	-	-	-	236.7	204.5
Staff loans	34.7	30.9	46.8	47.1	34.5	30.8	46.5	46.9
Other non-current receivables	53.5	53.0	-	-	53.5	53.0	-	-
Liabilities								
Borrowings	6,410.4	7,089.6	5,532.0	6,075.4	4,933.2	5,509.7	4,073.6	4,515.3
Payable to a subsidiary	-	-	-	-	1,474.2	1,576.9	1,434.0	1,535.7

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 provision for impairment made is deemed to be a close approximation of its fair value.

The carrying amount of loans and advances to subsidiaries as at 31 December 2011 reasonably approximate their fair values following the restructuring of a loan into floating interest rate loan in 2011. In the preceding financial year, the fair value of loans and advances to subsidiaries was estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

The fair values of staff loans and other non-current receivables were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

Collaterals are taken for staff loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

Liabilities

The fair value of quoted bonds was estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity.

The financial liabilities will be realised at their carrying amounts and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term financial instruments maturing within 1 year or are repayable on demand, the carrying amounts reasonably approximate their fair values at the reporting date.

47. 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	Discounting RM	Carrying amount as per Statement of Financial Position RM
2011							
Borrowings	(11.3)	(2,018.1)	(1,647.3)	(2,795.8)	(6,472.5)	62.1	(6,410.4)
Unfavourable forward contracts	-	-	(18.6)	-	(18.6)	(0.3)	(18.9)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,032.4)	-	-	-	(3,032.4)	-	(3,032.4)
Customer deposits	(544.5)	-	-	-	(544.5)	-	(544.5)
Total	(3,588.2)	(2,018.1)	(1,665.9)	(2,795.8)	(10,068.0)	61.8	(10,006.2)
2010							
Borrowings	(29.7)	(11.5)	(3,552.0)	(2,007.4)	(5,600.6)	68.6	(5,532.0)
Favourable interest rate swaps	6.5	4.3	(3.9)	(5.3)	1.6	2.0	3.6
Unfavourable interest rate swaps	4.1	(5.7)	(4.1)	-	(5.7)	0.5	(5.2)
Unfavourable forward contracts	-	-	(24.7)	-	(24.7)	1.9	(22.8)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,107.1)	-	-	-	(3,107.1)	-	(3,107.1)
Customer deposits	(580.5)	-	-	-	(580.5)	-	(580.5)
Total	(3,706.7)	(12.9)	(3,584.7)	(2,012.7)	(9,317.0)	73.0	(9,244.0)

for the financial year ended 31 December 2011

47. 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	Discounting RM	Carrying amount as per Statement of Financial Position RM
2011							
Borrowings	(8.3)	(2,018.1)	(173.1)	(2,795.8)	(4,995.3)	62.1	(4,933.2)
Payable to a subsidiary	-	-	(1,474.2)	-	(1,474.2)	-	(1,474.2)
Unfavourable forward contracts	-	-	(18.6)	-	(18.6)	(0.3)	(18.9)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,268.7)	-	-	-	(3,268.7)	-	(3,268.7)
Customer deposits	(543.8)	-	-	-	(543.8)	-	(543.8)
Total	(3,820.8)	(2,018.1)	(1,665.9)	(2,795.8)	(10,300.6)	61.8	(10,238.8)
2010							
Borrowings	(8.3)	(8.5)	(2,118.0)	(2,007.4)	(4,142.2)	68.6	(4,073.6)
Payable to a subsidiary	-	-	(1,434.0)	-	(1,434.0)	-	(1,434.0)
Favourable interest rate swaps	6.5	4.3	(3.9)	(5.3)	1.6	2.0	3.6
Unfavourable interest rate swaps	4.1	(5.7)	(4.1)	-	(5.7)	0.5	(5.2)
Unfavourable forward contracts	-	-	(24.7)	-	(24.7)	1.9	(22.8)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,285.1)	-	-	-	(3,285.1)	-	(3,285.1)
Customer deposits	(580.1)	-	-	-	(580.1)	-	(580.1)
Total	(3,862.9)	(9.9)	(3,584.7)	(2,012.7)	(9,470.2)	73.0	(9,397.2)

48. INTEREST RATE RISK/MATURITY ANALYSIS

The table below summarises the Group's and the Company's exposure to interest rate risk after taking into account the effects of interest rate swaps. 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 47 or the repayment schedules in note 18 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.

The Group	WARF*	Maturing or repriced (whichever is earlier)						Total interest sensitive RM	Non-interest sensitive RM	Total RM
		1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM			
2011										
Financial assets										
Derivative financial instruments	-	66.2	-	-	-	-	-	66.2	-	66.2
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	104.8	104.8
- fixed interest rate	4.66%	418.1	-	-	-	-	-	418.1	-	418.1
Available-for-sale receivables	7.79%	0.4	0.4	0.6	0.8	1.0	7.9	11.1	-	11.1
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- fixed interest rate										
- conventional	5.38%	8.6	0.6	0.6	0.8	0.3	0.4	11.3	-	11.3
- balances under Islamic principles	4.63%	46.5	1.2	1.7	1.8	2.6	23.1	76.9	-	76.9
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	-	-	-	-	-	-	-	-	1,725.2	1,725.2
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	20.1	20.1
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	635.9	635.9
- fixed interest rate										
- conventional	3.42%	1,895.0	-	-	-	-	-	1,895.0	-	1,895.0
- balances under Islamic principles	3.54%	1,682.1	-	-	-	-	-	1,682.1	-	1,682.1
Total		4,116.9	2.2	2.9	3.4	3.9	31.4	4,160.7	2,486.0	6,646.7

* WARF – Weighted Average Rate of Finance as at 31 December

48. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Group	WARF*	Maturing or repriced (whichever is earlier)						Total interest sensitive RM	Non-interest sensitive RM	Total RM
		1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM			
2011										
Financial liabilities										
Borrowings										
– non-interest sensitive	-	-	-	-	-	-	-	-	3.7	3.7
– fixed interest rate										
– conventional	6.17%	3.9	0.8	1,518.4	42.0	40.1	1,046.1	2,651.3	-	2,651.3
– balances under Islamic principles	5.25%	30.4	2,925.0	-	-	-	800.0	3,755.4	-	3,755.4
Derivative financial instruments	-	18.9	-	-	-	-	-	18.9	-	18.9
Trade and other payables (excluding statutory liabilities and deferred revenue)	-	-	-	-	-	-	-	-	3,032.4	3,032.4
Customer deposits	-	-	-	-	-	-	-	-	544.5	544.5
Total		53.2	2,925.8	1,518.4	42.0	40.1	1,846.1	6,425.6	3,580.6	10,006.2
Interest sensitivity gap		4,063.7	(2,923.6)	(1,515.5)	(38.6)	(36.2)	(1,814.7)			

The Group	WARF*	Maturing or repriced (whichever is earlier)						Total interest sensitive RM	Non-interest sensitive RM	Total RM
		1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM			
2010										
Financial assets										
Derivative financial instruments	-	3.6	-	-	-	-	-	3.6	-	3.6
Available-for-sale investments										
– non-interest sensitive	-	-	-	-	-	-	-	-	596.5	596.5
– fixed interest rate	4.60%	356.2	-	-	-	-	-	356.2	-	356.2
Available-for-sale receivables	7.52%	0.1	0.3	0.5	0.9	1.4	11.7	14.9	-	14.9
Staff loans and other non-current receivables (excluding prepaid employee benefits)										
– fixed interest rate										
– conventional	7.98%	0.5	0.8	0.1	2.3	0.9	0.9	5.5	-	5.5
– balances under Islamic principles	4.28%	44.5	2.2	2.8	3.4	3.0	29.2	85.1	-	85.1


48. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Group	WARF*	Maturing or repriced (whichever is earlier)						Total interest sensitive RM	Non-interest sensitive RM	Total RM
		1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM			
2010										
Financial assets										
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	-	-	-	-	-	-	-	-	2,074.2	2,074.2
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	21.5	21.5
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	437.2	437.2
- fixed interest rate										
- conventional	3.24%	1,835.7	-	-	-	-	-	1,835.7	-	1,835.7
- balances under Islamic principles	3.18%	1,215.6	-	-	-	-	-	1,215.6	-	1,215.6
Total		3,456.2	3.3	3.4	6.6	5.3	41.8	3,516.6	3,129.4	6,646.0
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.9	3.9
- fixed interest rate										
- conventional	6.18%	22.5	3.8	0.1	1,477.8	40.6	1,059.9	2,604.7	-	2,604.7
- balances under Islamic principles	5.57%	(1.6)	-	2,925.0	-	-	-	2,923.4	-	2,923.4
Derivative financial instruments	-	28.0	-	-	-	-	-	28.0	-	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue)	-	-	-	-	-	-	-	-	3,107.1	3,107.1
Customer deposits	-	-	-	-	-	-	-	-	580.5	580.5
Total		48.9	3.8	2,925.1	1,477.8	40.6	1,059.9	5,556.1	3,691.5	9,247.6
Interest sensitivity gap		3,407.3	(0.5)	(2,921.7)	(1,471.2)	(35.3)	(1,018.1)			

for the financial year ended 31 December 2011

48. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

The Group	2011		2010	
	USD	RM	USD	RM
Financial assets				
Available-for-sale investments	-	4.66%	-	4.60%
Available-for-sale receivables	-	7.79%	-	7.52%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	-	4.73%	-	4.50%
Cash and bank balances	0.09%	3.00%	-	2.90%
Financial liabilities				
Borrowings	6.28%	5.24%	6.28%	5.54%

The Company	WARF*	Maturing or repriced (whichever is earlier)							Total interest sensitive RM	Non-interest sensitive RM	Total RM
		1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM				
2011											
Financial assets											
Derivative financial instruments	-	66.2	-	-	-	-	-	66.2	-	66.2	
Loans and advances to subsidiaries (net)											
- floating interest rate	4.44%	-	-	35.5	-	184.2	-	219.7	-	219.7	
Available-for-sale investments											
- non-interest sensitive	-	-	-	-	-	-	-	-	104.7	104.7	
- fixed interest rate	4.66%	418.1	-	-	-	-	-	418.1	-	418.1	
Available-for-sale receivables	7.79%	0.4	0.4	0.6	0.8	1.0	7.9	11.1	-	11.1	
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)											
- fixed interest rate											
- conventional	5.38%	8.6	0.6	0.6	0.8	0.3	0.4	11.3	-	11.3	
- balances under Islamic principles	4.63%	46.3	1.2	1.7	1.8	2.6	23.1	76.7	-	76.7	
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	-	-	-	-	-	-	-	-	1,651.5	1,651.5	
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	20.1	20.1	



48. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier)						Total interest sensitive RM	Non-interest sensitive RM	Total RM
		1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM			
2011										
Financial assets										
Cash and bank balances										
– non-interest sensitive	-	-	-	-	-	-	-	-	355.8	355.8
– fixed interest rate										
– conventional	3.47%	1,833.2	-	-	-	-	-	1,833.2	-	1,833.2
– balances under Islamic principles	3.54%	1,540.0	-	-	-	-	-	1,540.0	-	1,540.0
Total		3,912.8	2.2	38.4	3.4	188.1	31.4	4,176.3	2,132.1	6,308.4
Financial liabilities										
Borrowings										
– non-interest sensitive	-	-	-	-	-	-	-	-	3.7	3.7
– fixed interest rate										
– conventional	7.34%	0.9	0.8	44.2	42.0	40.1	1,046.1	1,174.1	-	1,174.1
– balances under Islamic principles	5.25%	30.4	2,925.0	-	-	-	800.0	3,755.4	-	3,755.4
Payable to a subsidiary										
– fixed interest rate	5.25%	-	-	1,474.2	-	-	-	1,474.2	-	1,474.2
Derivative financial instruments										
	-	18.9	-	-	-	-	-	18.9	-	18.9
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	-	-	-	-	-	-	-	-	3,004.2	3,004.2
– floating interest rate	3.33%	264.5	-	-	-	-	-	264.5	-	264.5
Customer deposits										
	-	-	-	-	-	-	-	-	543.8	543.8
Total		314.7	2,925.8	1,518.4	42.0	40.1	1,846.1	6,687.1	3,551.7	10,238.8
Interest sensitivity gap		3,598.1	(2,923.6)	(1,480.0)	(38.6)	148.0	(1,814.7)			

48. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier)						Total interest sensitive RM	Non-interest sensitive RM	Total RM
		1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM			
2010										
Financial assets										
Derivative financial instruments	-	3.6	-	-	-	-	-	3.6	-	3.6
Loans and advances to subsidiaries (net)										
- floating interest rate	4.16%	-	-	-	52.5	-	-	52.5	-	52.5
- fixed interest rate	5.35%	-	-	-	-	-	184.2	184.2	-	184.2
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	114.6	114.6
- fixed interest rate	4.60%	356.2	-	-	-	-	-	356.2	-	356.2
Available-for-sale receivables	7.52%	0.1	0.3	0.5	0.9	1.4	11.7	14.9	-	14.9
Staff loans and other non-current receivables (excluding prepaid employee benefits)										
- fixed interest rate										
- conventional	7.98%	0.2	0.8	0.1	2.3	0.9	0.9	5.2	-	5.2
- balances under Islamic principles	4.28%	44.5	2.2	2.8	3.4	3.0	29.2	85.1	-	85.1
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	-	-	-	-	-	-	-	-	1,967.5	1,967.5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	21.5	21.5
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	200.6	200.6
- fixed interest rate										
- conventional	3.24%	1,753.1	-	-	-	-	-	1,753.1	-	1,753.1
- balances under Islamic principles	3.19%	1,124.0	-	-	-	-	-	1,124.0	-	1,124.0
Total		3,281.7	3.3	3.4	59.1	5.3	226.0	3,578.8	2,304.2	5,883.0

48. INTEREST RATE RISK/MATURITY ANALYSIS (CONTINUED)

The Company	WARF*	Maturing or repriced (whichever is earlier)						Total interest sensitive RM	Non-interest sensitive RM	Total RM
		1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM			
2010										
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.9	3.9
- fixed interest rate										
- conventional	7.34%	1.1	0.8	0.1	43.8	40.6	1,059.9	1,146.3	-	1,146.3
- balances under Islamic principles	5.57%	(1.6)	-	2,925.0	-	-	-	2,923.4	-	2,923.4
Payable to a subsidiary										
- fixed interest rate	5.25%	-	-	-	1,434.0	-	-	1,434.0	-	1,434.0
Derivative financial instruments	-	28.0	-	-	-	-	-	28.0	-	28.0
Trade and other payables (excluding statutory liabilities and deferred revenue)										
- non-interest sensitive	-	-	-	-	-	-	-	-	3,083.9	3,083.9
- floating interest rate	3.11%	201.2	-	-	-	-	-	201.2	-	201.2
Customer deposits	-	-	-	-	-	-	-	-	580.1	580.1
Total		228.7	0.8	2,925.1	1,477.8	40.6	1,059.9	5,732.9	3,667.9	9,400.8
Interest sensitivity gap		3,053.0	2.5	(2,921.7)	(1,418.7)	(35.3)	(833.9)			

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:

	2011		2010	
	USD	RM	USD	RM
Financial assets				
Loans and advances to subsidiaries (net)	-	4.44%	-	5.09%
Available-for-sale investments	-	4.66%	-	4.60%
Available-for-sale receivables	-	7.79%	-	7.52%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	-	4.73%	-	4.50%
Cash and bank balances	-	3.21%	-	3.05%
Financial liabilities				
Borrowings	7.88%	5.24%	7.88%	5.54%
Payable to a subsidiary	5.25%	-	5.25%	-
Trade and other payables (excluding statutory liabilities and deferred revenue)	-	0.27%	-	0.19%

for the financial year ended 31 December 2011

49. CONTINGENT LIABILITIES (UNSECURED)

- (a) On 29 June 2006, the Company and Telekom Enterprise Sdn Bhd (TESB), the Company's wholly owned subsidiary, were served with a defence and counterclaim by Tan Sri Dato' Tajudin Ramli (TSDTR) in connection with proceedings initiated against him by Pengurusan Danaharta Nasional Berhad (Danaharta) and 2 others. 22 other defendants were also joined in these proceedings via the counterclaim.

TSDTR is seeking from the defendants, including the Company and TESB, jointly and/or severally, the following relief in the counterclaim:

- (i) the sum of RM6.2 billion;
- (ii) general damages to be assessed;
- (iii) aggravated and exemplary damages to be assessed;
- (iv) damages for conspiracy to be assessed;
- (v) an Account of all sums paid under the Facility Agreement and/or to Danaharta by TSDTR including all such sums received by Danaharta including as a result of the sale of the TRI (now Celcom) shares and the Naluri shares;
- (vi) an assessment of all sums due to be repaid by Danaharta to TSDTR as a result of overpayment by TSDTR to Danaharta;
- (vii) an Order that Danaharta forthwith pays all sums adjudged to be paid to TSDTR under prayer (vi);
- (viii) an Account of all dividends and/or payments received by the Company arising out of or in relation to the TRI (now Celcom) Shares;
- (ix) an Order that the Company forthwith pays all sum adjudged to be paid to TSDTR under prayer (viii);
- (x) damages for breach of contract against Danaharta to be assessed.

In addition, TSDTR is also seeking, inter alia, from all the 24 defendants to the counterclaim the following relief:

- (i) the sum of RM7.2 billion;
- (ii) damages for conspiracy to be assessed;
- (iii) a declaration that the Vesting Certificates are illegal and ultra vires that the Danaharta Act and/or unconstitutional against the provisions of the Federal Constitution and/or against Public Policy and void;
- (iv) a declaration that the Settlement Agreement is illegal and ultra vires the Danaharta Act and/or the Federal Constitution and is void and unenforceable pursuant to S.24 of the Contracts Act 1950 inter alia as being against Public Policy;
- (v) a declaration that all acts and deeds carried out and all agreements executed by Danaharta is illegal and unenforceable;
- (vi) an order that all contracts, agreements, transfers, conveyances, dealings, acts or deeds whatsoever carried out and executed by Danaharta hereby declared as null and void and set aside;

49. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (a) (vii) all necessary and fit orders and directions as may be required to give full effect to the aforesaid declarations and orders;
- (viii) damages to be assessed;
- (ix) aggravated and exemplary damages to be assessed;
- (x) interest at the rate of 8.0% per annum on all sums adjudged to be paid by the respective defendants to the counterclaim to TSDTR from the date such loss and damage was incurred to the date of full payment; and
- (xi) costs.

In July 2006, the Company's appointed solicitors filed applications on behalf of the Company and TESB respectively to strike out the counterclaim. The application was dismissed by the Senior Assistant Registrar of the High Court on 28 August 2007 with costs. The Company and TESB filed an appeal against the dismissal to the High Court Judge and the appeal was allowed on 12 November 2009. On 4 December 2009, TSDTR filed an appeal to the Court of Appeal against the decision of the High Court Judge. The Court of Appeal has yet to fix a hearing date for TSDTR's appeal as above stated.

TSDTR has also applied to re-amend the counterclaim to include 14 additional defendants, 8 of whom are present or former directors/officers of the Company and TESB. On 20 October 2008, the Senior Assistant Registrar of the High Court has allowed TSDTR's application to re-amend the counterclaim. The Company and TESB filed an appeal against the decision to the High Court Judge and the appeal was allowed on 12 November 2009.

On 4 December 2009, TSDTR filed an appeal to the Court of Appeal against both the decisions of the High Court Judge dated 12 November 2009. On 14 February 2012, TSDTR withdrew the appeals and the Court of Appeal consequently ordered that the appeals be struck out with costs.

The Directors, based on legal advice, are of the view that the legal suit has ended.

- (b) 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;

for the financial year ended 31 December 2011

49. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (b) (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 10 February 2012, the Court has fixed 7 March 2012 for the case management and 19 March 2012 for the hearing of the Striking Out Application.

The Directors, based on legal advice, are of the view that the Company and TESB have a good chance of success in defending the legal suit.

- (c) On 11 August 2009, the Company and its wholly owned subsidiary, TM Net Sdn Bhd (TM Net) were served with a Writ of Summons and Statement of Claim by Network Guidance (M) Sdn Bhd (NGSB) in connection with a purported joint venture in regard to a project described in the statement of claim as "Fine TV Services".

On 17 September 2009, the Company and TM Net filed the Amended Statement of Defence in Court.

On 13 October 2009, NGSB filed and served an Amended Statement of Claim to TM Net wherein NGSB have quantified their claim for aggravated damages at RM200.0 million and exemplary damages at RM200.0 million. Pursuant thereto, the Company and TM Net filed a re-amended Statement of Defence in Court on 23 October 2009.

On 10 December 2009, the Company and TM Net filed an application to strike out NGSB's claim. On 15 July 2010, the High Court proceeded with the hearing of the striking out application and dismissed the same with cost on 9 August 2010. On 3 September 2010, the Company and TM Net filed an appeal to the Court of Appeal against the abovestated decision of the High Court. On 11 January 2011, the Court of Appeal has dismissed appeal.

Meanwhile, NGSB's application to re-amend its Amended Statement of Claim was allowed by the High Court on 12 January 2011. Pursuant thereto, on 11 February 2011, NGSB's solicitors served on the Company and TM Net's solicitors an Amended Writ and Re-amended Statement of Claim (Re-amended Claim).

The reliefs sought by NGSB against the Company and TM Net in the Re-amended Claim are as follows:

- (a) a declaration that:
 - (i) NGSB and the Company entered into an agreement whereby it was agreed that NGSB and the Company will commence with the Fine TV project on a joint venture basis (the Agreement);
 - (ii) the Company breached the Agreement;
 - (iii) as a result of the breach of the Agreement, NGSB suffered loss and damages.

49. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (c) (b) an order that the Company and TM Net pay NGSB the following special damages:
 - (i) RM150,000 for the services of Fiberail Sdn Bhd;
 - (ii) RM300,000 for the services of "MYLOCA" and/or the rental space of TM Net;
 - (iii) RM1.0 million for the cost of the tests conducted;
 - (iv) RM5.0 million for equipment such as the server, the router, Digital Video Encoder, Set Top Box and Digital Video Editing;
 - (v) RM3.0 million for license fees for the use of software;
 - (vi) RM3.0 million for license fees for the use of content;
 - (vii) RM500,000 for legal fees;
 - (viii) RM4.0 million for overheads; and
 - (ix) loan of RM7.0 million from Eurofine Sdn Bhd.
- (c) interest at the rate of 8% per annum on the special damages from the date of judgment to the date of full and final settlement of the special damages;
- (d) an order that the Company and TM Net pay general damages;
- (e) an order that the general damages be assessed by the court;
- (f) interest of 8% per annum on the general damages from the date of judgment to the date of full and final settlement of the general damages;
- (g) cost; and
- (h) any other relief which the court deems fit.

In the Re-amended Claim, NGSB has also reflected the change of NGSB's name to Fine TV Network Sdn Bhd.

The case proceeded for trial from 25 January to 27 January 2012. The next trial dates are 29 February, 2 March, 13 April, 30 April, 7 May, 8 May and 9 May 2012.

The Directors, based on legal advice, are of the view that the Company has a good defense to NGSB's claim.

for the financial year ended 31 December 2011

49. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (d) On 3 January 2011, the Company was served with a Judgment in Default by AINB Tech (M) Sdn Bhd (AINB) dated 2 December 2010 and based on the Judgment, AINB has been awarded the following reliefs by the High Court:
- (i) RM25.0 million being AINB's expenses incurred for the purpose of a project known as "Supply, Delivery, Installation, Testing, Commissioning and Support of One Number Service" entered into between both parties (the Project);
 - (ii) general damages to be assessed by the Court;
 - (iii) interest at the rate of 5% per annum calculated from the date of the Judgment until the date of the full settlement;
 - (iv) legal costs of RM225; and
 - (v) other relief as deemed fit by the Court.

On 14 January 2011, the Company filed an application in Court to set aside the Judgment in Default and it was fixed for hearing on 21 January 2011. On 21 January 2011, the Court allowed the Company's application for a stay of all execution proceedings against the Company in respect of the Judgment in Default pending the final disposal of the Company's application to set aside the Judgment in Default.

On 23 February 2011, the Court allowed the Company's application to set aside the Judgment in Default with cost. Subsequently on 30 June 2011, the entire legal suit was dismissed with cost. On 19 October 2011, the Court of Appeal granted an application by AINB's solicitors to discharge themselves from further acting for AINB in the appeal. The Court of Appeal will make further directions in regard to the appeal by way of a letter to both parties.

The Directors, based on legal advice, are of the view that the Company has a good chance of success in dismissing AINB's appeal in the Court of Appeal.

- (e) On 24 February 2011, the Company's solicitors was served with a Writ of Summons and Statement of Claim dated 26 November 2010 from the solicitors for Acres & Hectares Sdn Bhd (AHSB).

Based on the Statement of Claim, AHSB is seeking from the Company the following reliefs:

- (i) judgment in the sum of RM3.0 million;
- (ii) damages of RM26.9 million;
- (iii) interest at the rate of 8% per annum on the judgment sum and damages calculated from the date of the notice of demand until full settlement;
- (iv) cost; and
- (v) further or other reliefs that the Court deems fit.

In the said Statement of Claim, AHSB claims that the Company is indebted to AHSB in the sum of RM3.0 million being alleged fees for consultancy works rendered to the Company in relation to the management and development of the Company's landed properties at different locations in Malaysia (the Project). In addition, AHSB also claims damages in the sum of RM26.9 million for alleged losses suffered by AHSB due to the Company's failure to proceed with the Project.

49. CONTINGENT LIABILITIES (UNSECURED) (CONTINUED)

- (e) Based on the Company's record, AHSB had instituted a similar legal suit at the Kuala Lumpur High Court under Civil Suit No. S2-22-452-2005 against the Company on 22 April 2005 and the said legal suit was dismissed by the High Court on 16 September 2009 with cost.

On 15 April 2011, the High Court has struck out the legal suit with cost. AHSB did not file any appeal against the High Court's decision within the period allowed under the law.

The Directors, based on legal advice, are of the view that the legal suit has ended.

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 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.

50. SIGNIFICANT SUBSEQUENT EVENT

Proposed Capital Repayment to shareholders of approximately RM1,073.2 million (Proposed Capital Repayment)

On 24 February 2012, the Company announced the Proposed Capital Repayment involving a capital repayment of approximately RM1,073.2 million to the Company's shareholders. Shareholders, whose names appear in the Company's Record of Depositors at the close of business on a date to be determined and announced later (Entitlement Date), shall be entitled to receive a cash distribution under the Proposed Capital Repayment of RM0.30 for each ordinary share of RM1.00 each in the Company (TM Share) held as at the Entitlement Date.

The Proposed Capital Repayment will be implemented by way of a reduction of the issued and paid-up share capital of the Company under Section 64 of the Companies Act, 1965 [Act], whereby the par value of each TM Share will be reduced from RM1.00 to RM0.70 per share. The total number of ordinary shares of the Company in issue will remain unchanged at 3,577.4 million shares.

The Proposed Capital Repayment is subject to the following:

- (i) approval of the Company's shareholders at an Extraordinary General Meeting to be convened;
- (ii) the order by the High Court of Malaya confirming the reduction of the ordinary share capital of the Company pursuant to Section 64 of the Act;
- (iii) consent by the Company's creditors/lenders, where applicable; and
- (iv) approvals/consents of other relevant authorities/parties, if required.

The Proposed Capital Repayment is not conditional upon any other corporate proposal of the Company.

Barring any unforeseen circumstances, the Proposed Capital Repayment is expected to be completed in the third quarter of 2012.

for the financial year ended 31 December 2011

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2011

The subsidiaries are as follows:

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2011 %	2010 %	2011 Million	2010 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	RM3.0	RM3.0	Ceased operations
Menara Kuala Lumpur Sdn Bhd	100	100	RM91.0	RM91.0	Management and operation of Menara Kuala Lumpur
Mobikom Sdn Bhd	100	100	RM260.0	RM260.0	Provision of transmission of voice and data through the cellular system
Parkside Properties Sdn Bhd	100	100	RM0.1	RM0.1	Dormant
Tekad Mercu Berhad	100	100	RM#	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	100	100	RM1.6	RM1.6	Provision of software development and sale of software products
Telekom Consultancy Sdn Bhd ^a (in liquidation)	51	51	RM#	RM#	Ceased operations
Telekom Enterprise Sdn Bhd	100	100	RM0.6	RM0.6	Investment holding
Telekom Malaysia-Africa Sdn Bhd>	-	100	-	RM0.1	Wound up on 4 October 2011
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

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2011 (CONTINUED)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2011 %	2010 %	2011 Million	2010 Million	
Telekom Malaysia (UK) Limited*	100	100	GBP#	GBP#	Provision of international telecommunications services
Telekom Malaysia (USA) Inc*	100	100	USD3.5	USD3.5	Provision of international telecommunications services
Telekom Multi-Media Sdn Bhd	100	100	RM1.7	RM1.7	Investment holding
Telekom Research & Development Sdn Bhd	100	100	RM20.0	RM20.0	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	100	100	RM14.5	RM14.5	Provision of management of customers care services and trading of customer premises telecommunication equipment
Telekom Technology Sdn Bhd	100	100	RM13.0	RM13.0	Ceased operations
TM Broadcasting Sdn Bhd	100	100	RM#	RM#	Dormant
TM Cellular (Holdings) Sdn Bhd>	-	100	-	RM0.1	Wound up on 4 October 2011
TM ESOS Management Sdn Bhd	100	100	RM0.1	RM#	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 International (Cayman) Ltd	100	100	USD#	USD#	Dormant
TM Net Sdn Bhd	100	100	RM180.0	RM180.0	Content and application development for Internet services
TM SPV Sdn Bhd<< (in liquidation)	100	100	RM#	RM#	Special purpose entity

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2011 (CONTINUED)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2011 %	2010 %	2011 Million	2010 Million	
Universiti Telekom Sdn Bhd	100	100	RM650.0	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	100	100	RM5.0	RM5.0	Provision of managed network services, network system integration services and network centric services
Subsidiaries held through Tekad Mercu Berhad					
Mediatel (Malaysia) Sdn Bhd<	100	100	RM#	RM#	Investment holding
Rebung Utama Sdn Bhd~	100	100	RM#	RM#	Special purpose entity
Subsidiary held through Telekom Multi-Media Sdn Bhd					
Telekom Smart School Sdn Bhd (sub-note (a))	-	51	-	RM15.0	Implementation of government smart school project, provision of multimedia education systems and software, portal services and other related services
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	100	100	RM2.7	RM2.7	Ceased operations
Subsidiaries held through TM Facilities Sdn Bhd					
TMF Autolease Sdn Bhd	100	100	RM1.0	RM1.0	Provision of fleet management services
TMF Services Sdn Bhd	100	100	RM1.0	RM1.0	Ceased operations
Subsidiaries held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	100	100	RM1.0	RM1.0	Provision of training and related services
Multimedia College Sdn Bhd	100	100	RM1.0	RM1.0	Managing and administering a private college known as Multimedia College

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2011 (CONTINUED)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2011 %	2010 %	2011 Million	2010 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 in Indonesia

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2011 (CONTINUED)

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
PT VADS Indonesia	– Indonesia
Telekom Malaysia (Hong Kong) Limited	– Hong Kong
Telekom Malaysia (S) Pte Ltd	– Singapore
Telekom Malaysia (UK) Limited	– United Kingdom
Telekom Malaysia (USA) Inc	– USA
TM International (Cayman) Ltd	– British West Indies, USA

IDR Indonesian Rupiah
 HKD Hong Kong Dollar
 SGD Singapore Dollar
 GBP Pound Sterling
 USD US Dollar

Amounts less than 0.1 million in their respective currency

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

[Ⓐ] Granted order for winding up pursuant to Section 217(1)(c) and 218(1)(c) and (i) of the Companies Act, 1965 on 5 October 2009 including appointment of liquidator.

> Dissolved pursuant to Section 272(5) of the Companies Act, 1965.

<< Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965 on 11 October 2010 including appointment of liquidator. Pursuant to Section 272(5) of the Companies Act, 1965, TM SPV Sdn Bhd would be dissolved effective 29 March 2012.

< Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965 on 25 November 2011 including appointment of liquidator.

~ Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965 on 15 December 2011 including appointment of liquidator.

^ VADS Berhad and VADS Business Process Sdn Bhd holds a direct interest of 10.0% and 90.0% respectively in PT VADS Indonesia.

(a) On 3 June 2011, the Company announced that its wholly owned subsidiary, Telekom Multi-Media Sdn Bhd (TMM) had entered into a Sale of Shares Agreement (the SSA) with Digital Technologies Sdn Bhd for the disposal of TMM's entire 51% equity interest comprising 7,650,000 ordinary shares of RM1.00 each held in Telekom Smart School Sdn Bhd for a total consideration of RM5.5 million subject to the terms and conditions of the SSA (the Disposal). The Disposal was duly completed on 26 August 2011, giving rise to RM0.8 million gain to the Group.

52. LIST OF ASSOCIATES AS AT 31 DECEMBER 2011

The associates are as follows:

Name of Company	Group's Effective Interest		Principal Activities
	2011 %	2010 %	
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd	49	49	Development, management and marketing of educational products offered by local and overseas educational institutions electronically
Mutiara.Com Sdn Bhd	30	30	Provision and promotion of Internet-based communications services

All associates are incorporated in Malaysia.

All associates have co-terminous financial year end with the Company.

53. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM).

54. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 24 February 2012.

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	
	2011 RM	2010 RM	2011 RM	2010 RM
Retained profits:				
– realised	2,899.2	2,008.9	3,578.1	3,126.4
– unrealised – in respect of deferred tax recognised in the Income Statements	(1,537.9)	(1,577.5)	(1,456.6)	(1,513.4)
– in respect of other items of income and expense	365.7	384.1	362.5	383.9
Share of accumulated losses of associates				
– realised	(0.9)	(1.0)	–	–
	1,726.1	814.5	2,484.0	1,996.9
Add: consolidation adjustments	1,446.4	1,904.9	–	–
TOTAL RETAINED PROFITS	3,172.5	2,719.4	2,484.0	1,996.9

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, Datuk Dr Halim Shafie and 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 212 to 341 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 2011 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 Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The supplementary information set out in note 55 on page 342 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 24 February 2012.

DATUK DR HALIM SHAFIE
Director/Chairman

DATO' SRI ZAMZAMZAIRANI MOHD ISA
Managing Director/Group Chief Executive Officer

Statutory Declaration

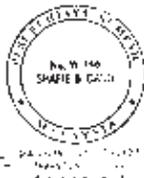
pursuant to Section 169(16) of the Companies Act, 1965

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 212 to 341 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 24 February 2012.)
)
)

DATUK BAZLAN OSMAN

Before me:



Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

to the Members of Telekom Malaysia Berhad
(Company No. 128740-P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Telekom Malaysia Berhad on pages 212 to 220 which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 221 to 341.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

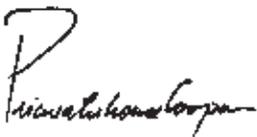
- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 51 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 55 on page 342 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



IRVIN GEORGE LUIS MENEZES

(No. 2932/06/12 [J])

Chartered Accountant

Kuala Lumpur

Date: 24 February 2012

Shareholding Statistics

as at 16 March 2012

ANALYSIS OF SHAREHOLDINGS

Share Capital

Authorised Share Capital : RM5,040,003,021

Issued and Paid-up Capital : RM3,577,404,906 comprising 3,577,401,980 ordinary shares of RM1.00 each, 1 Special Rights Redeemable Preference Share of RM1.00 each, 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS C) of RM1.00 each and 925 Class D Non-Convertible Redeemable Preference Shares (NCRPS D) of RM1.00 each

Voting Rights : 1 vote per ordinary share.

The Special Share, NCRPS C and NCRPS D have no voting rights other than those referred to in notes 14(a) and 18(a) to the financial statements.

SUBSTANTIAL SHAREHOLDERS' HOLDINGS OF 5% AND ABOVE

As per Register of Substantial Shareholders

No.	Name	No. of Shares Held		Percentage (%)	
		Direct	Indirect	Direct	Indirect
1.	Khazanah Nasional Berhad	1,027,841,692	-	28.73	-
2.	Employees Provident Fund Board	429,411,300	-	12.00	-
3.	AmanahRaya Trustees Berhad - Skim Amanah Saham Bumiputera	350,000,000	-	9.78	-
TOTAL		1,807,252,992	-	50.51	-

DIRECTORS' DIRECT AND DEEMED INTEREST IN THE COMPANY AND ITS RELATED CORPORATION

As per Register of Directors' Shareholding

Interest in the Company	Number of ordinary shares of RM1.00 each		
	Direct	Deemed Interest	Percentage (%)
Datuk Dr Halim Shafie	-	8,000 [#]	*
Dato' Sri Zamzamzairani Mohd Isa	5,000	4,000 [#]	*
Datuk Bazlan Osman	2,000	-	*

Note:

[#] Deemed interest in TM shares held by spouse.

* Less than 0.01%.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
	No	%	No	%	No	%	No	%
Less than 100	799	2.90	6	0.02	5,509	0.00	29	0.00
100 – 1,000	8,807	31.91	106	0.38	7,721,918	0.22	87,378	0.00
1,001 – 10,000	14,777	53.55	298	1.08	55,168,139	1.54	1,337,105	0.04
10,001 – 100,000	1,844	6.68	232	0.84	49,059,606	1.37	8,356,700	0.23
100,001 – 178,870,098 (less than 5% of paid-up capital)	368	1.33	357	1.30	1,006,205,990	28.13	707,834,514	19.79
178,870,099 and above	3	0.01	0	0.00	1,741,625,092	48.68	0	0.00
TOTAL	26,598	96.38	999	3.62	2,859,786,254	79.94	717,615,726	20.06

DISTRIBUTION OF PREFERENCE SHARES IN ACCORDANCE WITH THEIR RESPECTIVE CLASSES

Category	Special Share				NCRPS C				NCRPS D			
	Shareholder		Share		Shareholder		Share		Shareholder		Share	
	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%
Less than 100	1	100.00	1	100.00	1	33.33	25	1.25	0	0.00	0	0.00
100 – 1,000	0	0.00	0	0.00	1	33.33	400	20.00	2	100.00	925	100.00
1,001 – 10,000	0	0.00	0	0.00	1	33.33	1,575	78.75	0	0.00	0	0.00
TOTAL	1	100.00	1	100.00	3	100.00	2,000	100.00	2	100.00	925	100.00

List of Top 30 shareholders

as at 16 March 2012

No.	Name	No. of Shares Held	Percentage (%)
1.	Khazanah Nasional Berhad	1,027,841,692	28.73
2.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	363,783,400	10.17
3.	AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera	350,000,000	9.78
4.	Kumpulan Wang Persaraan (Diperbadankan)	92,571,100	2.59
5.	Valuecap Sdn Bhd	71,000,000	1.98
6.	HSBC Nominees (Asing) Sdn Bhd – Exempt An for the Bank of New York Mellon (Mellon Acct)	63,850,017	1.78
7.	Mayban Nominees (Tempatan) Sdn Bhd – Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)	59,780,800	1.67

List of
Top 30 shareholders

as at 16 March 2012

No.	Name	No. of Shares Held	Percentage (%)
8.	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Blackrock Global Allocation Fund, Inc.	47,577,334	1.33
9.	Mayban Nominees (Tempatan) Sdn Bhd – Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)	46,553,100	1.30
10.	AmanahRaya Trustees Berhad – Amanah Saham Wawasan 2020	42,743,900	1.19
11.	AmanahRaya Trustees Berhad – Public Islamic Dividend Fund	40,221,000	1.12
12.	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt An for Eastspring Investments Berhad	38,910,600	1.09
13.	HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	36,095,000	1.01
14.	AmanahRaya Trustees Berhad – Amanah Saham Malaysia	34,000,000	0.95
15.	Cartaban Nominees (Asing) Sdn Bhd – Exempt An for State Street Bank & Trust Company (West CLT OD67)	32,650,887	0.91
16.	Permodalan Nasional Berhad	28,701,900	0.80
17.	Cartaban Nominees (Asing) Sdn Bhd – BBH (Lux) SCA for Fidelity Funds South East Asia	27,630,700	0.77
18.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Nomura)	26,732,400	0.75
19.	AmanahRaya Trustees Berhad – Public Islamic Equity Fund	25,907,600	0.72
20.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	24,899,000	0.70
21.	HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (U.K.)	23,318,283	0.65
22.	AmanahRaya Trustees Berhad – Amanah Saham Didik	21,491,700	0.60
23.	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Matthews Asian Growth and Income Fund	20,245,551	0.57
24.	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	19,840,840	0.55
25.	AmanahRaya Trustees Berhad – Public Islamic Sector Select Fund	18,608,300	0.52
26.	HSBC Nominees (Asing) Sdn Bhd – Exempt An for Caceis Bank Luxembourg (CLT Acct Lux)	18,142,400	0.51
27.	AmanahRaya Trustees Berhad – Public Growth Fund	16,880,000	0.47
28.	Pertubuhan Keselamatan Sosial	15,365,700	0.43
29.	AmanahRaya Trustees Berhad – Amanah Saham 1Malaysia	15,000,000	0.42
30.	AmanahRaya Trustees Berhad – Public Islamic Optimal Growth Fund	14,509,100	0.41
TOTAL		2,664,852,304	74.47

Authorised and Issued Share Capital

as at 16 March 2012



connect
communicate
collaborate

1. AUTHORISED SHARE CAPITAL

The authorised share capital is RM5,040,003,021 divided into 5,000,000,020 ordinary shares of RM1.00 each; 1 Special Rights Redeemable Preference Share of RM1.00; 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each, 1,000 Class D NCRPS of RM1.00 each and 4,000,000,000 Class F Redeemable Preference Shares (RPS) of RM0.01 each.

The changes in the authorised share capital are as follows:

Date	Type of Share	Par value (RM)	No of shares Created/(Deleted)	Cumulative (RM)
12/10/1984	Ordinary shares	1.00	1,000,000	1,000,000.00
06/08/1984	Ordinary shares	1.00	4,999,000,000	5,000,000,000.00
11/09/1990	Special Share	1.00	1	5,000,000,001.00
31/03/2003	Class A RPS	0.01	1,000	5,000,000,011.00
31/03/2003	Class B RPS	0.01	1,000	5,000,000,021.00
08/05/2007	Class C NCRPS	1.00	2,000	5,000,002,021.00
08/05/2007	Class D NCRPS	1.00	1,000	5,000,003,021.00
07/05/2009	Class E RPS	0.01	4,000,000,000	5,040,003,021.00
10/05/2011	Class A RPS	0.01	(1,000)	5,040,003,011.00
	Class B RPS	0.01	(1,000)	5,040,003,001.00
	Class E RPS	0.01	(4,000,000,000)	5,000,003,001.00
	Ordinary Shares	1.00	20	5,000,003,021.00
	Class F RPS	0.01	4,000,000,000	5,040,003,021.00

2. ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up share capital is RM3,577,404,906 comprising 3,577,401,980 ordinary shares of RM1.00 each; 1 Special Rights Redeemable Preference Share of RM1.00; 2,000 Class C NCRPS of RM1.00 each and 925 Class D NCRPS of RM1.00 each.

The changes in the issued and paid-up share capital are as follows:-

Date	No. of Shares Allotted	Description	Cumulative (RM)
31/12/1984	2	Cash	2
31/12/1986	9,999,998	Cash	10,000,000
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
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
11/09/1990	1	Special Rights Redeemable Preference Share	1,500,000,001
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
31/12/1992	9,249,000	Cash	1,979,749,001

Authorised and Issued Share Capital

as at 16 March 2012

Date	No. of Shares Allotted	Description	Cumulative (RM)
31/12/1993	6,067,000	Issued pursuant to the exercise of options under the ESOS	1,985,816,001
31/12/1994	3,555,000	Issued pursuant to the exercise of options under the ESOS	1,989,371,001
31/12/1995	2,832,000	Issued pursuant to the exercise of options under the ESOS	1,992,203,001
31/12/1996	6,877,000	Issued pursuant to the exercise of options under the ESOS	1,999,080,001
06/06/1997	10,920	Eurobond – Conversion of 4% Convertible Bonds due 2004	1,999,090,921
20/06/1997	999,545,460	Bonus issue on the basis of 1 ordinary shares for every 2 existing ordinary shares held	2,998,636,381
31/12/1998	398,500	Issued pursuant to the exercise of options under the ESOS	2,999,034,881
31/12/1999	22,408,000	Issued pursuant to the exercise of options under the ESOS	3,021,442,881
31/12/2000	65,876,500	Issued pursuant to the exercise of options under the ESOS	3,087,319,381
31/12/2001	13,996,000	Issued pursuant to the exercise of options under the ESOS	3,101,315,381
31/12/2002	65,692,000	Issued pursuant to the exercise of options under the ESOS	3,167,007,381
01/01/2003 – 11/12/2003	71,503,000	Issued pursuant to the exercise of options under the ESOS	3,238,510,381
12/12/2003	1,000	Class A RPS of RM0.01 each	3,238,510,391
12/12/2003	1,000	Class B RPS of RM0.01 each	3,238,510,401
15/12/2003 – 31/12/2003	12,222,000	Issued pursuant to the exercise of options under the ESOS	3,250,732,401
31/12/2004	131,708,000	Issued pursuant to the exercise of options under the ESOS	3,382,440,401
31/12/2005	9,077,000	Issued pursuant to the exercise of options under the ESOS	3,391,517,401
31/12/2006	6,139,500	Issued pursuant to the exercise of options under the ESOS	3,397,656,901
04/01/2007 – 17/07/2007	37,605,000	Issued pursuant to the exercise of options under the ESOS	3,435,261,901
20/07/2007	(1,000)	Redemption of Class A RPS of RM0.01 each	3,435,261,891
20/07/2007	(1,000)	Redemption of Class B RPS of RM0.01 each	3,435,261,881
20/07/2007	2,000	Class C NCRPS of RM1.00 each	3,435,263,881
20/07/2007	925	Class D NCRPS of RM1.00 each	3,435,264,806
23/07/2007 – 31/12/2007	4,547,800	Issued pursuant to the exercise of options under the ESOS	3,439,812,606
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
02/06/2009	3,577,401,980	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
07/06/2011	3,577,401,980	Class F RPS of RM0.01 each	3,613,178,925.80
07/06/2011	(3,537,401,980)	Redemption of Class F RPS of RM0.01 each	3,577,404,906

Note: Increases in the issued and paid-up share capital pursuant to the ESOS are disclosed on annual basis.

Net Book Value of Land & Buildings

as at 31 December 2011



connect
communicate
collaborate

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	28	1,413	3	155	3	402	-	-	119.3	1,073.1
b. Labuan	-	-	6	511	1	175	-	-	-	-
c. Putrajaya	-	-	-	-	1	20	-	-	-	-
2. Selangor	10	10,210	23	25,397	4	283	68	6,020	215.5	427.4
3. Perlis	-	-	4	52	-	-	8	572	0.3	0.8
4. Perak	4	17	19	926	5	126	86	5,363	4.1	25.2
5. Pulau Pinang	1	3	15	919	-	-	39	6,838	4.7	18.8
6. Kedah	8	488	14	1,492	-	-	45	2,553	10.7	35.7
7. Johor	4	106	29	1,455	14	305	94	7,990	6.3	38.0
8. Melaka	3	15	27	56,726	-	-	23	4,039	94.4	169.9
9. Negeri Sembilan	7	36,983	11	395	2	176	49	2,186	37.4	20.2
10. Terengganu	-	-	16	797	1	44	43	5,082	0.6	20.8
11. Kelantan	-	-	9	418	4	123	35	2,058	0.5	6.1
12. Pahang	3	43	31	2,189	11	625	65	6,256	2.5	20.3
13. Sabah	-	-	15	619	4	117	61	24,269	5.5	35.1
14. Sarawak	5	202	28	1,023	9	62	96	11,203	23.1	42.9
Total	73	49,480	250	93,074	59	2,458	712	84,429	524.9	1,934.3

No revaluation has been made on any of the land and buildings.

* 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 land 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 land 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.

Usage of Properties

as at 31 December 2011

Location	Exchanges	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	6	-	-	-	-	1	-
b. Labuan	1	-	1	-	-	2	-	-	-	-
2. Selangor	75	8	7	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	30	1	1	1	1	2	-	2	1	-
9. Negeri Sembilan	45	8	3	2	-	-	4	2	-	-
10. Terengganu	44	4	2	3	2	-	-	2	1	-
11. Kelantan	30	2	2	4	2	-	-	-	-	-
12. Pahang	56	14	2	11	2	3	4	-	-	-
13. Sabah	46	18	1	3	2	3	1	4	-	-
14. Sarawak	76	24	2	8	2	3	-	3	1	-

**HEAD OFFICE**

Level 51, North Wing
Menara TM, Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2240 9494
: 101 Operator Assisted Calls
(Domestic and International)
: 103 Directory Enquiry Services
: 100 for Everything else TM
Fax : 03-2283 2415
Website : www.tm.com.my

RETAIL BUSINESS**Customer Service**

Level 3
Menara TM Annexe 1
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 100
Fax : 03-7960 6020

Service Assurance Center

Ground Floor
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya
Selangor
Tel : 1-800-88-9947

GITN Sdn Berhad

Head Office
Level 31, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 03-2245 0000
Fax : 03-2240 0709

Network Operations Centre

Level 2
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya
Tel : 1-300-882-888
1-300-884-377
Fax : 03-8319 4775

TM Info-Media Sdn Bhd

9th Floor, Block A
Mines Waterfront Business Park
No. 3, Jalan Tasik
The Mines Resort City
43300 Seri Kembangan
Selangor
Tel : 03-8949 8228
Fax : 03-8949 8338

Telekom Applied Business Sdn Bhd

Head Office
Level 16, Menara 2
Faber Tower
Jalan Desa Bahagia
Taman Desa
Jalan Klang Lama
58100 Kuala Lumpur
Tel : 03-7984 4989
Fax : 03-7980 1605

Cyberjaya Office

Level 2
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya, Selangor
Tel : 03-8318 1706
Fax : 03-8318 1721

TM Research & Development

Head Office
TM Innovation Centre
Lingkaran Teknokrat Timur
63000 Cyberjaya
Selangor
Tel : 03-8883 9595
Fax : 03-8883 9596

VADS Berhad

Level 15, Plaza VADS
No. 1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7712 8888
Fax : 03-7728 2584

Telekom Sales & Services Sdn Bhd

Head Office
Level 18
Menara Mutiara Bangsar
Jalan Liku Off Jalan Riong Bangsar
59100 Kuala Lumpur
Tel : 03-2297 1200
Fax : 03-2282 6120

STATE	TMPOINT	ADDRESS
KUALA LUMPUR	TMpoint Muzium	Bangunan Muzium TM Jalan Raja Chulan 50200 Kuala Lumpur
	TMpoint Jalan TAR	No. 374, Ground Floor Wisma CS Holiday Jalan Tuanku Abdul Rahman 50100 Kuala Lumpur
	TMpoint Pandan Indah	L1/02, Ground Floor Menara Maxisegar Jalan Pandan Indah 4/2 Pandan Indah 55100 Kuala Lumpur
	TMpoint Menara	Ground Floor, Menara TM Jalan Pantai Baharu 50672 Kuala Lumpur
	TMpoint Bangsar	No. 8 & 10, Ground Floor Jalan Telawi 5 Bangsar Baru 59100 Kuala Lumpur
	SELANGOR	TMpoint Setapak
TMpoint Ampang		42, Jalan Mamanda 7 Ampang Point 68000 Ampang Selangor
TMpoint Kepong		No. 67 Jalan Metro Perdana, Barat 1 Taman Usahawan, Kepong Utara 52100 Kepong Kuala Lumpur
TMpoint Rawang		Lot 21, Jalan Maxwell 48000 Rawang Selangor
TMpoint Kuala Kubu Bahru		Bangunan TM Jalan Dato' Balai 44000 Kuala Kubu Bahru Selangor
TMpoint Bukit Raja		Jalan Meru, 41050 Kelang Selangor

STATE	TMPOINT	ADDRESS
	TMpoint Shah Alam	Bangunan TM Shah Alam Persiaran Damai, Seksyen 11 40000 Shah Alam Selangor
	TMpoint Banting	No. 1-1-1A, Jalan Suasa 1 42700 Banting Selangor
	TMpoint Kuala Selangor	Bangunan TM, Jalan Klinik 45000 Kuala Selangor Selangor
	TMpoint Sabak Bernam	27, Jalan Raja Chulan 45200 Sabak Bernam Selangor
	TMpoint Port Klang	No. 57 & 59, Jalan Cungah 42000 Port Klang Selangor
	PETALING JAYA	TMpoint Damansara Utama
TMpoint Petaling Jaya		No. 22 & 24 Jalan Yong Shook Lin 46050 Petaling Jaya Selangor
TMpoint Kajang		No. 37 & 38 Jalan Tun Abdul Aziz 43000 Kajang Selangor
TMpoint Taman Desa		Ground Floor Wisma TM Taman Desa Jalan Desa Utama 58100 Kuala Lumpur
TMpoint Kelana Jaya		Unit 109B, Ground Floor Kelana Park View Tower No. 1, Jalan SS 6/2 47301 Kelana Jaya Selangor
TMpoint Sunway Damansara		Unit C-08 Ground Floor & 1 st Floor Jalan PJU 5/17, Dataran Sunway 47810 Kota Damansara Selangor



STATE	TMPOINT	ADDRESS
MSC	TMpoint Cyberjaya	Ground Floor, TM IT Complex 3300 Lingkaran Usahawan 1 Timur 60000 Cyberjaya Selangor
	TMpoint Serdang	No. 36, Jalan Dagang SB 4/2 Taman Sungai Besi Indah 43300 Seri Kembangan Selangor
	TMpoint Taipan	No. 27 & 29, Jalan USJ 10/1A 47620 Subang Jaya Selangor
	TMpoint Puchong	No. 12 & 13, Jalan Kenari 5 Bandar Puchong Jaya 47100 Puchong Selangor
NEGERI SEMBILAN	TMpoint Seremban	No. 176 & 177, Ground Floor Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan
	TMpoint Port Dickson	No. 25, Jalan Mahajaya PD Center Point 71000 Port Dickson Negeri Sembilan
	TMpoint Kuala Pilah	Jalan Bahau 72000 Kuala Pilah Negeri Sembilan
	TMpoint Tampin	Jalan Besar 73000 Tampin Negeri Sembilan
MELAKA	TMpoint Melaka	527 & 529 A, Plaza Melaka Jalan Gajah Berang 75200 Melaka
	TMpoint Alor Gajah	Batu 14½ Jalan Melaka Kendong 78000 Alor Gajah, Melaka
	TMpoint Menara Pertam	Ground Floor, Menara Pertam Jalan Batu Berendam BBP 2 Taman Batu Berendam Putra 75350 Melaka
JOHOR	TMpoint Johor Bahru	Jalan Abdullah Ibrahim 80672 Johor Bahru Johor

STATE	TMPOINT	ADDRESS
	TMpoint Skudai	No. 17 & 19, Jalan Laksamana 1 Taman Ungku Tun Aminah 81300 Skudai Johor
	TMpoint Pontian	Level 1, Ibusawat TM Jalan Alsagoff 82000 Pontian Johor
	TMpoint Kluang	No. 1 & 2 Jalan Dato Teoh Siew Khor 86000 Kluang Johor
	TMpoint Segamat	No. 22, Jalan Sultan 85000 Segamat Johor
	TMpoint Batu Pahat	39, Jalan Rahmat 83000 Batu Pahat Johor
	TMpoint Muar	No. 5-5 & 5-6, Ground Floor Jalan Ibrahim 84000 Muar Johor
	TMpoint Kota Tinggi	No. 2 & 4, Jalan Indah Taman Medan Indah 81900 Kota Tinggi Johor
	TMpoint Kulai	Lot 435, Jalan Kenanga 29/11 Taman Indah Putra 81100 Kulai Johor
	TMpoint Pelangi	Wisma TM Pelangi Jalan Sutera 3, Taman Sentosa 80150 Johor Bharu Johor
	TMpoint Mersing	Lot 384, Jalan Ismail 86800 Mersing Johor
	TMpoint Yong Peng	No. 18, Ground Floor Jalan Bayan, Taman Semberong 83700 Yong Peng Johor
	TMpoint Pasir Gudang	No. 23 A, Ground Floor Jalan Bandar Pusat Perdagangan 81700 Pasir Gudang Johor

STATE	TMPOINT	ADDRESS
KEDAH/ PERLIS	TMpoint Kangar	Jalan Bukit Lagi Pekan Kangar 01000 Kangar Perlis
	TMpoint Alor Setar	Kompleks Kristal Jalan Kolam Air 05672 Alor Setar Kedah
	TMpoint Jitra	19A, Jalan PJ 1 Pekan Jitra 2 06000 Jitra Kedah
	TMpoint Langkawi	Jalan Pandak Mayah 6 07000 Pekan Kuah Langkawi Kedah
	TMpoint Sungai Petani	Bangunan TM, Jalan Petani 08000 Sungai Petani Kedah
	TMpoint Kulim	No. 4 & 5, Jalan Tunku Asaad 09000 Kulim Kedah
PULAU PINANG	TMpoint Bayan Baru	No. 68, Jalan Mahsuri 11950 Bayan Baru Pulau Pinang
	TMpoint Jln Burmah	Jalan Burmah 10050 Georgetown Pulau Pinang
	TMpoint Butterworth	Wisma TM Butterworth Ground Floor, Jalan Bagan Luar 12000 Butterworth Pulau Pinang
	TMpoint Bukit Mertajam	Lot G-33, G-34, G-35 Jalan Perda Selatan Bandar Perda 14000 Bukit Mertajam Pulau Pinang
	TMpoint Sungai Bakap	1282, Jalan Besar 14200 Sungai Bakap Pulau Pinang
PERAK	TMpoint Ipoh Wisma	Wisma TM Jalan Sultan Idris Shah 30672 Ipoh Perak

STATE	TMPOINT	ADDRESS
	TMpoint Batu Gajah	Bangunan TM Jalan Dewangsa 31000 Batu Gajah Perak
	TMpoint Ipoh Tasek	Jalan Sultan Azlan Shah Utara 31400 Ipoh Perak
	TMpoint Kampar	Bangunan TM Jalan Baru 31900 Kampar Perak
	TMpoint Taiping	Bangunan TM Jalan Berek 34672 Taiping Perak
	TMpoint Teluk Intan	Bangunan TM Jalan Jawa 36672 Teluk Intan Perak
	TMpoint Parit Buntar	36, Persiaran Perwira Pusat Bandar 34200 Parit Buntar Perak
	TMpoint Kuala Kangsar	Bangunan TM Jalan Raja Chulan 33000 Kuala Kangsar Perak
	TMpoint Gerik	Wisma Kosek Jalan Takong Datoh 33300 Gerik, Perak
	TMpoint Sungai Siput	No. 188, Jalan Besar 31100 Sungai Siput Perak
	TMpoint Sitiawan	179 & 180, Taman Sitiawan Maju 32000 Sitiawan Perak
	TMpoint Tapah	Bangunan TM Jalan Stesyen 35672 Tapah Perak
	TMpoint Tanjung Malim	No. 27, Jalan Cahaya Taman Anggerik Desa 35900 Tanjung Malim Perak



STATE	TMPOINT	ADDRESS
KELANTAN	TMpoint Kota Bharu	Jalan Doktor 15000 Kota Bharu Kelantan
	TMpoint Pasir Mas	606, Jalan Masjid Lama 17000 Pasir Mas Kelantan
	TMpoint Tanah Merah	4088, Jalan Ismail Petra 17500 Tanah Merah Kelantan
	TMpoint Kuala Krai	Lot 1522 Jalan Tengku Zainal Abidin 18000 Kuala Krai Kelantan
	TMpoint Pasir Puteh	258B, Jalan Sekolah Laki-laki 16800 Pasir Puteh Kelantan
TERENGGANU	TMpoint Kuala Terengganu	Level 1, Bangunan TM Jalan Sultan Ismail 20200 K. Terengganu Terengganu
	TMpoint Kemaman	Jalan Masjid, Chukai 24000 Kemaman Terengganu
	TMpoint Dungun	Jalan Nibong 23000 Dungun Terengganu
	TMpoint Jerteh	Ground Floor, Lot 174 Jalan Tuan Hitam 22000 Jerteh Terengganu
PAHANG	TMpoint Kuantan	G08 & G09, Ground Floor Bangunan Mahkota Square Jalan Mahkota 25000 Kuantan Pahang
	TMpoint Pekan	No. 87, Jalan Sultan Abdullah 26600 Pekan Pahang
	TMpoint Mentakab	Jalan Tun Razak 28400 Mentakab Pahang
	TMpoint Bentong	111, Bgn. Persatuan Bola Sepak Jalan Ah Peng 28700 Bentong Pahang

STATE	TMPOINT	ADDRESS
	TMpoint Kuala Lipis	10, Jalan Bukit Bius 27200 Kuala Lipis Pahang
	TMpoint Raub	Jalan Kuala Lipis 27600 Raub Pahang
SABAH	TMpoint Sadong Jaya	Lot 68 & 69, Block J Ground Floor Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah
	TMpoint Tanjung Aru	Lot B3, B3A & B5, Ground Floor Plaza Tg. Aru Jalan Mat Salleh, Tanjung Aru 88100 Kota Kinabalu Sabah
	TMpoint Tawau	TB 307, Blok 35 Kompleks Fajar Jalan Perbandaran 91000 Tawau Sabah
	TMpoint Lahad Datu	Ground Floor, MDLD 3307 Fajar Komplek Jalan Segama 91100 Lahad Datu Sabah
	TMpoint Sandakan	Lot 6 & 7, Ground Floor Sandakan Commercial Center Bandar Maju Batu 1½, Jalan Utara 90000 Sandakan Sabah Mailing Address:- Locked Bag 44 90009 Sandakan Sabah
	TMpoint Keningau	Commercial Centre Jalan Arusap, Off Jalan Masak Blok B7, Lot 13 & 14 89007 Keningau Sabah
	TMpoint Beaufort	Choong Street P.O. Box 269 89807 Beaufort Sabah

STATE	TMPOINT	ADDRESS
	TMpoint Kudat	Lot No.3, Jaya Shopping Center Jalan Datu 89050 Kudat Sabah
	TMpoint Labuan	Bangunan TM, Jalan Dewan 87000 Wilayah Persekutuan Labuan
SARAWAK	TMpoint Batu Lintang	Jalan Batu Lintang 93200 Kuching Sarawak
	TMpoint Padang Merdeka	Ground Floor Bangunan Yayasan Sarawak Lot 2, Section 24 Jalan Barrack/Masjid 93000 Kuching Sarawak
	TMpoint Pending	Jalan Gedong 93450 Pending Sarawak
	TMpoint Sri Aman	Jalan Club 95000 Sri Aman Sarawak

STATE	TMPOINT	ADDRESS
	TMpoint Miri	Jalan Post 98000 Miri Sarawak
	TMpoint Limbang	Jalan Kubu 98700 Limbang Sarawak
	TMpoint Lawas	Jalan Punang 98850 Lawas Sarawak
	TMpoint Bintulu	No. 7, Medan Sentral Commercial Centre Jalan Tanjung Kidurong 9700 Bintulu Sarawak
	TMpoint Sibu	Persiaran Brooke 96000 Sibu Sarawak
	TMpoint Sarikei	Jalan Berek 96100 Sarikei Sarawak
	TMpoint Kapit	Jalan Kapit By Pass 96800 Kapit Sarawak



TM WHOLESALE

Level 14, North Wing,
Menara TM,
Jalan Pantai Baharu,
50672 Kuala Lumpur
Malaysia
Tel : 03-2240 4499
Fax : 03-2240 8590
Website : www.tm.com.my

Fiberail Sdn Bhd

7th Floor, Wisma TM,
Jalan Desa Utama,
Pusat Bandar Taman Desa,
58100 Kuala Lumpur
Tel : 03-7980 9696
Fax : 03-7980 9900
Website : www.fiberail.com.my

Fibrecomm Network (M) Sdn Bhd

Level 37, Menara TM,
Jalan Pantai Baharu,
50672 Kuala Lumpur
Malaysia
Tel : +603 2240 1843
Fax : +603 2240 5001
Website : www.fibrecomm.net.my

TM GLOBAL BUSINESS

Level 53, North Wing,
Menara TM,
Jalan Pantai Baharu,
50672 Kuala Lumpur
Tel : 03-2240 5500
03-2240 5501
Fax : 03-7956 0208
Website : www.tm.com.my/global

TM REGIONAL OFFICES (TMRO)

USA

Telekom Malaysia (USA) Inc,
8320 Old Courthouse Road,
Suite 201
Vienna, VA 22182 USA
Tel : +1 703 467 5962
Fax : +1 703 467 5966

UNITED KINGDOM

Telekom Malaysia (Uk) Limited,
St. Martin's House,
16 St. Martin's Le Grand,
London, EC1A 4EN, UK
Tel : +44 (0) 207 397 8579
Fax : +44 (0) 207 397 8400

SINGAPORE OFFICE

Telekom Malaysia (S) Pte Ltd,
175a Bencoolen Street,
#07-09/10/11/12 Burlington Square,
Singapore 189650
Tel : +65 6532 6369
Fax : +65 6532 3742

HONG KONG OFFICE

Telekom Malaysia (Hong Kong) Limited,
Suite 1502, 15th Floor,
Malaysia Building, 50 Gloucester Road,
Wanchai, Hong Kong,
SAR-China
Tel : +852 2992 0190
Fax : +852 2992 0570

SUPPORT BUSINESS

Head Office
Level 12, North Wing,
Menara TM,
Jalan Pantai Baharu,
50672 Kuala Lumpur
Tel : 03-2240 4869
Fax : 03-7960 3359

Universiti Telekom Sdn Bhd

Jalan Multimedia,
63000 Cyberjaya,
Selangor
Tel : 03-8312 5018
03-8312 5000
Fax : 03-8312 5022
Website : www.mmu.edu.my

Menara Kuala Lumpur Sdn Bhd

No. 2, Jalan Punchak,
Off Jalan P. Ramlee,
50250 Kuala Lumpur
Tel : 03-2020 5421
Fax : 03-2072 8409
Website : www.menarakl.com.my

TMF Autolease Sdn Bhd

Lot 1, Persiaran Jubli Perak,
Seksyen 17,
40000 Shah Alam,
Selangor
Tel : 03-5548 9412
Fax : 03-5510 0286

Property Management

Level 11, Wisma TM,
Taman Desa,
Jalan Desa Utama,
58100 Kuala Lumpur
Tel : 03-7987 5040
Fax : 03-7983 6390

Property Operations

Lot 1, Persiaran Jubli Perak,
Seksyen 17,
40000 Shah Alam,
Selangor
Tel : 03-5548 9400
Fax : 03-5541 2141

Security Management

Level 1, TM Annexe 2,
No. 1, Jalan Pantai Jaya,
59200 Kuala Lumpur
Tel : 03-2240 5499
Fax : 03-2240 0996

- 3G**
Third Generation
- AC**
Alternating Current
- AAG**
Asia-America Gateway
- ABAC**
Audit and Business Assurance Committee
- ACE**
Achieving Customer Excellence
- AESP**
Authorized Entrant and Stand-by Person
- ALD**
Access List Determination
- APCN2**
Asia Pacific Cable Network 2
- APG**
Asia-Pacific Gateway
- ARD**
Access Reference Document
- ASE**
Asia Submarine Express
- ASP**
Application Service Provider
- BBGP**
Broadband for General Population
- BCM**
Business Continuity Management
- BDM**
Batam-Dumai-Melaka
- BIG**
Brunei International Gateway
- BOD**
Board of Directors
- BOFA**
Basic Occupational First-Aid
- BPM**
Business Performance Management
- BPO**
Business Process Outsourcing
- BRC**
Board Risk Committee
- BSC**
Balance Score Card
- CAMS**
Credit Assessment and Management Systems
- CAPEX**
Capital Expenditure
- CBC**
Community Broadband Centre
- CBE**
Code of Business Ethics
- CCI**
Communications Content and Infrastructure
- CDMA**
Code Division Multiple Access
- CEP**
Continuous Education Programmes
- CI**
Competency Index
- 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
- CSDP**
Content and Service Delivery Platform
- CSI**
Customer Satisfaction Index
- CSR**
Corporate Social Responsibility
- CTI**
Computer Telephony Information
- CUGs**
Closed User Groups
- CUSCN**
China United States Cable Network
- DBKL**
Kuala Lumpur City Hall
- DC**
Direct Current
- DCS 1 CLICK**
Digital Subscriber Line Service Provisioning
- DDN**
Digital Data Network
- DEL**
Direct Exchange Line
- DECT**
Digital Enhanced Cordless Telecommunications
- DMCS**
Dumai (Sumatera) Melaka Cable System
- DOVE**
Direct Over Metro-E
- DOSH**
Department of Occupational Safety & Health
- DSL**
Digital Subscribers Line
- DWDM**
Dense Wavelength Division Multiplexing
- EAP**
Employee Assistance Programme
- EBITDA**
Earnings Before Interest, Tax, Depreciation and Amortization
- EMS**
Environment Management System
- EPPs**
Entry Point Projects
- ERM**
Enterprise Risk Management
- ETP**
Economic Transformation Programme
- EVPL**
Ethernet Virtual Private Line
- EV-DO**
Evolution Data Optimised/
Evolution Data Only
- FCCAS**
Financial Controls and Assurance Statement

FCS Full Channel Service	GVS Global Voice Solutions	IFS International Freephone Services	ISVs Independent Software Vendors
FGTC Frontliner Goes To Customer	GTM Go-To-Market	IIA Institute of Internal Auditors	ITFS International TollFree Services
FLC Federal Land Commissioner	GTP Government Transformation Programme	IIM Institute of Integrity Malaysia	ITG IT Governance
FTP Fast Track Programme	HCCSSO Human Capital Shared Services Organisation	INFORMS Integrated Fulfillment Order Management System	IT&NT IT and Network Technology
FTTB Fibre-to-the Building	HD High-definition	IP Internet Protocol	IVR Interactive Voice Response
FTTH Fibre-to-the Home	HEIGIP High End Industries Graduate Internship Programme	IPLC International Private Leased Circuit	JKH Jadual Kadar Harga
FTTS Fibre-to-the School	HIRARC Hazard Identification, Risk Assessment and Risk Control	IPPF International Professional Practices Framework	KCI Keep Customers Informed
GES Global Ethernet Services	HSBB High Speed Broadband	IPTV Internet Protocol Television	KPI Key Performance Indicator
GEOP Graduate Employability Outreach Programme	IaaS Infrastructure as a Service	IPVPN Internet Protocol Virtual Private Network	KPKK Ministry of Information, Communications and Culture
GHCM Group Human Capital Management	IBS In-Building Broadband Service	IPVS International Premium Voice Services	KTS Key Telephone System
GHG Greenhouse Gas	ICI Internal Control Incident	IR Incident Rate	LAN Local Area Network
GIS Geographic Information System	ICOP Industry Code of Practice	IRU Indefeasible Right of Use	LOA Limit of Authority
GLC Government-linked Companies	ICP iCARE Prime	ISCS ICT Security Compliance Scorecard	LPPKN National Population and Family Development Board
GLT Group Leadership Team	ICT Information & Communications Technology	ISMS Information Security Management System	LTE Long Term Evolution
GoM Government of Malaysia	IDD International Direct Dialling	ISP Internet Service Provider	LWDs Lost in Work Days
GRI Global Reporting Initiative	IEPL International Ethernet Private Line		MACC Malaysian Anti-Corruption Commission

MAMPU

Malaysian Administrative Modernisation and Planning Unit

MC

Management Committee

MCG

Malaysia Corporate Governance

MCI

Market Competitive Incentive

MCMC

Malaysian Communications & Multimedia Commission

MDeC

Multimedia Development Corporation

MERS

Malaysia Emergency Response Services

MFA

Malaysian Franchise Association

MICC

Ministry of Information, Communications and Culture

MIDA

Malaysia Industrial Development Authorities

MII

Malaysian Institute of Integrity

MMP

Management and Maintenance Package

MMORPGs

Massively Multiplayer Online Role-Playing Games

MNS

Malaysian Nature Society

MOE

Ministry of Education

MoU

Memorandum of Understanding

MPLS

Multi Protocol Label Switching

MQA

Malaysian Qualification Agency

MSA

Mandatory Standard on Access

MSAP

Mandatory Standard on Access Pricing

MSC

Multimedia Super Corridor

MSS

Managed Security Services

MTCP

Malaysian Technical Cooperation Programme

MTTI

Mean Time to Install

MTTR

Mean Time to Restore

NaCOSH

National Council for Occupational Safety and Health

NBI

National Broadband Initiative

NBN

National Broadband Network

NCSM

National Cancer Society Malaysia

NFP

Network Facility Provider

NGN

New Generation Network

NIOSH

National Institute of Occupational Safety & Health

NIP

National Integrity Plan

NKEA

National Key Economic Area

NKRA

National Key Economic Area

NSC

National Sports Council

NSP

Network Service Provider

NTMSP

NIOSH – TM Safety Passport

NTT Com

NTT Communications Corporation

NUTE

National Union of Telecommunications Employees

OCM

Operation Committee Meeting

OHD

Occupational Health Doctor

OIAB

Office in a Box™

OJAs

On-the-Job Assessments

OJT

On the Job Training

OLN0s'

Other Licensed Network Operator

OP/HR

On Pole and High Rise

OSHE

Occupational Safety, Health and Environment

PaaS

Platform as a Service

PATAMI

Profit After Tax and Minority Interests

PDPA

Personal Data Protection Act

PEMANDU

Performance Management and Delivery Unit

PFN

Petrofibre Network

PIP

Performance Improvement Programme

PM

Property Management

PO

Property Operations

POD

Point of Delivery

POI

Point of Interconnect

PoP

Point of Presence

PPP

Public-Private Partnership

PRI

Primary Rate Interface

PQM

Productivity & Quality Management

PSTN

Public Switched Telephone Network

PWDs

Person With Disabilities

QMS

Quality Management System

QoS

Quality of Service

RFID

Radio Frequency Identification

RFS

Request for Service

RWO

Recoverable Work Order

SaaS

Software as a Service

SAFE

South Africa Far East Cable System

SAMS

Streamyx Activation Management System

SAT-3

South Atlantic-3 Cable System

SBU

Strategic Business Unit

SCCP

Signaling Connection Control Part

SCM

Sales Channel Management

SCPC

Single Channel Per Carrier

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

SHO

Safety & Health Officers

SI

System Integrator

SIRIM

Standards and Industrial Research Institute of Malaysia

SL1M

Skim Latihan 1Malaysia

SLG

Service Level Guarantee

SME

Small & Medium Enterprise

SMILE

Superb and Meaningful Interaction Leading to Excellence

SMS

Short Messaging System

SMU

Security Management Unit

SNI

Single Number Identifier

SO

Supervising Officers

SOC

Service Operation Centre

SOHO

Small Office Home Office

SP

Subsidiaries Policy

SRM

Supplier Management System

SSAI

Security Service Availability Index

SSQS

Smart School Qualification Standards

SUTE

Sabah Union of Telekom Malaysia Berhad Employees

SUTEN

Sabah Union of Telecommunications Employees

TAD

TMpoint Authorised Dealer

TDM

Time-Division Multiplexing

TI

Transparency Index

TMOW

TMpoint on Wheels

TMUC

TM UniFi Centre

TOP

Towards Operational Perfection

TPX

TelePresence Exchange

TSCL

Technical Specialist Career Ladder

TSR

Total Return to Shareholders

TWP

Teaming With Passion

USP

Universal Service Provision

USP BBPC

Universal Service Provision Broadband PC

UTES

Union of Telekom Malaysia Berhad Employees Sarawak

VAS

Value-Added Services

VDP

Vendor Development Programme

VDSL2

Very High Speed Digital Subscriber Line

VOD

Video on Demand

VoIP

Voice over Internet Protocol

VPN

Virtual Private Network

WAN

Wide Area Network

WFFC

World Freestyle Football Championships

WiFi

Wireless Fidelity

WSE

Wholesale Ethernet

YTM

Yayasan TM

ZBC

Zone Business Council

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Seventh Annual General Meeting (27th AGM) of the Company will be held at 10:00 a.m. on Tuesday, 8 May 2012, at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia, for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon.
(Ordinary Resolution 1)
2. To declare a final single tier dividend of 9.8 sen per share in respect of the financial year ended 31 December 2011.
(Ordinary Resolution 2)
3. To re-elect the following Directors, who were appointed to the Board during the year and retire pursuant to Article 98(2) of the Company's Articles of Association:-
 - i. Davide Giacomo Benello @ David Benello
(Ordinary Resolution 3)
 - ii. Dato' Mat Noor Nawi
(Ordinary Resolution 4)
4. To re-elect the following Directors, who retire by rotation pursuant to Article 103 of the Company's Articles of Association:-
 - i. Datuk Dr Halim Shafie
(Ordinary Resolution 5)
 - ii. YB Datuk Nur Jazlan Tan Sri Mohamed
(Ordinary Resolution 6)
 - iii. Datuk Zalekha Hassan
(Ordinary Resolution 7)
5. To approve the payment of Directors' fees of RM1,119,000.00 for the financial year ended 31 December 2011.
(Ordinary Resolution 8)
6. To re-appoint Messrs PricewaterhouseCoopers having consented to act as Auditors of the Company for the financial year ending 31 December 2012 and to authorise the Directors to fix their remuneration.
(Ordinary Resolution 9)

7. To transact any other business of the Company of which due notice has been received.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 27th 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 27 April 2012. Only a Member or Depositor whose name appears on the Register of Members/ROD as at 27 April 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of Members at the 27th AGM to be held on 8 May 2012, a final single tier dividend of 9.8 sen per share for the financial year ended 31 December 2011 will be paid on 8 June 2012 to Depositors whose names appear in the ROD on 24 May 2012.

FURTHER NOTICE IS HEREBY GIVEN THAT a Depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 22 May 2012 (in respect of shares which are exempted from Mandatory Deposit);
- b. Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 24 May 2012 (in respect of Ordinary Transfers); and
- c. Shares bought on the Bursa Malaysia Securities Berhad (Bursa Securities) on a cum entitlement basis according to the Rules of the Bursa Securities.

Shareholders are reminded that pursuant to SICDA, all shares not deposited with Bursa Depository by 12:30 p.m. on 1 December 1998 and not exempted from Mandatory Deposit, have been transferred to the Ministry of Finance (MoF). Accordingly, the dividend for such undeposited shares will be paid to MoF.

By Order of the Board

Idrus Ismail (LS0008400)
Hamizah Abidin (LS0007096)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
 13 April 2012

NOTES:

Proxy and/or Authorised Representatives

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend 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 the SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.

For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is 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 proportion of the holding to be represented by each proxy is 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 Registrars, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

Statement Accompanying the Notice of Annual General Meeting

DIRECTORS RANKING FOR RETIREMENT AND RE-ELECTION AT THE 27TH ANNUAL GENERAL MEETING.

The following are Directors retiring pursuant to Article 98(2) and Article 103 of the Company's Articles of Association:-

Article 98(2): Retirement after appointment to fill casual vacancy

1. Davide Giacomo Benello @ David Benello
2. Dato' Mat Noor Nawi

Article 103: Retirement by rotation

1. Datuk Dr Halim Shafie
2. YB Datuk Nur Jazlan Tan Sri Mohamed
3. Datuk Zalekha Hassan

The profiles of the respective Directors are set out in the Profile of the Board of Directors on pages 70 to 76 inclusive, of this Annual Report. None of the above directors, save for Datuk Dr Halim Shafie, has any interest in the securities of the Company and its related corporation. The securities holdings of Datuk Dr Halim Shafie are enclosed on page 346 of this Annual Report.

Proxy Form

[Before completing the form, please refer to the notes overleaf]



“A” I/We _____
(NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)
with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____
(PASSPORT NO.) _____ (COMPANY NO.) _____
of _____
(FULL ADDRESS)
being a Member/Members of **TELEKOM MALAYSIA BERHAD** (128740-P) [Company] hereby appoint _____

_____ (NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)
with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____ (PASSPORT NO.) _____
of _____
(FULL ADDRESS)
or failing him/her _____
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)
with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____ (PASSPORT 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 Twenty-Seventh Annual General Meeting of the Company to be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Tuesday, 8 May 2012 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 _____
(NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)
with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____
(PASSPORT NO.) _____ (COMPANY NO.) _____
of _____
(FULL ADDRESS)

being a Member/Members of **TELEKOM MALAYSIA BERHAD** (128740-P) [Company] hereby appoint _____
_____ (NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)
with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____ (PASSPORT NO.) _____
of _____
(FULL ADDRESS)
or failing him/her _____
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)
with (NEW NRIC NO.) _____ (OLD NRIC NO.) _____ (PASSPORT 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 Twenty-Seventh Annual General Meeting of the Company to be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Tuesday, 8 May 2012 at 10:00 a.m. and at any adjournment thereof.

For appointment of two proxies, percentage of shareholdings to be represented by the respective proxies must be indicated below:	
	Percentage (%)
Proxy “A”*	
Proxy “B”*	
Total	100%

* Please fill in the proportion of the holding to be presented by each proxy.

My/Our proxy/proxies is/are to vote as indicated below:

[Please indicate with an “X” in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion]

No.	Resolutions	Proxy “A”		Proxy “B”	
		For	Against	For	Against
1.	To receive the Audited Financial Statements and Reports for the financial year ended 31 December 2011 – Ordinary Resolution 1				
2.	Declaration of a final single tier dividend of 9.8 sen per share – Ordinary Resolution 2				
3.	Re-election of Davide Giacomo Benello & David Benello pursuant to Article 98(2) – Ordinary Resolution 3				
4.	Re-election of Dato’ Mat Noor Nawi pursuant to Article 98(2) – Ordinary Resolution 4				
5.	Re-election of Datuk Dr Halim Shafie pursuant to Article 103 – Ordinary Resolution 5				
6.	Re-election of YB Datuk Nur Jazlan Tan Sri Mohamed pursuant to Article 103 – Ordinary Resolution 6				
7.	Re-election of Datuk Zalekha Hassan pursuant to Article 103 – Ordinary Resolution 7				
8.	Approval of payment of Directors’ fees – Ordinary Resolution 8				
9.	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration – Ordinary Resolution 9				

Signed this _____ day of _____ 2012.

No. of ordinary shares held	CDS Account No. of the Authorised Nominee*

*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 and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. A Member shall not be entitled to appoint more than two (2) proxies to attend 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 the 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.

For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is 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 proportion of the holding to be represented by each proxy is specified.

4. This 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 authorise 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. This 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 Registrars, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

Members entitled to Attend

7. For the purpose of determining a member who shall be entitled to attend the 27th AGM, the Company shall be requesting Bursa Depository in accordance with Article 74(3)(a) of the Company’s Articles of Association and Section 34(1) of the SICDA, to issue a General Meeting Record of Depositors (ROD) as at 27 April 2012. Only a Member or Depositor whose name appears on the Register of Members/ROD as at 27 April 2012 shall be entitled to attend the said Meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

Fold this flap for sealing

AFFIX
STAMP

THE SHARE REGISTRARS
TRICOR INVESTOR SERVICES SDN BHD
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Then fold here

1st fold here