GAME CHANGER

Annual Report 2014

TELEKOM MALAYSIA BERHAD
(128740-P)

SCAN FOR AURA CONTENT

SCAN FOR AURA CONTENT

GAME CHANGER

You are our inspiration to constantly ***change the game.*** In this constantly and rapidly changing world, you already have the power, the ability to be on the move, while always staying in touch. To be online, whilst basking in an offline world. You are already living in the edge of convergence.

And we've helped make all that happen. As your ***Convergence Champion,*** TM will constantly strive to deliver a seamless customer experience, innovative products and services, to all homes and businesses – ***to make lives a little easier*** and everyday a bit brighter.

TM AURA

This TM Annual Report 2014 is enhanced with TM AURA, an augmented reality app developed by TM Research & Development (TM R&D). The app allows you to scan selected pages and images from the report to access extended rich contents.

Download TM AURA on your smartphone or tablet (iOS and Android) for a game changing augmented reality experience!

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

FACTS AT A GLANCE

No.1
broadband provider in Malaysia

2.23 million
broadband customers

revenue RM11.24 billion
highest revenue growth in the industry at 5.7%

316.1%
total return to shareholders (TRS) since demerger

more than 1.62 million
premises passed for high speed broadband deployment

28,047 employees
TM's most valuable asset

RM846.8 million
total dividend payout

what's inside

annual report 2014

PERSPECTIVE

CORPORATE PROFILE

LEADERSHIP & ACCOUNTABILITY

PERFORMANCE REVIEW

BUSINESS REVIEW & FUNCTIONS

KEY INITIATIVES

30th

ANNUAL GENERAL MEETING

Date 30 April 2015, Thursday
Time 10.00 a.m.
Venue Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia

VISION

"To be Malaysia's leading new generation communications provider, embracing customer needs through innovation and execution excellence"

VALUE

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

KRISTAL

Kristal Song*

With full commitment to our customers
We strive to give our very best
Showing great understanding
Keeping an open mind at all times

Be honest, sincere and trustworthy
To friends, colleagues and all
Always with respect for one another
Working with the utmost dedication

Chorus:
Let us move forward as one
Providing excellence in service
Overcoming all obstacles
Surely we can be the best

May TM continue to succeed
Guided by visionary leadership
And with our united foundation
May TM forever be the pride of the
Nation

* *English translation of original Bahasa Melayu lyrics*

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

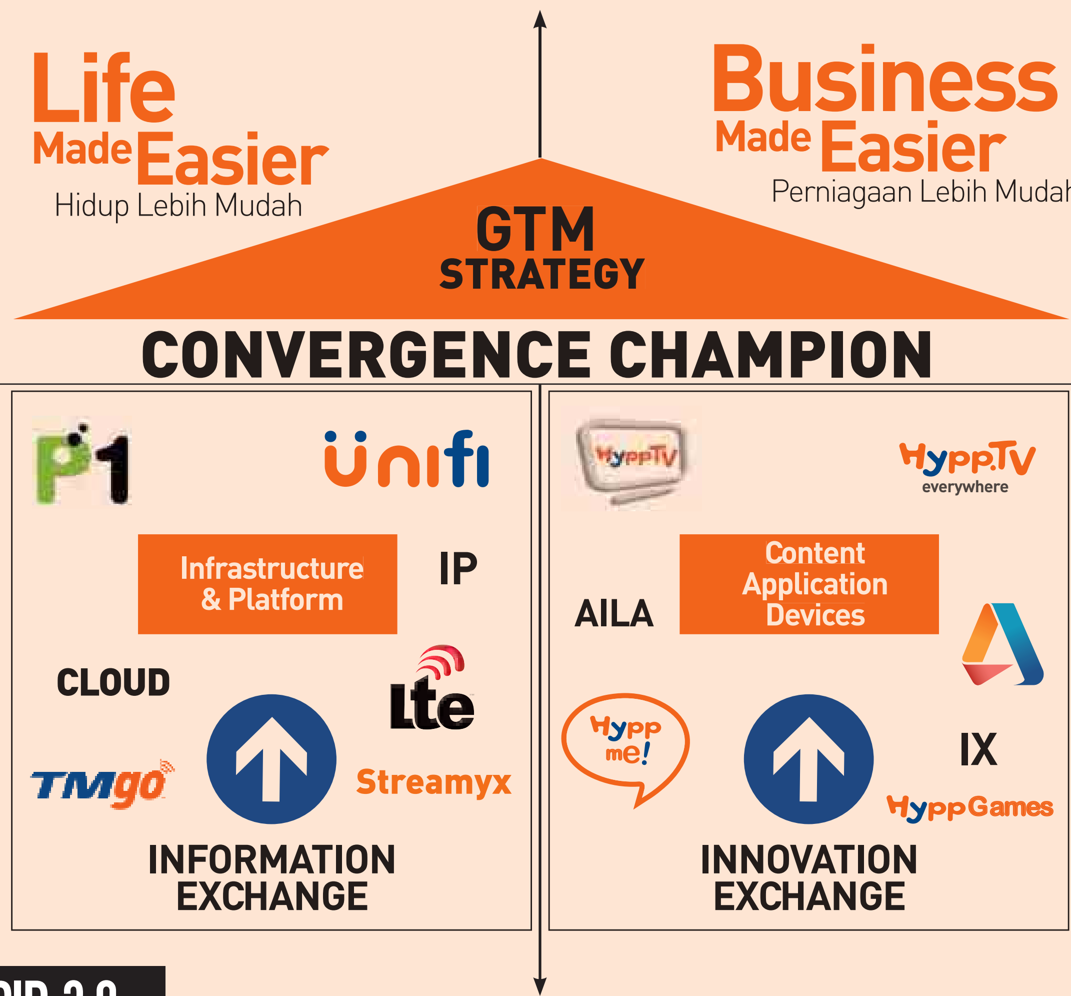
MAXIMISING PERFORMANCE

Maximising revenue and profitability hinges upon maximising the reach and utilisation of our network. We anchor our strategies on the "Information and Innovation Exchange" business vision which is translated into reality via our Performance Improvement Programme (PIP 3.0), "Life Made Easier" (LME) and "Business Made Easier" (BME) strategies. Our strategy also entails increasing operational efficiencies and productivity while maintaining an efficient cost structure to improve overall productivity.

STRATEGY AT A GLANCE

LME AND BME

LME and BME represent our go-to-market (GTM) strategy, based on the simple concept of ensuring excellent service and exceptional quality for all our customers. This is achieved by providing a comprehensive suite of services, optimising back-end processes and improving our touch points.



INFORMATION EXCHANGE

Guides TM to build and operate secure, fast, reliable and open networks and platforms that support all customers and anytime-anywhere-any device application.

INNOVATION EXCHANGE

Guides TM to explore new areas of innovation focusing on content, applications and devices delivered over our networks and platforms, driving usage of our networks.

PIP 3.0

PIP 3.0 is a three-year execution strategy that forms the base of our overall strategy framework. It is divided into three broad categories with detailed initiatives under each bucket.

- Continued Growth
- Fundamental Productivity Shift
- Improving Institutional Health Enablers

Our future reimagined

Where everyone will be enabled to collaborate, co-create and co-curate in one connected world. Where inspirations are shared, ideas are exchanged and solutions are created. Be engaged, be excited and be enriched with the endless opportunities and possibilities it will bring. As your Convergence Champion, we are delivering this seamless experience to all Malaysians.


SCAN FOR AURA CONTENT

GA

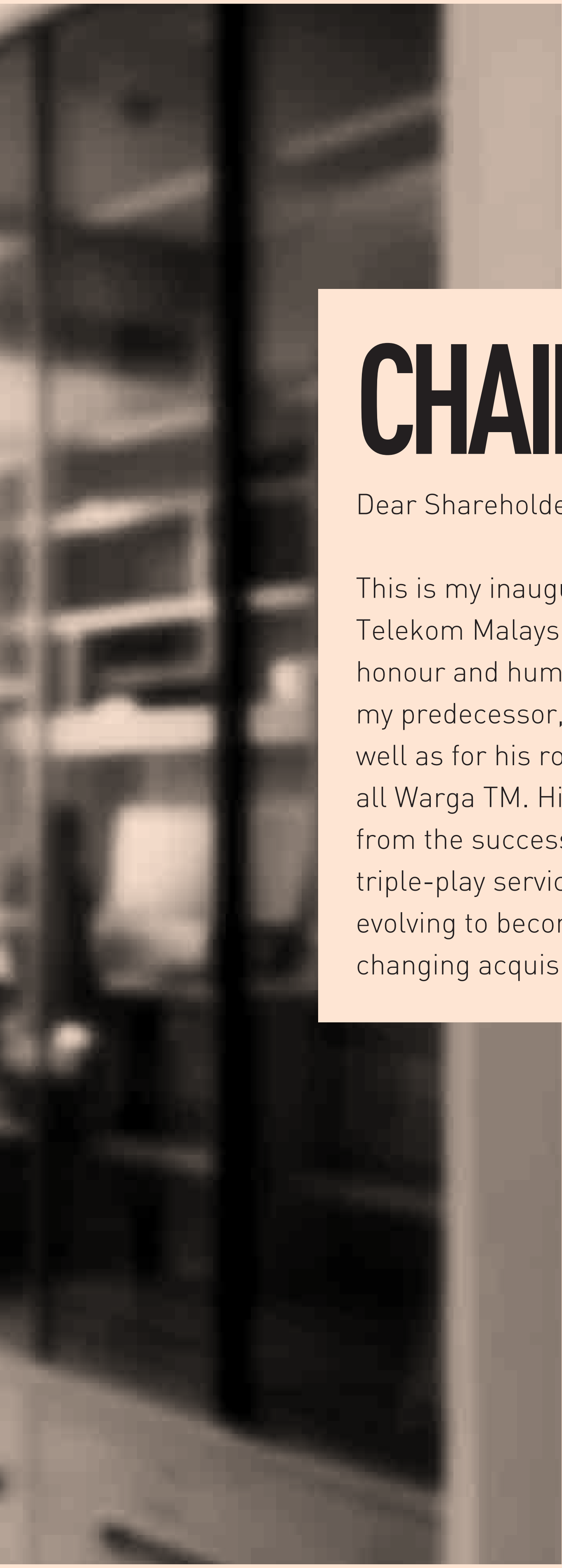
CHAN

ME
NGER

PERSPECTIVE

I TAKE UP THIS BATON FROM DATO' SRI DR HALIM SHAFIE, WITH A STRONG SENSE OF SHARED PURPOSE IN NATION BUILDING AND TOUCHING MALAYSIAN LIVES, GUIDED BY THE SAME VALUES THAT TM HOLDS AT THE CORE OF ITS ETHOS.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
CHAIRMAN



CHAIRMAN'S STATEMENT

Dear Shareholders,

This is my inaugural Annual Report Statement to you as the new Chairman of Telekom Malaysia Bhd (TM), an office I assumed in January 2015, with great honour and humility. Allow me first to pay tribute to Dato' Sri Dr Halim Shafie, my predecessor, both for his able leadership of the TM Board of Directors as well as for his role as the highly regarded and much respected Chairman of all Warga TM. His tenure, since the historic demerger, has seen TM progress from the successful launch of the High Speed Broadband (HSBB) project and triple-play service UniFi to where TM is today: Malaysia's Broadband Champion evolving to become Malaysia's Convergence Champion, with the game-changing acquisition of Packet One Networks (Malaysia) Sdn Bhd (P1).

I take up the baton from Dato' Sri Dr Halim with a strong sense of shared purpose in nation building and touching Malaysian lives, guided by the same values that TM holds at the core of its ethos – Total Commitment To Customers, Uncompromising Integrity and Respect and Care – while being supported by the collective wisdom of the Board, and the 1TM spirit of the Management and our more than 28,000 dedicated workforce that is Warga TM.

On behalf of the Board of Directors, I am pleased to present the Annual Report for TM for the year ended 31 December 2014, with its theme: GAME-CHANGER – as befitting the events and developments over 2014 and the emerging role TM is playing as Malaysia's Convergence Champion delivering on our brand and customer promise of "Life Made Easier".

TM, as Malaysia's Broadband Champion is evolving to become Malaysia's Convergence Champion

SHAREHOLDER VALUE CREATION

Normalised PATAMI

RM941.2 million

Total Dividend Payout

RM846.8 million

at 22.9 sen per share

316.1%

total return to shareholder (TRS)

Our Performance Redefined: 2014 Financial Results Highlights

It was, by all accounts, a fairly mixed year for us, in the face of a challenging and competitive operating environment. Commendably, TM Group Revenue grew by 5.7% to RM11.24 billion, crossing the milestone hurdle of RM11 billion, while Group Operating Profit (Earnings Before Interest and Tax (EBIT)) for the full year 2014 was RM1.29 billion, against RM1.37 billion in 2013. Group Reported Profit Before Tax (PBT) rose 5.7% Year-on-Year (YoY) to RM1.11 billion while Group Reported Net Profit or Profit After Tax And Minority Interest (PATAMI) stood at RM831.8 million, with Group Normalised PATAMI was at RM941.2 million.

We solidly maintained our position as Malaysia's Broadband Champion with our broadband customer base growing to 2.23 million, led by UniFi. As we move closer towards our aspiration of being a Convergence Champion, we are particularly heartened to note that our customers have acknowledged our continuous efforts to enhance customer experience with our customer satisfaction measure TRI*M surpassing 72, exceeding the global average of 68 for the fourth consecutive year.

This set of steady results is a testimony of TM's ongoing transformation both as a model corporate citizen and as part of the bigger Government-Linked Companies Transformation (GLCT) agenda which started in 2005 and is to complete in 2015. Aligned to the GLCT programme, TM has consistently delivered on our announced Headline Key Performance Indicators (KPI) targets every year for the last 10 years; and even exceeded them a for good four consecutive years during the course of the programme.

For 2014, our Headline KPIs comprised revenue growth of 5.0 to 5.5%, EBIT growth of 5% and a customer satisfaction measure based on the TRI*M index of 72. It is important to note that these KPIs were set prior to the investment and consolidation of P1 into the TM Group. As such, excluding the impact of P1, we have indeed achieved all three of those Headline KPIs, with Group revenue up 5.3% against FY2013, Normalised EBIT growth of 5.0% to RM1.43 billion and a TRI*M index of more than 72, as mentioned earlier.

It is also thus my great pleasure to announce that, once again, TM has met our dividend commitment, and is proposing for shareholders' approval at the Annual General Meeting (AGM), a final dividend of 13.4 sen per share. Together with the interim dividend of 9.5 sen per share amounting to RM348.4 million which was paid in October 2014, the total dividend payout will be 22.9 sen per share, or RM846.8 million. We are pleased to note that since the demerger in 2008, TM has delivered a total return to shareholders (TRS) of 316.1%.

The Group Chief Executive Officer (GCEO)'s statement covers our financial and operational performance in greater detail, as do the main summary financial pages and the enclosed financial accounts of this Annual Report.

Our Foundation Reinforced: Trusted Partner in Nation-Building

There is no greater purpose for TM than our unique role and responsibility in nation-building and in transforming the lives of all Malaysians through our products and services and, going beyond that, via our Corporate Responsibility (CR) initiatives. The Information and Communications Technology (ICT) industry is a critical catalyst for national development and economic growth, and in this age of inclusion and convergence, bridging the digital divide is no longer a CR initiative, it is a national imperative. Malaysia is indeed fortunate in that the collaborative and supportive spirit among government agencies and industry players is thriving, which can only benefit Malaysian consumers and businesses more. For this, we are extremely grateful for the opportunities accorded to us to make good on our position as the trusted partner for national development.

TM continues to be fully committed to supporting the Government's Economic Transformation Programme (ETP), especially for Entry Point Project (EPP) 10 – "Extending the Regional Network" as well as the National Key Economic Area (NKEA) on the Communications Content and Infrastructure (CCI) sector in improving communications infrastructure and the uptake of services. We are clearly aligned to these objectives via our Information and Innovation Exchange aspirations.

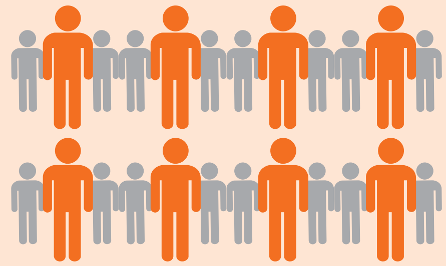
Towards increasing Malaysia's capacity for high speed broadband, we are proud that the year ended with TM being awarded a landmark contract via an open tender process by the Malaysian Communications and Multimedia Commission (MCMC) to develop and construct a new submarine cable system, Sistem Kabel Rakyat 1Malaysia (SKR1M) linking Peninsular Malaysia with Sabah and Sarawak. Spanning approximately 3,500km, SKR1M will have an initial capacity of 4 Terabit per second (Tbps), further enhancing the nation's broadband connectivity to meet industry's growing demand for Internet Protocol (IP) applications.

The project will be established through a Public-Private Partnership (PPP) arrangement between MCMC and TM utilising the Universal Services Provision Fund (USP) under the purview of MCMC.

We are also pleased to announce our recent acceptance of the award of the High Speed Broadband Phase 2 (HSBB2) Project and the Sub-Urban Broadband (SUBB) Project, also in collaboration with the Government, to deploy the access, domestic core networks to deliver end-to-end broadband network infrastructure and services, and increasing coverage for the nation.

Further strengthening our position as Malaysia's Broadband Champion, we launched our first 4G broadband offering, TMgo in Alor Setar, Kedah in August 2014. This underlines our commitment to providing comprehensive broadband services, hence empowering communities across all segments and locations, consistent with the National Broadband Plan. To date, TMgo is available in Kedah, Melaka, Perak and Negeri Sembilan. As we build more sites in other states nationwide, service coverage will be expanded accordingly.

Facts at a Glance



>28,000
Strong 1TM family

10 years
GLC Transformation Programme

Commitment to Excellent Customer Service

TRI*M surpassed global average 4th consecutive year

TM also cemented our commitment to spearheading the digital transformation of Malaysia's broadcasting landscape by signing a collaboration agreement with MYTV Broadcasting Sdn Bhd (MYTV) to provide the required infrastructure and network facilities for digital terrestrial television (DTT). The migration from analogue to DTT will revolutionise the broadcasting industry in Malaysia and set the tone for the industry in the years to come. With the infrastructure in place, it is the Government's hope that all players in the broadcasting industry will take full advantage of the many opportunities available, TM included.

Those were some of the developments over 2014 in what TM categorises as our Information Exchange space. Meanwhile in our Innovation Exchange space, we have also made significant headway.

Through our Innovation Exchange, TM has launched our own start-up accelerator programme which differentiates itself by giving direct access for start-ups to develop and test go-to-market models with TM's ready and existing ecosystem comprising Multimedia University (MMU), Telekom Research & Development Sdn Bhd (TM R&D), our Lines of Business (LOBs) as well as our strategic partners and alliances. In effect, we are offering selected start-ups a launch pad into the market to help them scale up their ventures and gain customer validation.

The concept of Innovation Exchange has also taken a physical form, giving start-ups access to collaborative spaces. While TM R&D Centre in Cyberjaya will serve as the hub for the accelerator programme, participants will also have access to MMU facilities and our R&D labs to stress-test hardware, and to the TM Convention Centre (TMCC) to organise events. In 2014, we hosted more than 30 events focussing on entrepreneurship and innovation, including Startup Grind, Startup Weekend, AngelHack and Echelon Malaysia.

Most notably, TM's Innovation Exchange is a call for action for Warga TM to inculcate innovation in our mindset and in our behaviour at the workplace.

Our Ideas Redesigned: 'Life Made Easier' Through Convergence

Convergence in the world of ICT and communications services is not in itself a new concept. However, it does cover a broad range of meanings – from technologies, products and services (fixed, mobile, nomadic) to multi-screen devices and even across industries (eg media, entertainment, edutainment, ICT and even finance).

We can even say that the physical and digital worlds are also converging, as is the business and personal use of technology and services. Customers expect the same service experience whether they are in the physical or digital world, whether they are working or at play – that is life in the era of convergence.

TM seeks to deliver convergence as a seamless experience beyond all the above, placing the customer at the heart of it all. This means we are taking up the challenge of viewing this experience end-to-end, throughout the customer journey with TM, across all touchpoints. We mean to redesign our ideas and approaches, in order to live up to our brand and customer promise of "Life Made Easier" and "Business Made Easier". This cannot be done overnight but is something we are ingraining as part of our DNA, and we believe we have made a good start in the right direction.

With that as the broad landscape, 2014 was indeed an eventful year for TM. We continued to experience positive take-up of our broadband offerings with more than 750,000 UniFi customers to date, despite an increasingly competitive broadband market. The year witnessed our acquisition of P1 and the launch of TMgo, our first 4G broadband offering as we forged ahead in our transformation journey to become the No. 1 Converged Communications Service Provider. We will be strengthening our broadband offerings with Long-Term Evolution (LTE) wireless broadband services that we will roll out via P1.

We have also entered into several strategic partnerships such as the agreement signed with IBM Malaysia Sdn Bhd to launch Malaysia's first Virtual Private Cloud (VPC), addressing the needs of large enterprises for customised and flexible cloud computing solutions, without the need for high upfront investments or skilled resources. TM also established a joint venture company with UEM Sunrise and Iskandar Investment Berhad to design and build smart city infrastructure and provide smart city services in Nusajaya.

TM was both proud and humbled when we were given The Best of the Best Award, Telecom Service Provider of the Year at the 2014 Frost & Sullivan Malaysia Excellence Awards. This is the third time TM is being recognised with the accolade at the prestigious annual award ceremony.

I have highlighted only some of our significant developments during the year. The GCEO statement and various sections within the Annual Report provide deeper and wider coverage of the business year for TM in 2014.

Our Integrity Reaffirmed: Championing Corporate Governance

This year, we have continued to focus on integrity, making it a cornerstone of our operations as one of our core TM KRISTAL values – in line with our commitment to supporting the National Integrity Plan and one of the Government's National Key Results Areas (NKRAs). We have appointed our own Integrity Fellows, conducted training and induction courses, and gone on roadshows to build the momentum of internalising our Code of Business Ethics (CBE).

TM is a signatory of the Anti-Corruption NKRA's Corporate Integrity Pledge and has been making great strides in promoting corporate integrity in the organisation. From this perspective, TM is exemplifying what ought to be happening with organisations that have signed Corporate Integrity Pledges (CIPs) with the Government.

The establishment of our Enterprise Ethics and Integrity Unit (EEIU) back in February 2013 is testament of TM's firm commitment to enhancing and strengthening our corporate governance and business ethics, as well as inculcating ethical behaviour among the workforce and representatives of the Company. We have, in fact, two arms looking into ethics and integrity. While EEIU creates awareness of ethics and integrity among all stakeholders, the Special Affairs Unit (SAU) focuses on investigation with regard to any allegation of malpractice and corruption, and is headed by a senior officer seconded from Malaysian Anti-Corruption Commission (MACC).

We are also engaging more intensely with our business partners to make them aware of our rigorous Code of Business Ethics. For the organisation, this means saying 'no' to obvious attempts at bribery, eg 'facilitation' payments, as well as to more subtle gifts such as hampers during the festive seasons. Efforts to involve our partners in ethical practices began in earnest in 2012, when we launched our Integrity Pact which serves as an agreement between TM and our vendors/bidders to abstain from bribery, collusion or other corrupt practice to ensure transparency and accountability in procurement.

Aligned with its objective of having regular and effective dissemination of knowledge and understanding on these matters, TM has initiated an exclusive programme known as TM Integrity Fellows. The TM Integrity Fellows comprise approximately 200 employees from various divisions and levels including Top Management, Senior Management, Heads of State (State Vice Presidents and State General Managers) as well as other employees. These Integrity Fellows become the resource persons on all matters related to ethics and integrity and will conduct awareness programmes and events at their respective divisions.

Integrity is a journey in TM. Along the journey, we expect all employees to embed integrity in their hearts and build a culture where integrity is a key part of their lives. Committed to upholding integrity, governance and transparency in our business operations, we are going a step further to conduct a staff survey based on Transparency International's Global Corruption Barometer to assess employees' perceptions on integrity, and will use the findings as a baseline to measure the effectiveness of our activities.

We recently organised an internal campaign called Integrity @ Heart with the objective of instilling, internalising and upholding the Company's core value of Uncompromising Integrity and strong work ethics among the Board of Directors, Management, employees and all stakeholders of the Company, while at the same time enhancing our existing multiple integrity initiatives. We also organised our first ever TM Integrity Day, targeted at employees as well as business partners.

For our efforts, TM was recently recognised for our high standards of corporate governance when we were announced as the distinct recipient of the Top Transparency recognition at the Minority Shareholder Watchdog Group (MSWG)-ASEAN Corporate Governance Index Awards 2014. Besides being the only company to be awarded the Top Transparency recognition, TM took centrestage for receiving five awards, more than any other company at the event. These were for: Top Corporate Governance, with a score of 86.9%, Exemplary Annual General Meeting (AGM) Minutes, Exemplary Environment, Social and Governance (ESG) Practices, and Industry Excellence in Telecommunications and Utilities.

Our biggest crowning moment in 2014, however, was taking home the Challenge Trophy having won the Platinum Award for the Most Outstanding Annual Report of the Year at the National Annual Corporate Report Awards (NACRA) 2014. This is the second consecutive year that TM has clinched this coveted award, and the fourth time in our history, in addition to 2013, 2011 and 2006. Our Annual Report 2013 won in all five major categories at NACRA 2014: Overall Excellence for Most Outstanding Annual Report of the Year – Platinum, Industry Excellence for Main Board Company in Trading and Services category for the 18th consecutive year, Best Annual Report in Bahasa Malaysia – Platinum, Best Corporate Social Responsibility Reporting Awards – Platinum for the second time, and Best Designed Annual Report – Gold.

As a public listed entity, it is natural for us to integrate corporate governance in our operations to ensure that we continue to enhance our investors' and shareholders' value. These accolades not only further strengthen our position as a model corporate citizen, but serve also as motivation for Warga TM to continually go beyond in embodying our KRISTAL values.

Our Future Reimagined: Corporate Responsibility and Sustainability

Over the last few years, TM has steadily transformed into a sustainable-growth company, underpinned by an energising and purpose-driven business model. 2014 was another progressive year, as we continued to strengthen our long-term value via innovations to deliver great offerings, which in turn contribute to achieving our Convergence Champion ambitions.

At TM, Corporate Responsibility (CR) and Sustainability represent the way we achieve enhanced ethical standards and balanced economic, environmental and social imperatives addressing the concerns and expectations of our stakeholders. Sustainability forms a foundation to enhance responsible business operations, which in turn translates into long-term value to our shareholders and other stakeholder groups at large.

Our framework for CR and Sustainability covers the four dimensions of workplace, marketplace, community and environment. The latter two dimensions are further broken down into three Corporate Social Responsibility (CSR) pillars, namely Community/Nation-building, Education and the Environment.

Good governance goes hand in hand with transparent reporting where TM has produced a standalone Sustainability Report since 2008. In line with continuous efforts to increase our transparency, we have embarked on the latest generation of Sustainability Reporting Guidelines developed by the Global Reporting Initiatives (GRI), the GRI G4. Accordingly, we have introduced a materiality survey of our stakeholders, which considers input from all stakeholder groups engaged by TM. By understanding our stakeholders' concerns we are better able to design our strategies going forward in a manner that brings value to them, and hence to our organisation.

The theme for our 2014 Sustainability Report (SR) of "GAME CHANGER FOR SUSTAINABILITY" goes hand in hand with that of the main Annual Report "GAME CHANGER" because business operations and sustainability are so intrinsically linked. Sustainability is our ultimate cause in game-changing our business model and operations.

Included in this section are highlights of our key sustainability developments in 2014. The SR itself, as well as a separate chapter within this Annual Report, goes into further details to be explored at your convenience.

As mentioned earlier we are extremely proud to have been awarded the NACRA 2014 Platinum Award for the Most Outstanding Annual Report of the Year for the fourth time in our history. What made it even more meaningful was, apart from the total score of five awards, we also won the overall Platinum Award for Best Corporate Social Responsibility Reporting for the second time, validating the work and focus that TM has always invested in our sustainability efforts and initiatives.

In the marketplace, CR is about considering the impact on society of TM's core products and services and how these are delivered, ethical trading and advertising as well as Management's treatment of our collaborative business partners.

TM has long been a driver of the Vendor Development Programme (VDP). In fact, we were one of the first GLCs to establish and implement this programme which focuses on supporting the sustainable development of our vendors. Our 2014 key performance indicators (KPIs) included the development of Bumiputera champions. Towards this end, we seek to strengthen our vendors and increase their ability to compete in the market. More than 600 vendors have benefited from joining this programme and we are now moving into its next phase – to look into the sustainability of these vendors. We had set a target to award 40.0% of our contracts to Bumiputera vendors and exceeded this by achieving a rate of 47.0%. We will continue to promote this segment with more focused efforts to increase their skills and competencies.

As part of our Customer Experience Management Transformation (CEMT), TM also focuses on continuous improvement in customer service via operational excellence, through our Workforce Management System (WFMS). This is where we have automated previously manual activities thus reducing human error and management costs. Through the system, further, we provide online updates to our installation teams and other contractors, facilitating their work in enhancing service quality.

We recognise that our success depends on our more than 28,000 employees nationwide, who are responsible for driving the innovations that maintain TM as the market leader. This year, key focus areas for employee engagement included connecting employees at all levels of the organisation; communicating the unique role of every employee in driving innovation; and giving back to the business, serving customers and local communities.

We were richly rewarded when our 2014 My1TM Survey or employee engagement index recorded a score of 90%, for the fourth consecutive year, which is four percentage points over the Global High Performing Companies (GHPC) norm. It is our fervent hope that this incredible level of engagement translates into even higher performance and productivity.

I am particularly proud and humbled by the spirit of volunteerism in TM as manifest by the TM Reaching Out Volunteers (ROVers) platform. TM ROVers have time and again gone out into underserved communities to lend their hand. This year they outdid themselves in the manner in which they rallied together to come to the aid of victims of the massive floods in the East Coast. Not only did they provide support to colleagues who experienced substantial loss of property in the calamity, they served as many affected Malaysians as they could. More than 1,006 TM ROVers were deployed in flood relief missions from December 2014 to February 2015.

Initiatives such as these mean almost as much to our employees as to the recipients of their aid, and have contributed to TM becoming a recognised employer of choice. Recently, we added another feather to our cap when we named one of the Top 5 Best Companies to Work for in Asia at the Asia Corporate Excellence & Sustainability Awards (ACES) 2014, organised by MORS Group Asia.

The awards were presented to companies that adopt a people-centric approach and demonstrate strong commitment towards employee empowerment and enrichment. The winning companies have shown advocacy for investment in people, recognition and retention, improving employees' job satisfaction, practice fair communication and promote work-life balance. They also have low attrition rates, house a great pool of talents, and practise knowledge sharing among employees and stakeholders.

Under the Education pillar, TM has in place a comprehensive Sustainability strategy with a major focus on capability building through education. Our approach to education and skills development has a multiple focus. We envisage a deeper and focused penetration of quality education through Yayasan Telekom Malaysia (YTM) and our education arms, Multimedia University (MMU) and Multimedia College (MMC), as well as through our School Adoption Programme.

TM became a pioneer sponsor of the TM Robotics Programme within the group of PINTAR schools in 2014, where we collaborated with Sasbadi Sdn Bhd. The programme promotes creativity and innovation among students which are key elements in Higher Order of Thinking Skills (HOTS).

Under the Community/Nation-building pillar, we highlight our Program Sejahtera in Kelantan, which helps five single mothers to provide for their families financially and improve their lives. The single mothers receive basic skills training and attend entrepreneurship workshops where they are exposed to networking and business opportunities. TM provides small grants to help them establish, or enhance, their businesses while enrolling their children who qualify into MMU or MMC to increase their future earning potential. In 2014, academic assistance was provided to three children at MMC and one at MMU.

In bridging the digital divide, TM is a key partner and enabler of the USP in cooperation with MCMC, promoting the widespread availability and use of network and application services throughout Malaysia. From a predominantly rural focus these projects are now responsible for deploying telecommunications infrastructure, submarine cables, WiFi hotspots, wireless broadband, payphones and community broadband centres.

Finally, under the Environment pillar, TM is committed to managing the environmental footprint of all our operations, leveraging on our TM's E3 (Efficient, Effective, Elastic) IP Infrastructure to continuously improve our energy efficiency, thus reduce our emissions and enhance resource conservation. It is worth highlighting that during the year, we set the target of reducing our consumption by 20GWh/year for three years from our new baseline of 612.2GWh in 2013, leading to a total reduction of 60GWh by 2016.

CR and sustainability are driven across the TM Group. We continue to see active contributions from our LOBs and subsidiaries, such as Menara KL as well as Muzium Telekom, in conducting their own educational and environmental activities with emphasis on our history and heritage.

Our Approach Realigned: Prospects for Year 2015

In 2015, the Malaysian telecommunications industry is expected to be challenging although remaining generally stable. It is anticipated that increased competition may put pressure on profit margins while revenue growth will be limited as fast-growing data services will continue to be offset by a decline in traditional voice revenues. According to the Malaysian Institute of Economic Research (MIER), 2015 will be a challenging year for the Malaysian economy with real GDP growth projected to moderate to 5.0% depending on the magnitude of fluctuations in crude oil prices and movements of the Ringgit against currencies of major trading partners *(source: Malaysian Economic Outlook, MIER, 28 January 2015)*. Our Prime Minister, in his revised Budget 2015 speech, echoed this prediction, though gave the country's expected GDP growth a wider range of between 4.5%-5.5%.

For TM, we welcome healthy competition among key market players and in 2015 we intend to stay the course with our established visions amidst an increasingly challenging environment. We will remain steadfast in our commitment to enhancing the broadband lifestyle for Malaysians, while maximising revenues from our existing HSBB network. We look forward to an exciting year ahead as we open up to new opportunities for growth through partnerships and innovation, while further strengthening our foundation in connectivity services.

We believe there is big potential in the Internet of Things (IoT) as illustrated in our recent move into smart services by tapping into the real estate vertical in Nusajaya through our partnership with UEM Sunrise Berhad and Iskandar Investment Berhad. Furthermore, with the establishment of our TM Innovation Exchange (IX) Accelerator Programme, we are keen to share our resources in the year ahead in support of Malaysia's start-up ecosystem by enabling the development of creative and innovative solutions for the growth of our industry and country.

TM will continue to focus on executing our Performance Improvement Programme (PIP) 3.0 on its ongoing transformation journey towards becoming a Convergence Champion, which will enable the Company to deliver its promise of "Life Made Easier" and "Business Made Easier" with TM.

Barring unforeseen circumstances, the Board of Directors expects 2015 to be a positive year for the Group.

Acknowledgements

On behalf of the Board of Directors, I would like to take this opportunity to thank all our stakeholders – our customers, shareholders, industry collaborators and partners, media and social media supporters, for their immense contributions to TM. Your trust and loyalty are the very foundation of our continued growth and success.

To the Government of Malaysia, the Ministry of Communications and Multimedia Malaysia (KKMM) and the Malaysian Communications and Multimedia Commission (MCMC) – our highest appreciation for the opportunities to continue to demonstrate our commitment in the common goal of elevating our great nation to even higher heights.

Finally, in this my first year of joining TM, I would like to extend a heart-felt thank you to the big family – the able Management and energetic *Warga TM*, who have made me feel very welcome indeed. I feel very fortunate to be surrounded in the Board by individuals of incredibly high calibre, including my predecessor, Dato' Sri Dr Halim, who have guided the Company with their wisdom and integrity. Together, I look forward to many active discussions ahead towards shaping our Convergence Champion future and delivering "Life Made Easier" to all Malaysians.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
Chairman

Life Made Ea

CONVERG

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA
GROUP CHIEF EXECUTIVE OFFICER

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

2014 was a game-changing year in many ways. Amidst a challenging operational and market environment, TM completed the acquisition of Packet One Networks (Malaysia) Sdn Bhd (P1) on 30 September 2014. By doing so, we changed the game for the industry once again since launching UniFi, the nation's first triple play high speed broadband (HSBB) service in 2010. Malaysia's Broadband Champion is now Malaysia's one and only true Convergence Champion.

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CHAMPION

Through P1, TM and our partners will embark on a Long-Term Evolution (LTE) wireless technology network roll-out, and work to deliver the next generation of converged communications services. We believe that providing mobility solutions to our customers is a natural progression in TM's continuing transformation journey, and is in line with the industry's evolution towards true convergence. TM intends to deliver convergence as a seamless experience beyond technology, products and services and devices – to enrich, improve and impact the lives of Malaysians everywhere; true to our mantra – "Life and Business Made Easier".

TM's investment into P1 and the launch of our first 4G broadband offering, TMgo, in August 2014 are part of our roadmap towards becoming the No. 1 converged communications service provider. It is also guided by our "Information and Innovation Exchange" aspirations and builds on our strength and foundation of broadband and ICT.

Against this backdrop, I am pleased to report that TM delivered a steady performance in 2014. For the financial year ended 31 December 2014, TM Group revenue grew 5.7% to RM11.24 billion from RM10.63 billion recorded in 2013, with Normalised Net Profit or Profit After Tax And Minority Interest (PATAMI) at RM941.2 million. We also achieved a TRI*M index customer satisfaction score of more than 72 – higher than the global telco average score of 68. In fact, we have surpassed the industry average consistently since we first started tracking our TRI*M in 2011, an achievement we take great pride in, as customer experience is at the heart of what we do.

Sustainable shareholder value creation remains at the forefront of our organisation and we remain committed to our dividend policy**.**

GROUP REVENUE
RM 11.24 billion
recorded in 2014

"LIFE AND BUSINESS MADE EASIER" WITH TM

For the continued loyalty of our shareholders, and the trust they have placed in TM and our commitment to sustainable value creation, TM is proposing a final dividend of 13.4 sen per share subject to shareholders' approval at the forthcoming Annual General Meeting. Together with the interim dividend of 9.5 sen per share amounting to RM348.4 million which was paid in October 2014, the total dividend payout will be 22.9 sen per share, or RM846.8 million.

The theme of TM's 2014 Annual Report is GAME CHANGER – even the look and feel, and experience, of our publication is embodying this concept. For the first time we are featuring an augmented reality innovation developed by TM R&D called AURA, where you can enjoy our latest TV commercial video, "Convergence Champion", by hovering your mobile device over the Annual Report cover as well as its series of clips on selected separator pages inside the report. This is in addition to our enhanced e-book versions of our Annual Report and Sustainability Report. For both AURA and the ebooks, please download the related applications (apps) first, available in Apps Store on IOS or Google Play on Android devices

"Game Changer" was chosen not only to best describe the year we had just undergone, but more importantly, it is a state of mind and a call to action for our Warga TM, in our quest to constantly change the game in our daily operations. To always give the best of ourselves in our service for the betterment of our customers, indeed all our stakeholders - the many lives that we touch, and are privileged to be a part of.

Steady 2014 Performance

For the financial year ended 31 December 2014, TM Group revenue grew 5.7% to RM11.24 billion from RM10.63 billion recorded in 2013, boosted by the increase in revenue for Internet, Data and Other services, which now collectively represent 69.1% of Group revenue – a significant increase from where it was in 2013, at close to 66.0%.

Group Operating Profit (Earnings Before Interest and Tax (EBIT)) for FY2014 was RM1.29 billion, lower by 5.7% against RM1.37 billion in FY2013. Excluding one-off items such as the optional early retirement plan (Skim MESRA), Group Normalised EBIT registered a 2.0% growth to RM1.39 billion from RM1.36 billion in 2013.

Group Reported Profit Before Tax (PBT) was higher by 5.7% YoY to RM1.11 billion, against RM1.05 billion in the corresponding period in FY2013 on the back of higher operating revenue.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for FY2014 was 2.9% higher against FY2013 at RM3.64 billion.

Group Reported Net Profit or Profit After Tax And Minority Interest (PATAMI) stood at RM831.8 million due to the absence of High Speed Broadband (HSBB) tax incentives in 2014. Group Normalised PATAMI stood at RM941.2 million.

TM also improved our capital expenditure (capex)/revenue ratio at 16.3% against 17.5% in FY2013; where total capex spend for FY2014 was RM1.84 billion.

Early on in 2014, we announced our Headline Key Performance Indicator (KPI) targets comprising revenue growth of 5.0 to 5.5%, EBIT growth of 5.0% and a customer satisfaction measure based on the TRI*M index of 72. These KPIs were set prior to the investment and consolidation of P1 into the TM Group. On that basis, that is excluding the impact of P1, we have achieved all three of those Headline KPIs. Firstly, TM Group revenue was up 5.3% against FY2013. We also posted a Normalised EBIT growth of 5.0%, at almost RM1.43 billions and on the customer experience performance measure, we achieved a TRI*M index score of more than 72, as mentioned earlier.

Thus performance-wise, 2014 was indeed a mixed year for TM, both exciting and challenging. Despite the increasingly competitive operational environment, we successfully delivered stable revenues and a steady set of results.

Sustainable shareholder value creation remains at the forefront of our organisation and we remain committed to our dividend policy. In October 2014, we had paid an interim dividend of 9.5 sen per share amounting to RM348.4 million. TM is now proposing a final dividend of 13.4 sen per share, amounting to RM498.4 million. This brings our total net payout for FY2014 to 22.9 sen per share or RM846.8 million, once again meeting our annual dividend commitment to our shareholders as promised since 2008.

Game Changer: Convergence Champion Delivering "Life Made Easier"

As TM focuses on executing our ongoing transformation journey towards becoming Malaysia's Convergence Champion and No. 1 Converged Communications Provider, we continue to build on our strong foundation as Malaysia's Broadband Champion. Last year, our broadband customer base grew to 2.23 million customers. I am pleased to note that more customers have chosen to upgrade their packages to speeds of 4Mbps and above. This resulted in 48.0%, or more than 1.1 million of our customers now being high speed broadband users. UniFi continues to see a healthy growth of 14.8%, growing to 729,000 at the end of 2014. To date, we now have more than 750,000 UniFi customers, representing a take-up rate of approximately 45.0%. Average Revenue Per User (ARPU) was also higher due to successful upselling activities and increased HyppTV content buys.

TM has introduced a number of exciting products and services to realise our goal of "Life Made Easier" and "Business Made Easier" for our customers, in line with our Game Changing Year.

A key highlight was the launch of our first 4G wireless offering, TMgo, which utilises LTE technology offering high speed broadband to customers in underserved areas. This is not currently part of our collaboration with P1, but rather a technology refresh of our Code Division Multiple Access (CDMA) network, and part of our roadmap towards true convergence. In addition to selected sites in Kedah and Melaka, we expanded the coverage of our TMgo service to Gerik, Perak, with a view to reaching about 280 sites in underserved areas nationwide this year. The first TMgo Experiential Centre in Gerik was introduced as part of efforts to bring 4G broadband experience to the local communities as well as to increase the public's awareness of the availability of our TMgo service offering.

In June 2014, we also launched our first voice and mobile messaging application service called HyppMe, marking TM's entry in the smart phone communications landscape.

We have also continuously added new content offerings aimed at providing our customers with more value and enhanced TV viewing experience for the whole family. This is testament to our continuous efforts to provide the best content to satisfy our customers' growing needs and preferences, be it entertainment, edutainment or sports.

HyppTV now offers a total of 121 channels with 44 channels in High Definition (HD) – consisting of 56 premium channels, 21 free channels, five Radio channels, 16 Video-On-Demand (VOD) channels and 22 interactive channels in a wide variety of affordable packages or via a-la-carte options. HyppTV is powered by TM's high speed

Facts at a Glance

5.7% rise
in Group Revenue against FY2013

5.7% YoY
Group Reported Profit before Tax (PBT)

>72 TRI*M
Customer Satisfaction Index (CSI)

broadband service, UniFi and Streamyx 4Mbps and 8Mbps, which are available to viewers come rain or shine through UniFi and Streamyx residential and business packages.

Via HyppTV, TM launched HyppSensasi (available on Channel 116) – our first, home-grown general entertainment channel showcasing unique and exclusive locally-produced Bahasa Malaysia programmes in HD. We also partnered with a leading local production house to bring the best and latest local blockbuster movies to HyppTV subscribers via our VOD channel, HyppFlicks+. In July, we launched Malaysia's first Islamic On Demand content – AlHijrah On Demand channel – which provides quality Islamic content in HD for the first time on the platform.

TM is currently offering our UniFi and Streamyx customers the opportunity to boost their broadband speed for an enhanced Internet experience and wholesome family entertainment with our latest promotion, "Ja-Jumbo Deal". Under this promotion, customers who sign up to the new HyppTV Jumbo Pack can upgrade their broadband speeds to up to 20Mbps while enjoying 31 Premium and seven VOD channels in addition to 21 free channels, featuring the best of HyppTV's Entertainment, News, Kids, Sports and Lifestyle channels. In addition to the Jumbo Pack, TM also recently unveiled two new vernacular packages targeted at Malay and Indian viewers – HyppTV Aneka Pack and HyppTV Varnam Pack.

TM also made our HyppTV offerings available to all members of the public via the new HyppTV Everywhere mobile application. This enables customers to use their mobile devices to enjoy exclusive world-class channels available on the HyppTV platform anywhere and anytime even if they do not subscribe to TM's UniFi or Streamyx packages. The mobile application allows "in-app" registration via mobile numbers, email addresses or Facebook. The application is available for download on Google Play for Android users and Apple App Store for iOs users.

Besides these innovative consumer products and service offerings which add to the "Life Made Easier" convergence experience, through strategic partnerships TM is also striving to provide innovative solutions to business customers. Continuing on our "Business Made Easier" aspiration to be the preferred ICT partner for SMEs and businesses in Malaysia, we continued to assist SMEs achieve better performance by introducing several cost-effective communication tools and solutions such as Shop-in-a-Box SurePay and SurePay Point of Sales (POS) payment solutions. Our ICT-BPO subsidiary VADS entered into a partnership to enable the rapid delivery of cloud services to SMEs. VADS is now able to provide a solution that delivers speedy provisioning and billing of the Office 365 platform, that can be bundled with any additional cloud services planned in the future.

We also expanded our Hospitality Entertainment Solution (HES) to Sarawak. This all-in-one solution changes the game for the hospitality industry, and not only elevates the hotel guests' experience but most importantly, eases the hotels' technical management concerns as the solution provides high speed broadband Internet and WiFi access via our DOME network, world-class entertainment via HyppTV, as well as a 24/7 Call Centre and customer support. In short, hotels can focus on what they do best – provide convenience and hospitality to their patrons – and let TM do the rest.

In June 2014, TM launched Malaysia's first Virtual Private Cloud (VPC) to address the needs of large enterprises for customised and flexible cloud computing solutions, without the need for high upfront investments or skilled resources. We also established a joint venture company with UEM Sunrise and Iskandar Investment Berhad to design and build smart city infrastructure and provide smart city services in Nusajaya. This bears testimony to our support and commitment to realising the Smart and Connected Nusajaya aspiration, thus strengthening our position as Malaysia's leading integrated telecommunications and ICT service provider.

TM is also playing a key role in changing the game for Malaysia's broadcasting industry. In November 2014, we signed a landmark agreement with MYTV Broadcasting Sdn Bhd (MYTV) that will spearhead the digital transformation of Malaysia's broadcasting landscape. The collaboration will ensure that the required infrastructure and ancillary services are put in place to ensure the smooth and successful implementation of the Digital Terrestrial Television (DTT) transformation project to help realise the national vision to create a dynamic broadcasting sector that offers more choices in entertainment, interactive TV as well as high-quality informative programmes.

For TM, being a Convergence Champion means delivering on our brand promise of Life and "Business Made Easier". At the heart of this is, of course, our customers and customer experience.

In 2014, we launched a long-term Customer Experience Transformation programme to further elevate the customer-centric culture in the organisation. Focusing on the end-to-end customer journey, the idea is to ensure quality interaction at all touch points, from our sales channels to our customer service, network operations and even our authorised partners. In essence, the programme aspires to bring about a mindset shift among TM staff to put the customer at the centre of everything the organisation does. This requires everyone at TM to re-think the way the organisation works, and to re-engineer our processes to drive greater operational productivity, efficiency and effectiveness and hence deliver the best value to customers.

A key example of how TM has taken the next step-change to increase operational efficiencies is through automation and optimisation. A workforce management system (WFMS) codenamed SWIFT has been introduced to automate most of our service delivery processes to respond more quickly to requests for installation or restoration, as well as to achieve "first-time-right" in the execution of various tasks. The system was developed internally by Telekom Research & Development (TM R&D) as part of our continuous quest to drive business innovation. We are encouraged to see that this system has improved the productivity of field staff by 25.0%.

Our well established social media customer engagement channels @TMCorp, @TMConnects, Team Malaysia and Everyone Connects, among others, continue to elevate our customer engagement. In 2014, we embarked on a systematic Voice of Customers (VoC) mechanism for customers to provide feedback on their interactions with TM. This initiative is being piloted in the Multimedia Super Corridor (MSC) with customers rating our performance in service restoration – the results of which enable us to understand customer concerns better and thus address any shortcomings via training and improved processes in an ongoing manner.

Throughout 2014, TM achieved significant gains in terms of faster end-to-end service delivery, higher operational efficiencies, better service experience and greater organisational productivity. Together, these helped to elevate our performance as well as build the momentum of our ongoing transformation journey. Our efforts were once again rewarded when TM achieved yet another score of more than 72 in the TRI*M index, meeting our Headline KPI for the third consecutive year.

Going beyond our products and services, TM is positioning ourselves as the platform of choice for content creators and developers, catering to heightened demand for data via applications and services; which in turn has been driven by both Internet penetration and platform proliferation. As such, TM has established a physical manifestation of our concept of "Innovation Exchange" which serves two main objectives: to stimulate and inculcate innovation, creativity and entrepreneurship within TM as well as to capitalise on market opportunities amidst a vibrant innovation ecosystem. We are in a unique position to leverage on our resources, namely TM R&D, MMU as well as our strong network of industry strategic alliances, and have set up an accelerator framework and programme. The intention is not only to drive innovation within the organisation, but to benefit the innovation ecosystem at large.

Through the TM Innovation Exchange (TM IX), we complement the innovation value chain by providing market access to start-ups, Independent Software Vendors (ISVs) and entrepreneurs seeking to launch and scale-up their products. The framework is driven through four pillars: Collaboration Space, Innovation Leads, Developers' Tools and Partnership. Please refer the Box Article write-up on pages 190 to 193 for further details.

TM IX has already made its name in the innovation ecosystem via participation in major events organised by other innovation players in 2014. Notably, our MMU teams were among the Top 5 finalists at the Imagine Cup Malaysia with Microsoft, and won the Angelhack Kuala Lumpur. The team that won the Angelhack will go on to compete at the international level in Silicon Valley.

In fact, our wholly-owned TM R&D was crowned with the Chairman's Award at the October 2014 World Information Technology Services Alliance (WITSA) Global ICT Excellence Awards, held in conjunction with the 2014 World Congress on Information Technology (WCIT) in Guadalajara, Mexico. The win was based on its innovative Advanced Internet Lighting Application (AILA), which has the ability to provide high speed broadband Internet using visible light as an alternative and complementary medium to existing wireless communications. Employing Light Emitting Diode (LED) technology, AILA is an energy efficient last mile connectivity solution with both illumination and communications capability. The Chairman's Award recognises the most outstanding ICT and technology products that bring benefits to society. This recognition is truly a great honour not only for us at TM, but also for Malaysia.

Another important TM movement is a game changer in its own right. Launched in April 2011, Team Malaysia is TM's most significant and unique campaign which champions our national pride through sports and gathers support from 29 million Malaysians behind the national team with the aim of spurring them to greater heights to achieve better performance. Team Malaysia was conceptualised to mobilise, organise and energise the supporters of Malaysian sports and our sports men and women. Pride, passion and love for sports are the essence of Team Malaysia, while its promise "Uniting Our Passion" reflects the bringing together of common goals, interests and aspirations in sports of Malaysians from all walks of life. In 2014, the popular annual Fan Run chalked up another first, partnering with the Ministry of Youth and Sports' inaugural Fit Malaysia campaign. More than 8,000 runners participated, sporting the newly launched exclusive redesigned Team Malaysia tiger-striped jersey which they received as part of their race kit.

Through Team Malaysia, TM's other flagship initiative is the reality TV show, Mencari Ramli (MR) – based on the Company's famous 2013 TV advertisement of a Malaysian football player making it big in the English Premier League. Since then, TM has traversed the country in a nationwide tour to give every eligible teen a chance to emulate 'Ramli' and fulfil their dream. 2014 saw its third season unearth six deserving winners, three each in the Under 14s and Under 16s categories.

As the winners of MR Season 3, they participated in an intensive football coaching session at the world-famous Manchester United Soccer School (MUSS) and had the opportunity to witness Manchester United in action at Old Trafford, made possible through the existing partnership between TM and Manchester United, in which TM is the Official Integrated Telecommunications partner of Manchester United in Malaysia.

All the above demonstrate that TM's Convergence Champion aspiration in delivering "Life and Business Made Easier" has a higher purpose which goes beyond technology, products and services and devices – to enrich, improve and impact the lives of Malaysians and its communities everywhere.

1TM: A Team of Game Changers

The champion potential of a company, and its performance sustainability, can only be realised by the mindset of its team of people. It is thus an imperative for TM to embed a culture of innovation at the workplace.

Various game changing initiatives have been established to promote innovative work behaviours that integrate the expectations of both the business and employees. These encompass our philosophy of "Work-Life Made Easier" to improve productivity and business sustainability while also supporting TM achieve our three key focused deliverables in terms of developing human capital: to build a leadership bench; to increase workforce productivity; and to ensure TM is an Employer of Choice.

In 2014, talents across the organisation were involved in "needle moving" projects which served as a platform for them to play more active and significant roles in the business to reveal their leadership potential. They are already high achieving young executives who are part of a rigorous Fast Track Programme (FTP) put through highly facilitative development programmes to enhance their mobility and agility to take on roles in different divisions, and prepare them to become versatile leaders.

In addition, in 2014, more than 200 senior management attended the TM Business Leadership Programme, while a selected few attended executive programmes at top business schools as well as those organised by TalentCorp Malaysia. For further enhancement of their performance, executive business coaches were assigned to key leaders. We also seconded some employees to government agencies such as the Malaysian Communications and Multimedia Commission and TalentCorp.

The leadership bench are committed and continues to engage *Warga TM* via various platforms such as Turun Padang, Jom Bersama, Business Kick-Off Conventions and Roadshows, Teh Tarik Sessions, Zone Business Council (ZBC), Amazing Race and the I Love TM Campaign.

All our development programmes and people initiatives are energised by the TM Teaming With Passion (TWP) spirit, grounded on our core KRISTAL values of Total Commitment to Customers, Uncompromising Integrity and Respect and Care; and are built around the SUCCESS Leadership Competency attributes which are: **S**ervice Excellence, **U**nity & Teamwork, **C**ultivates Stakeholder Collaboration, **C**atalyses Change, **E**mbraces & Nurtures Talent Mindset, **S**trives For Results, **S**trategic & Entrepreneurial Mindset.

We believe in offering a work environment that not only empowers excellence but also inspires a sense of belonging and ownership that motivates optimal performance. This is achieved by valuing the contributions of every employee, engaging them in a positive manner and recognising their contributions. Our annual TM Group Awards Night, KRISTAL Awards and *Warisan Kasih* hold testament to that. Further, recognising that employees have different needs and expectations, we introduced a Flexi Plan in 2014 comprising core and optional benefits.

We are proud that TM has been honoured with several local and international human capital development awards. These include being named one of the Top 5 Companies to Work For in Asia 2014, Asia's 50 Best Employer Brand Awards 2014 and Top 10 Preferred Employers in Malaysia 2014.

However, the most meaningful recognition TM can receive is the annual acknowledgement and vote of confidence from our employees themselves. Our 2014 My1TM Survey or employee engagement index recorded a score of 90%, for the fourth consecutive year, which is four percentage points over the Global High Performing Companies (GHPC) norm.

These accolades are truly a reflection of the dedication of *Warga TM* and the energy and drive they put into their work, every day. We maintain that it is a unique responsibility and role we hold collectively as TM, for it is more than a company to us; TM is an institution in the service of the nation, to make lives easier for all Malaysians.

Shifting Gears: Invest for Growth, Shape the Future

TM's ambition to be a Convergence Champion and deliver Life and "Business Made Easier" are guided by strategies anchored on our Information Exchange and Innovation Exchange vision; and we are staying the course with the Performance Improvement Programme (PIP) 3.0 with its pillars of continued growth, greater efficiency and productivity as well as institution building.

Our core business is primarily fixed-centric voice, data and Internet offerings, which is expanding into mobility, ICT, content and applications to drive further growth and improve the customer experience. Moving forward, Information Exchange (infrastructure, platforms and connectivity) will continue to be our core focus, complemented by Innovation Exchange (content, application, devices) efforts, tapping into innovations from local start-ups, the global innovation ecosystem and internal innovation opportunities.

The economic and market landscape is not without its challenges. In 2015, amidst an expected slowdown in Gross Domestic Product (GDP) growth of between 4.5% – 5.5% *(source: Budget 2015 Revision – speech by the Prime Minister of Malaysia)*, telco industry growth is also expected to slow down. However, growth is still anticipated in the mobile market due to opportunities in LTE, with an industry Compound Annual Growth Rate (CAGR) of 5.8% for 2013-2017 *(source: IDC)*. TM is thus well positioned with the P1 acquisition.

TM also believes there is big potential in the Internet of Things (IoT) as illustrated by our recent move into smart services by tapping into the real estate vertical in Nusajaya through our partnership with UEM Sunrise Berhad and Iskandar Investment Berhad to design and build smart city infrastructure and provide smart city services.

With our promise of "Life and Business Made Easier" for our customers, many exciting plans are under way to enhance our offerings for the Mass Market (Consumer and SMEs), along with new horizontal and vertical solutions in the Managed Accounts segment (Government and Enterprises). We also have our Global and Wholesale well placed to maximise potential and opportunities both domestically and regionally.

We are proud that the year ended with TM being awarded a landmark contract by MCMC to establish a new submarine cable system, *Sistem Kabel Rakyat 1Malaysia* (SKR1M) linking Peninsular Malaysia with Sabah and Sarawak, further enhancing our nation's broadband connectivity to meet the industry's growing demand for IP applications. This collaboration also shows TM's commitment to being Malaysia's trusted ICT partner and propelling Malaysia to become a regional data hub.

This is on the back of the South East Asia-Middle East-Western Europe Cable System 5 (SEA-ME-WE 5) signed in March 2014. To date, TM owns 13 service submarine cable systems, which span more than 60,000 fibre-route miles around the globe, including several submarine cable routes that the Company utilises to carry traffic between the Asia-Pacific and North American regions. TM's total design capacity of our international submarine cables stands at 30 Tbps which is sufficient to cater for future international bandwidth demand increase.

Most significantly TM recently announced our acceptance of the High Speed Broadband Phase 2 (HSBB2) Project and the Sub Urban Broadband (SUBB) Project awards in collaboration with the Government, to deploy the access, domestic core networks to deliver end-to-end broadband network infrastructure and services. The total cost of the HSBB2 investment for a period of 10 years is RM1.8 billion while the total cost of the SUBB investment for a period of 10 years is RM1.6 billion.

We would like to take this opportunity to thank the Government, the Ministry of Communications and Multimedia Malaysia (KKMM) and MCMC for their continued trust in TM in nation building, and our efforts to bridge the digital divide to ensure more inclusiveness in delivering an enhanced digital lifestyle to all Malaysians.

There will certainly be many challenges, but also much excitement ahead in 2015. TM believes that with the investments for growth that we have put in place, we can take advantage of the many opportunities to deliver shareholder value for the longer term. The future is for us to shape.

Acknowledgements

First and foremost, and on behalf of the Management line up and Warga TM, I would like to express our most profound and heartfelt gratitude to our previous Chairman, Dato' Sri Dr Halim Shafie, who resigned in January 2015. His stewardship and guidance have led the Company to where it is today. Under his chairmanship, TM has achieved several key milestones including the successful roll-out of the High Speed Broadband (HSBB) project as well as the introduction of UniFi. In addition, Dato' Sri Dr Halim has been a strong and passionate advocate for education as the Chairman of MMU and the Company's Corporate Responsibility (CR) which saw his participation in various initiatives including ICT-related nation building, community-based and environmental awareness programmes. Our highest appreciation go to him for his immense dedication, leadership and contribution to the TM Group during his tenure.

On that note, we are honoured and happy to welcome Tan Sri Dato' Seri Dr Sulaiman Mahbob as the new Chairman of TM Board. Tan Sri Dato' Seri Dr Sulaiman is no stranger to our industry having previously served as a Commission Member of MCMC during the development of the Communications and Multimedia Act (CMA) 1998. With his vast experience and knowledge across many key organisations, ministries, government agencies as well as in the relevant fields of economics, ICT, education, and integrity; we look forward to Tan Sri's guidance and leadership as the Company continues on its transformation journey and next phase of growth.

To all our customers and shareholders, indeed to all our stakeholders – thank you. Your unwavering trust, support and loyalty continue to be the inspiration and purpose for us to deliver "Life and Business Made Easier".

To our Board of Directors – it is a privilege to have your wisdom and guidance help us stake our claim as Malaysia's Convergence Champion and shape a new future for TM.

To the formidable spirit of 1TM that is more than 28,000-strong *Warga TM* workforce, thank you for your commitment, dedicated hard work, energetic drive, passion and sheer perseverance – in our quest to build an institution to last.

We would also like to record our appreciation to our community of ecosystem partners – our suppliers, alliances, fellow industry players, Non-Governmental Organisations (NGOs), mainstream and social media friends – for being a part of the real exchange of information and innovation with TM.

We remain indebted to the Government of Malaysia, the Ministry of Communications and Multimedia Malaysia and MCMC, for the continued trust placed upon TM as a key enabler in nation-building. This is our true north – giving meaning to our purpose of "Life Made Easier".

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA
Group Chief Executive Officer

THE TELECOMMUNICATIONS SECTOR: REVIEW & OUTLOOK

FACTS AT A GLANCE

70.2%
Household Broadband Penetration Rate in 2014

2.23 million
TM Broadband Subscribers in 2014

45.0%
take-up rate of UniFi in 2014

Review of 2014

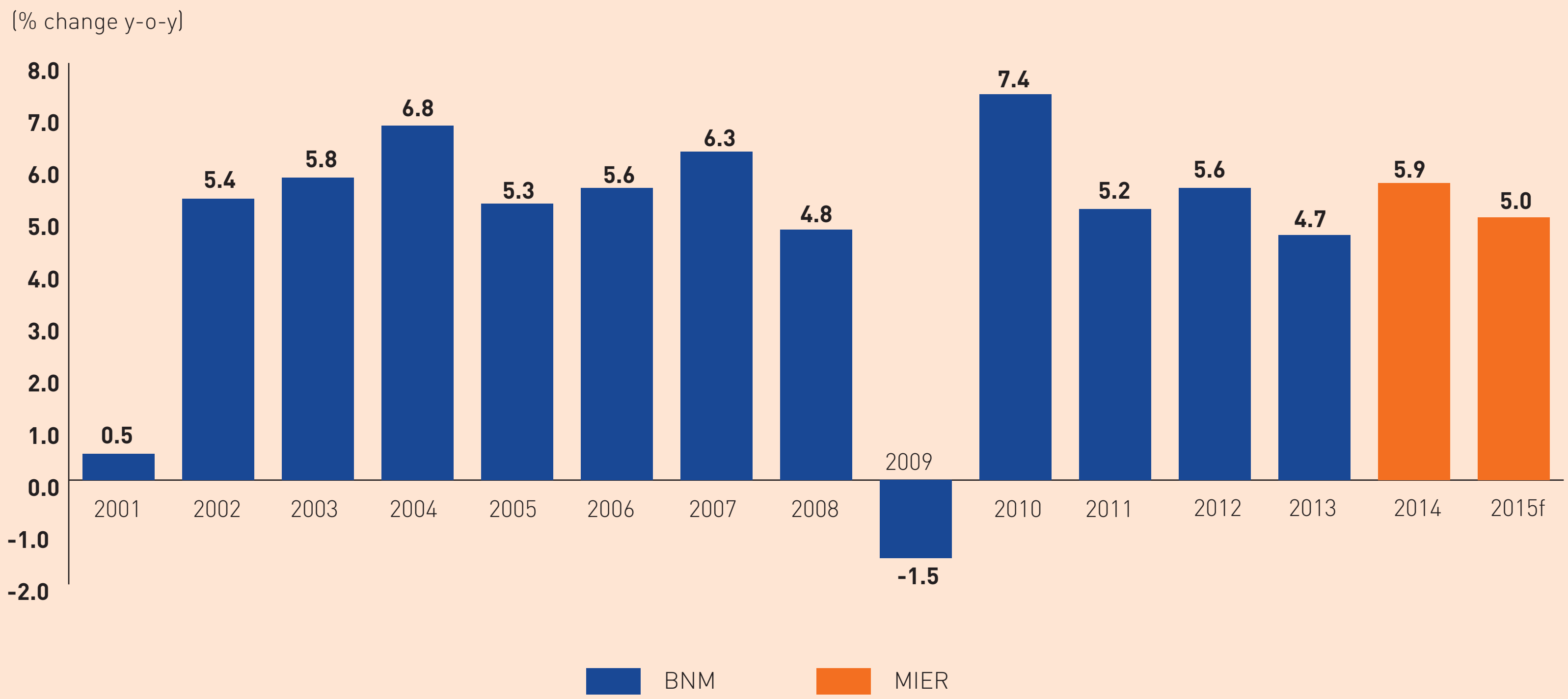
Malaysia's telecommunications sector continues to enjoy a high level of service penetration driven mainly by focused investments in advanced broadband infrastructure and supporting services and solutions. As of Q4 2014, the Malaysian Communications and Multimedia Commission (MCMC) reported that the Malaysian household broadband penetration rate had reached 70.2%, an increase from 67.1% in 2013. This was encouraged by Malaysia's improving economy which is expected to be stronger than last year. The Malaysian Institute of Economic Research (MIER) has estimated the Malaysian real GDP to grow at 5.9% in 2014 strongly driven by the private sector both for consumption and investment. Although Malaysia's telecommunications market growth is slowing down due to saturation, IDC is still forecasting a positive compound annual growth rate (CAGR) of 5.8% (from 2013 to 2017) for the retail telco market, spearheaded mainly by the mobile sector with 6.1% CAGR, encouraged by the country's adoption of Long-Term Evolution (LTE).

Current trends and developments are bringing about both opportunities and challenges to market players. Data services continue to grow at the expense of traditional voice and SMS, in which mobile data volumes are mainly consumed by video traffic streamed to mobile devices. Mobile video traffic is expected to grow 13-fold between 2013 and 2019, underlining the need to ensure sufficient network capacity to fulfill the rapid demand for higher speed and better quality service. 2014 saw service providers continue to roll out their respective 4G LTE networks to achieve the targeted 4G LTE population coverage up to 50.0% by 2017 in order to fulfill the increased bandwidth and speed demand. A very important development during the year was a shrinking of the overall revenue pool of the main telcos by about 0.1% (FY2014 vs FY2013), an indication of the level of saturation of the Malaysian telecommunications market.

The most notable trends and developments emerging from the industry surround the fast-growing high-speed broadband (HSBB) market as well as the mobile broadband sector. The year started with Celcom and DiGi agreeing to extend their network sharing agreement to 2017 in efforts to improve cost efficiency. The initial agreement was signed in January 2011 to share some network equipment, including tower sites, microwave links and trunk fibre transmissions. In June 2014, US-based Nexmo and YTL Communications signed a partnership agreement to roll out converged 4G mobile services thus enabling Malaysia's first virtual mobile phone offering, including SMS and voice services. Meanwhile, Celcom Axiata intends to invest close to RM1 billion to deploy 2,014 LTE compatible base stations by end 2014 to improve its overall network performance and increase network coverage. In November, Axiata announced plans to set up an RM100 million venture fund with MAVCAP to nurture Malaysian digital services innovators in the hope of building five to 10 regional digital services champions by year 2020.

2014 saw service providers continue to roll out their respective 4G LTE networks to achieve the targeted 4G LTE population coverage up to 50.0% by 2017 in order to fulfill the increased bandwidth and speed demand.

MALAYSIA: REAL GDP GROWTH



Source: MIER, October 2014

What's New for TM in 2014

2014 kicked off as a Game Changing year for TM as we stayed the course with our ongoing transformation journey towards becoming an Information and Innovation Exchange. We continued to strengthen our position as Malaysia's Broadband Champion and increased our broadband customer base to 2.2 million as at 31 December 2014. For UniFi, we achieved 729,000 customers while installing 1.627 million ports on the back of 106 exchanges. This translates to a take-up rate of about 45.0%. We launched our first 4G broadband data offering TMgo in Alor Setar, Kedah in August 2014, marking our move into the 4G mobility space as part of our roadmap towards true convergence, providing mobility to complement our fixed broadband offerings.

We also entered into several key strategic partnerships throughout the year. A major highlight was the acquisition of P1, completed on 30 September 2014, in partnership with Green Packet Berhad and SK Telekom Co Ltd. We believe that through P1, we can expand our capabilities into the wireless broadband space more efficiently. This partnership lays the foundation for us to develop a new LTE platform, opening up possibilities to deliver fully integrated high-quality Internet, data and applications across all market segments.

The year also saw us taking our first steps into smart services that are expected to shape Malaysia's future ICT lifestyle. In July 2014, TM through our wholly-owned subsidiary Intelsec Sdn Bhd signed an agreement with UEM Sunrise Berhad (through its wholly-owned subsidiary UEM Land Berhad) and Iskandar Investment Berhad (through its wholly-owned subsidiary Iskandar Innovations Sdn Bhd) for the establishment of a Joint Venture Company (JV Co) that will offer and operate smart services in Nusajaya. The said JV Co was subsequently established in September to undertake the business of a managed services operation company spearheading the design and build of smart city infrastructure and the provision of smart building and smart city services inclusive of security services, energy and facility management.

Meanwhile, developments in the broadcasting arena saw TM sign an agreement worth more than RM1 billion with MYTV Broadcasting Sdn Bhd in November for the provision of infrastructure and network facilities for digital terrestrial television (DTTV) services in Malaysia for a 15-year period. The collaboration has brought Malaysia a step closer to realising the national vision to migrate analogue terrestrial broadcasting to digital nationwide by 2016.

2015 Outlook

In 2015, Malaysia is projected to achieve GDP growth of 5.5%-6.0% driven by stronger domestic demand as public consumption and investment are expected to pick up the slack of the somewhat weaker private counterparts. IMF forecasts the global economy to grow from 3.3% in 2014 to 3.8% in 2015, while expecting the GDP of the ASEAN-5[1] to improve from 4.7% to 5.4%.

According to ratings agency Fitch, most South and Southeast Asian telcos will face a generally challenging environment in 2015, although the telecommunications sector outlook remains broadly stable. Free cash flow (FCF) is expected to be minimal or negative due to high capex; profit margins will decline due to competition; and revenue growth will be limited to low-to-mid single digit percentages as fast-growing data services offset declines in traditional voice and SMS revenues. Minimal FCF will be under pressure as telcos will continue to invest heavily in 3G/4G networks at the same time as cash from operations grows slowly due to lower margins. Malaysian and Thai telco revenues are likely to grow by low single digits due to intense competition while the profit margins of Philippine, Malaysian and Indonesian telcos are expected to decline due to competition, higher marketing expenses and data-to-voice/text substitution.

Our regulatory authority, MCMC, believes that the convergence era has finally arrived given that the communications and multimedia industry's ecosystem is maturing. In a converging environment where Internet Protocol-based services allow for more cross-platform business orientation and services, there are renewed opportunities for industry players as well as end users. MCMC believes that, with improving infrastructure reach and 4G LTE roll-out coupled with the upcoming Digital Terrestrial Television Broadcasting services, the industry will register RM57 billion in revenue by 2020 from RM45 billion in 2013, with the telecommunications sector contributing nearly 85% of the revenue share. MCMC is encouraging local mobile service providers to raise their capex to expand their network coverage and capacity in view of Malaysia's mobile capex per capita being just above RM100 (vs RM340 in the United States with more capex spend on network improvements and wireless infrastructure upgrades).

The Budget 2015 announcement last October illustrates the Government's support of the telecommunications sector with plans to invest RM2.7 billion on expanding the HSBB network in Malaysia. This HSBB2 project will be implemented in high economic impact areas, covering state capitals and selected major towns over the next three years. The objective is to build 1,000 new telecommunications towers and lay undersea cables. The Budget 2015 also set aside RM100 million for the Digital Content Industry Fund under MCMC to promote further creative digital content development in the country.

For TM, 2015 promises to be an exciting year as we are opening up to new opportunities for growth through partnerships and innovation, while further strengthening our foundation in connectivity services. We believe there is big potential in the Internet of Things (IoT) trends as illustrated by our recent move to tap into the real estate vertical in Nusajaya through our partnership with UEM Sunrise Berhad and Iskandar Investment Berhad. According to Frost & Sullivan, there is growth potential for new and green buildings in Malaysia, indicating opportunities for the development of smart homes. This is further driven by the country's rapid urbanisation, which is expected to increase from 64.4% in 2012 to 65.4% in 2017.

We are committed to supporting the Government's HSBB2 expansion plans to urban and suburban areas, while continuing to maximise revenues from the existing HSBB network. With the recent acquisition of P1, we will also continue along our transformation journey to become the No. 1 Converged Communications Service Provider as we further strengthen our broadband offerings with the addition of LTE wireless broadband services.

At TM, we realise that the key components in building a truly advanced digital nation are innovation, entrepreneurship and collaboration. Determined to support the Government in these areas, we were proud to establish our very own TM Innovation Exchange (IX) Accelerator Programme. Through TM IX, we look forward to sharing our resources in the year ahead in support of Malaysia's start-up ecosystem by enabling the development of creative and innovative solutions for the growth of our industry and country.

Sources:

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2. *MCMC Communications & Multimedia, Pocket Book of Statistics, Q4 2014*
3. *IDC Tracker, International Data Corporation, 1H 2013*
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10. *Fitch: South/SE Asia Telcos' Profitability, FCF May Fall in 2015*
11. *Budget 2015: Govt to Invest RM2.7bil to Expand HSBB, The Star Online, 11 October 2014*
12. *Telecommunication Sector Update, Moving Into Convergence Era, Kenanga Research, 12 September 2014*
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14. *IoT Potential Excites Telekom Malaysia, Digital News Asia, 11 July 2014*
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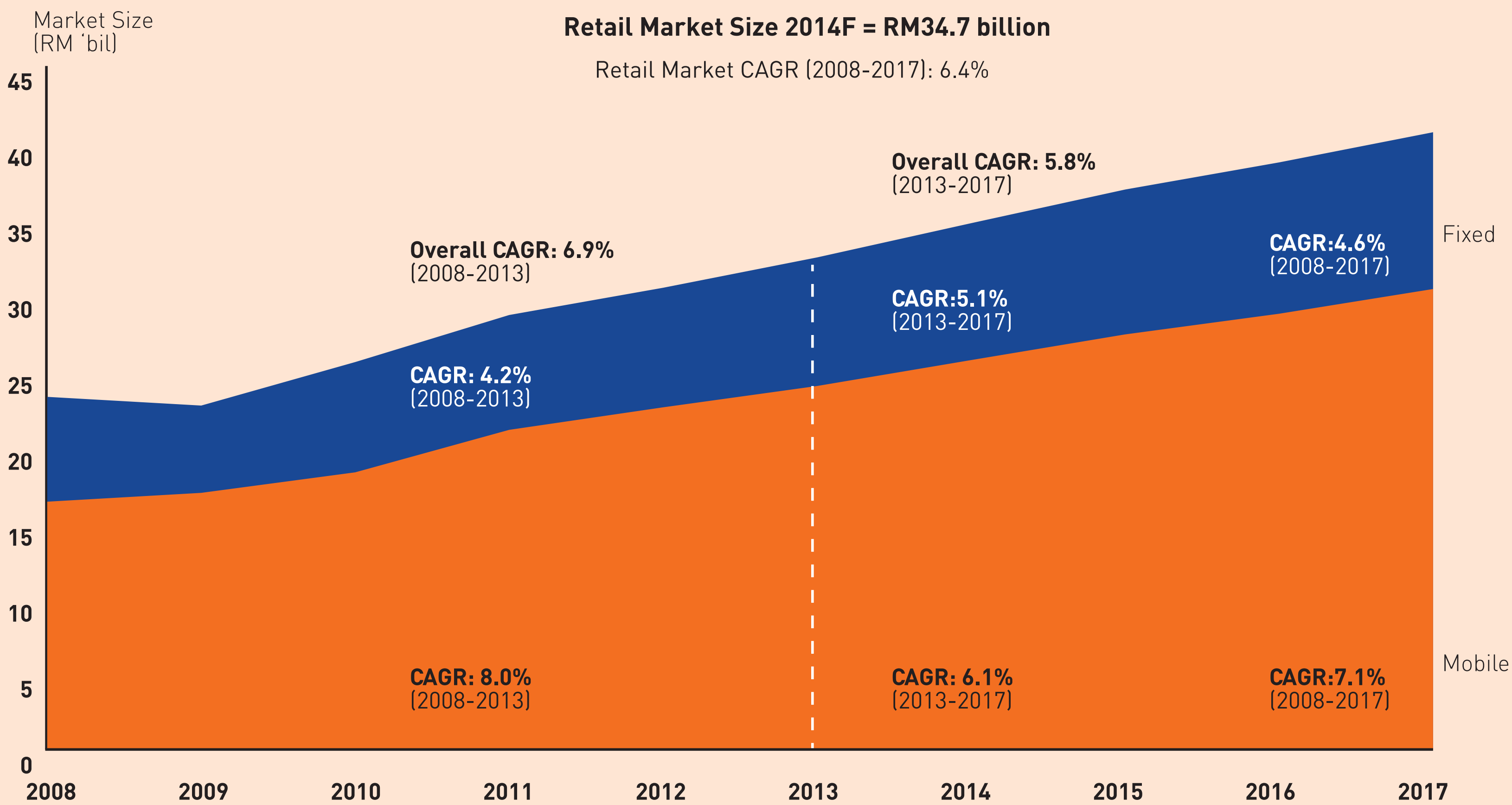
16. *Smart Homes in Asia Pacific – A CEO's 360-Degree Perspective: Building Homes Beyond Green, December 2013*
17. *TM's Response to MCMC Industry Performance Review Questionnaire, November 2014*
18. *Maxis, Celcom, DiGi, Time published quarterly financial results*
19. *TM Bursa quarterly announcements*
20. *TM media releases, 2014*
21. *TM analyst briefings, 2014*
22. *TM internal analysis*

[1]ASEAN-5 = Indonesia, Malaysia, the Philippines, Thailand and Vietnam



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fixed (RM' bil)	6.901	5.747	7.260	7.561	7.872	8.466	9.013	9.538	9.964	10.322
Mobile (RM' bil)	16.315	16.896	18.247	21.044	22.528	23.932	25.638	27.328	28.689	30.317
Total (RM' bil)	23.216	22.644	25.508	28.605	30.400	32.398	34.651	36.866	38.653	40.640

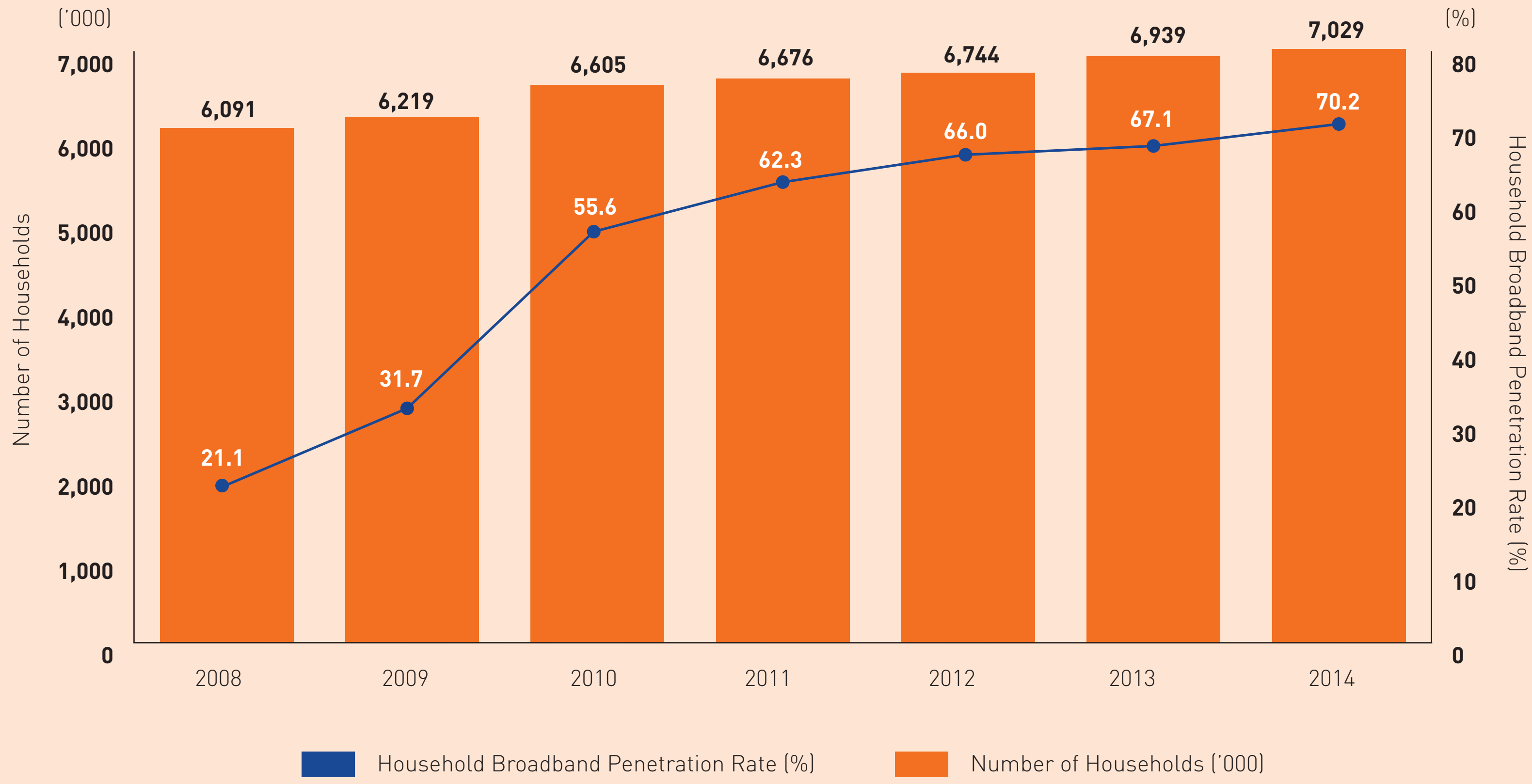
Source: IDC Tracker, Internal Team Analysis

SMART HOME ECOSYSTEM COUNTRY OPPORTUNITIES

Country	China	India	Japan	Thailand	Indonesia	Malaysia	Singapore
Energy and Water (Utility)	High	Medium	High	Medium	Low	High	High
Home Security	Low	Low	Medium	Medium	Medium	High	Medium
Healthcare	Medium	Low	High	Low	Low	Medium	High
Media (Entertainment)	High	Medium	High	High	Medium	Medium	High
Smart Home Potential (in 5 Years)	Medium	Low	High	Low	Low	Medium	High

Opportunities High Medium Low

Source: Smart Homes in Asia Pacific – A CEO's 360-Degree Perspective: Building Homes Beyond Green, Frost & Sullivan, December 2013



Category	2008	2009	2010	2011	2012	2013	2014
Number of Households ('000)	6,091	6,219	6,605	6,676	6,744	6,939	7,029
Household Broadband Penetration Rate (%)	21.1	31.7	55.6	62.3	66.0	67.1	70.2

Source: MCMC Communications & Multimedia, Pocket Book of Statistics, Q4 2014

STRATEGIC JOURNEY: SUSTAINABLE VALUE CREATION

Sustainable growth of both revenue and profitability hinges upon maximising the reach, coverage and utilisation of TM's network. We do this by anchoring our strategies on the Information and Innovation Exchange business vision which is translated into reality via our Performance Improvement Programme (PIP 3.0), "Life Made Easier" and "Business Made Easier" strategies. Our strategy also entails increasing operational efficiencies, productivity and maintaining an efficient cost structure to improve overall productivity.

Since the demerger in 2008, TM has undergone two distinct PIP phases. In Phase 1, we strengthened our leadership position in broadband by rolling out the nation's first high speed broadband (HSBB) network. Phase 2 saw us transform into an Information Exchange that builds and operates secure, fast, reliable and open networks and platforms supporting anytime-anywhere-any device applications. Under this phase, the aim was to become the preferred telco partner for all types of traffic – from voice and data to multimedia and video.

Execution Strategy: PIP 3.0 2013 – 2015

Currently under Phase 3 of PIP, we are focused on institution-building towards growth, efficiency and productivity and instilling a culture of productivity and customer service to ensure a sustainable business for the future. PIP 3.0 is broken into three categories, namely:

Continued Growth

Creating a world-class growth Information Exchange leveraging on both traditional connectivity and innovative value added services.

Fundamental Productivity Shift

Fundamental change towards a lean paradigm to sustain high profitability combining the strengths of a stable traditional telco with new value added services.

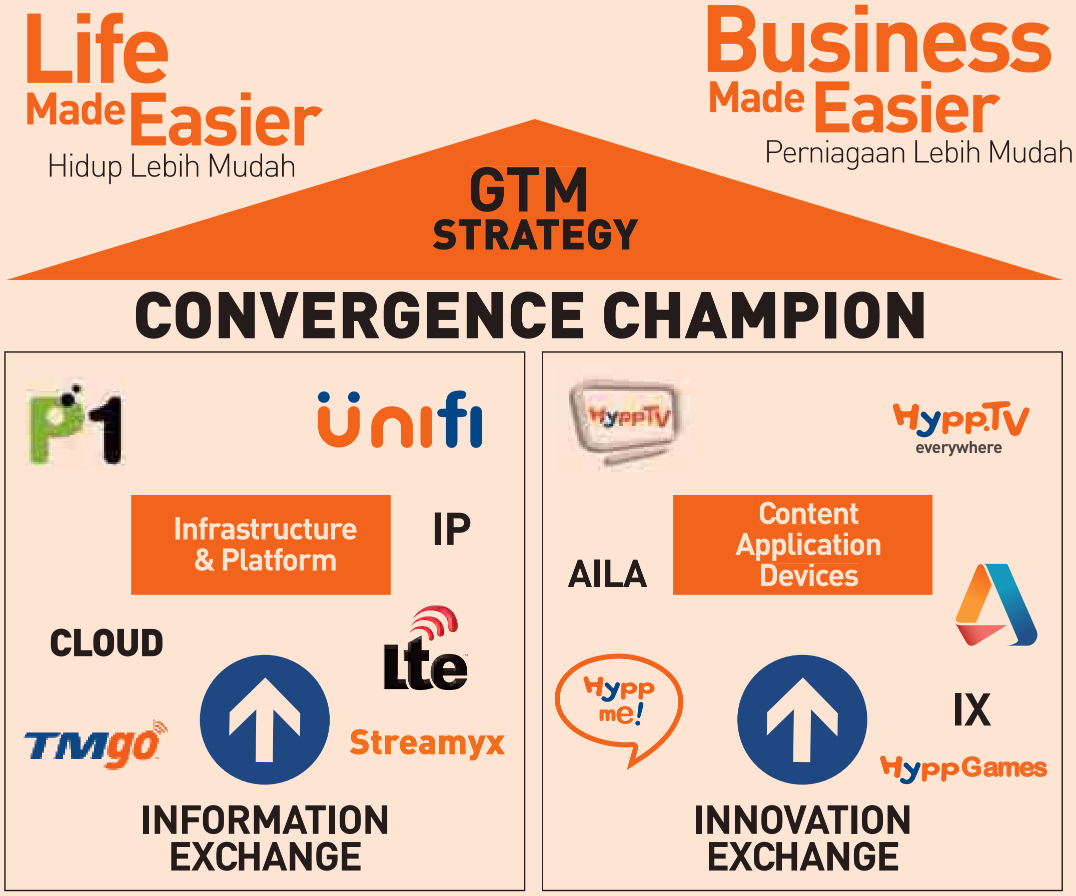
Improve Institutional Health Drivers

Strengthening our customer experience and building a TM to last. Transform to be more efficient, flexible, focused on customers and ready to take on new businesses.

Beyond PIP 3.0

TM has medium to long-term plans which are guided by our Information and Innovation Exchange business vision. Our fixed network will continue to grow as we expand our HSBB and suburban broadband (SUBB) network in support of the Government's push for 75.0% broadband penetration nationwide by 2015.

Complementary to this, the P1 acquisition will strengthen our position as it provides TM with a Long-Term Evolution (LTE)-ready platform to offer wireless broadband products and, eventually, full mobility. The provision of mobility solutions is a natural progression given synergies with our fixed services, and is in line with the industry's evolution towards true convergence, not just from a technology or device perspective, but more importantly from a customer experience point of view, in the delivery of end-to-end



broadband and data services. Moving forward, TM intends to transform into the leading converged communications service provider in Malaysia.

TM is also exploring new areas of innovation focusing on content, applications and devices which will drive further usage of our networks and increase customer stickiness. It is a critical component to TM in delivering a complete digital lifestyle. Having already begun this journey with the introduction of HyppTV, our IPTV offering, we intend to continuously improve our offerings by collaborating with local production houses to produce fresh content. At the same time, we are expanding our platforms via the launch of HyppTV Everywhere, our over-the-top (OTT) version of HyppTV.

Towards becoming an integrated ICT player, we are working closely with enterprises to move beyond connectivity and offer end-to-end solutions to enhance their businesses. We intend to build integrated ICT services for specific industry verticals and have started with real estate, specifically smart city services. Our wholly-owned subsidiary, Intelsec Sdn Bhd, is already in a joint venture with UEM Land Berhad and Iskandar Innovations Sdn Bhd to design and build smart city services and infrastructure in Nusajaya encompassing security, energy and facilities management. We see this as a sustainable business model that can be replicated for smart services in other industry verticals in the future.

We have also launched our first voice and mobile messaging application service, HyppMe, and intend to see more complementary applications coming from our Accelerator Programme in Cyberjaya, which has been designed to assist start-ups develop their services leveraging on TM's knowledge, networks and capabilities. Content, applications and value added ICT services are expected to be catalysts to drive sustainable growth from our networks in the future.

The combined plans under both Information and Innovation Exchange as well as our ongoing transformation into Malaysia's No. 1 Converged Services Provider is expected to generate sustainable value to TM and our shareholders for the years to come.

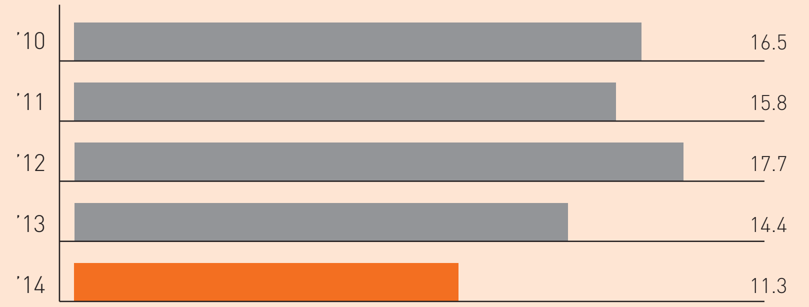
TM is also exploring new areas of innovation focusing on content, applications and devices which will drive further usage of our networks and increase customer stickiness.

GROUP FINANCIAL HIGHLIGHTS

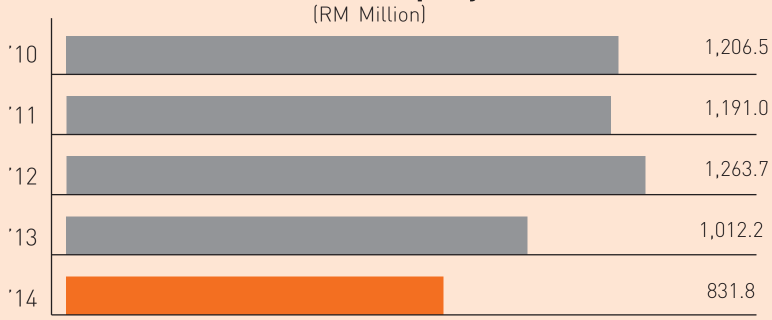
In RM Million	2010	2011	2012	2013	2014
Operating Results					
1. Operating revenue	8,791.0	9,150.7	9,993.5	10,628.7	**11,235.1**
2. Profit before taxation and zakat	1,360.2	1,001.2	1,069.6	1,046.0	**1,105.5**
3. Profit for the financial year	1,245.0	1,237.1	1,305.9	1,047.8	**842.5**
4. Profit attributable to equity holders of the Company	1,206.5	1,191.0	1,263.7	1,012.2	**831.8**
Key Data of Financial Position					
1. Total shareholders' equity	7,659.7	7,424.0	6,894.8	7,136.7	**7,571.1**
2. Total assets	21,079.0	22,252.3	22,195.9	21,146.5	**22,623.2**
3. Total borrowings	5,532.0	6,410.4	7,140.4	6,455.2	**6,448.4**
Share Information					
1. Per share					
Earnings (basic)	33.9 sen	33.3 sen	35.3 sen	28.3 sen	**22.9 sen**
Gross dividend	26.1 sen	19.6 sen	22.0 sen	26.1 sen	**22.9 sen**
Net assets	214.7 sen	207.5 sen	192.7 sen	199.5 sen	**203.6 sen**
2. Share price information					
High	RM3.60	RM5.09	RM6.40	RM6.00	**RM7.57**
Low	RM3.04	RM3.50	RM4.71	RM5.05	**RM5.28**
Financial Ratios					
1. Return on shareholders' equity	16.5%	15.8%	17.7%	14.4%	**11.3%**
2. Return on total assets	5.9%	5.6%	5.9%	5.0%	**3.7%**
3. Debt equity ratio	0.7	0.9	1.0	0.9	**0.9**
4. Dividend cover	1.3	1.7	1.6	1.1	**1.0**

Operating Revenue
(RM Million)

Return on Shareholders' Equity
(%)



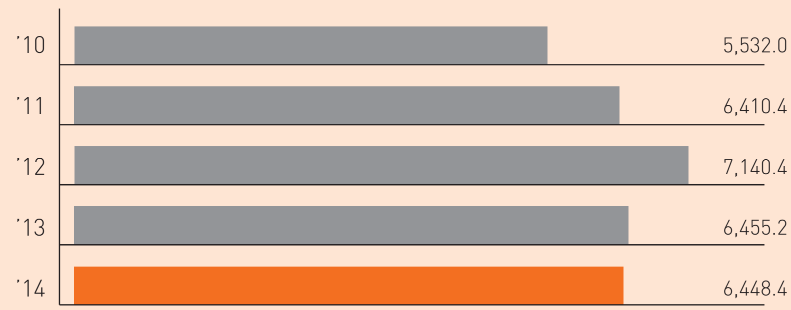
Profit Attributable to Equity Holders of the Company
(RM Million)



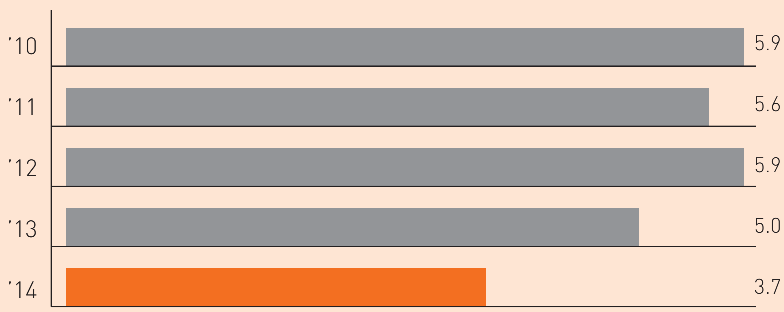
Total Shareholders' Equity
(RM Million)

Total Assets
(RM Million)

Total Borrowings
(RM Million)



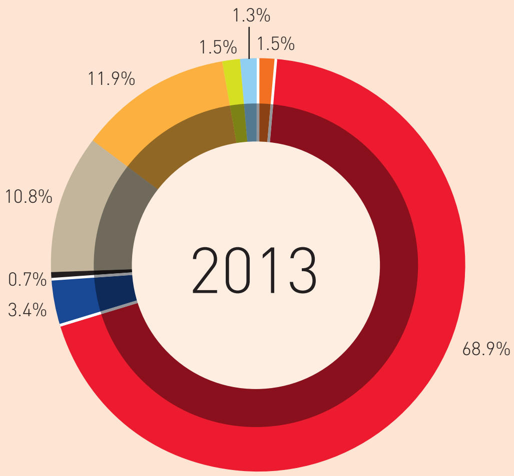
Return on Total Assets
(%)



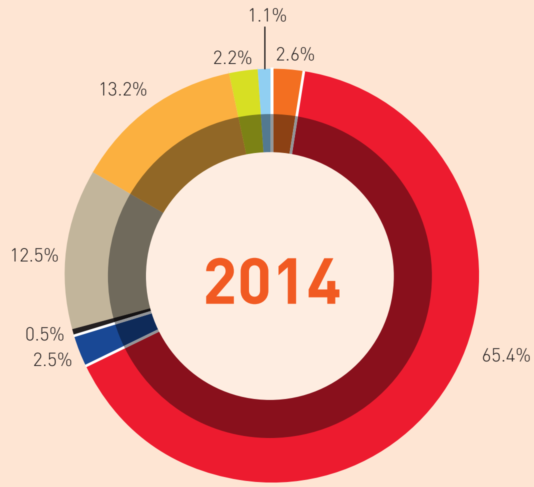
Debt Equity Ratio

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION & SEGMENTAL ANALYSIS

Total Assets

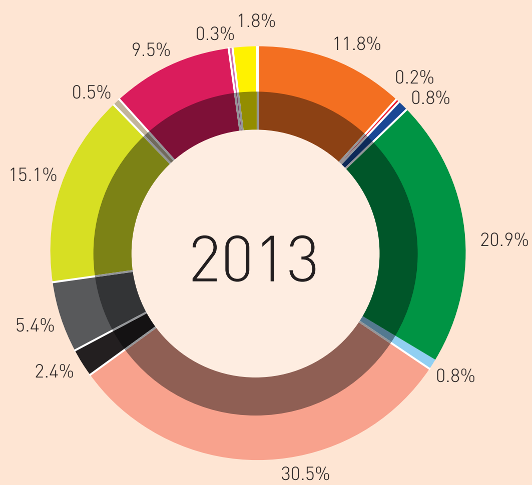


- Intangible assets
- Property, plant and equipment
- Available-for-sale investments
- Inventories
- Trade and other receivables
- Cash and bank balances
- Other non-current receivables
- Other assets

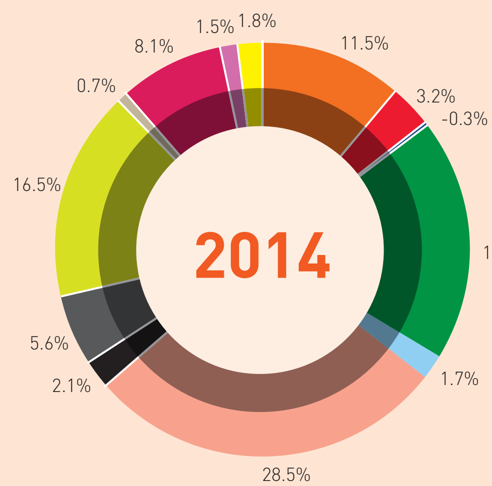


- Intangible assets
- Property, plant and equipment
- Available-for-sale investments
- Inventories
- Trade and other receivables
- Cash and bank balances
- Other non-current receivables
- Other assets

Total Liabilities & Shareholders' Equity



- Share capital
- Share premium
- Other reserves
- Retained profits
- Non-controlling interests
- Borrowings
- Customer deposits
- Deferred tax liabilities
- Trade and other payables
- Taxation and zakat
- Deferred income
- Derivative financial instruments
- Advance rental billings



- Share capital
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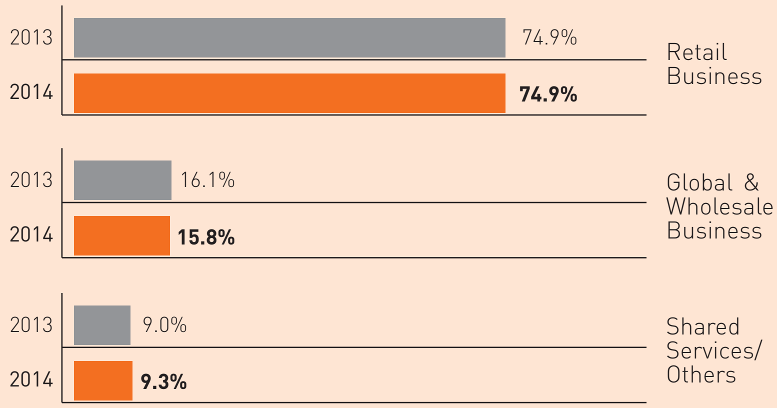
- Deferred income
- Derivative financial instruments
- Advance rental billings

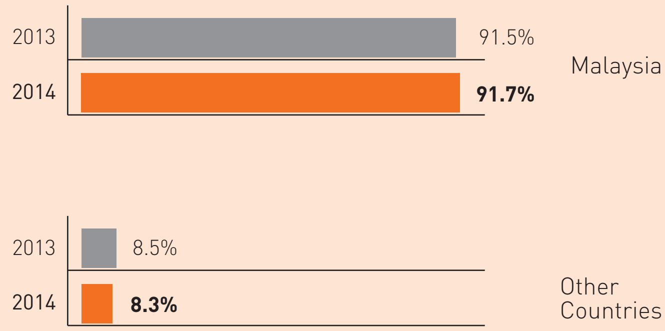
BY BUSINESS

BY GEOGRAPHICAL LOCATION

Segment Operating Revenue

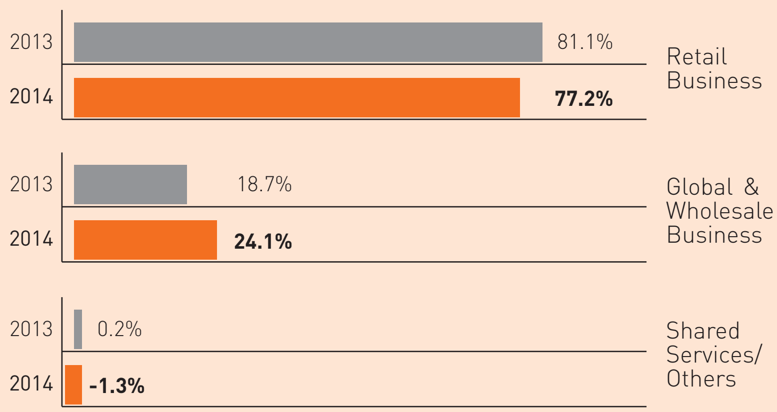
for the financial year ended 31 December

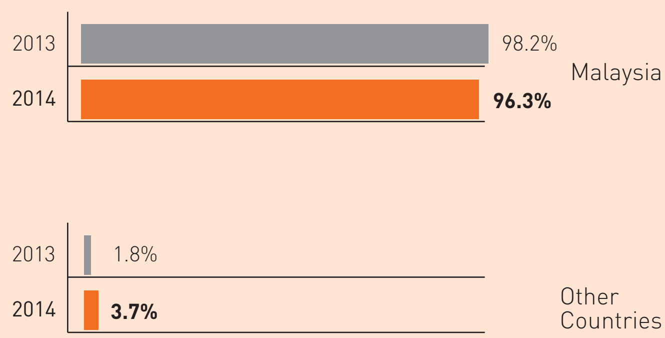




Segment Results

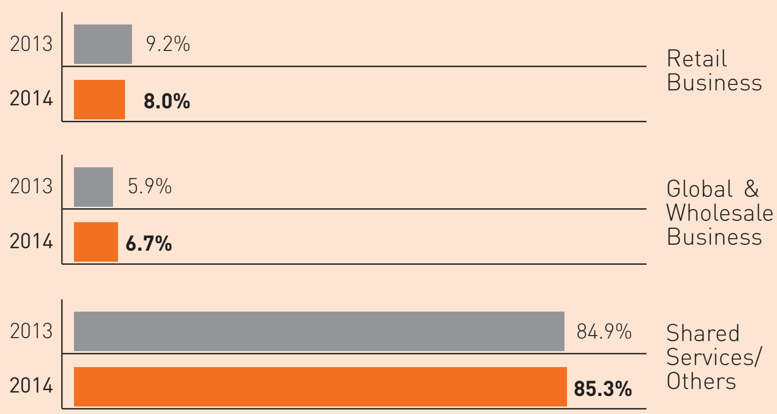
for the financial year ended 31 December

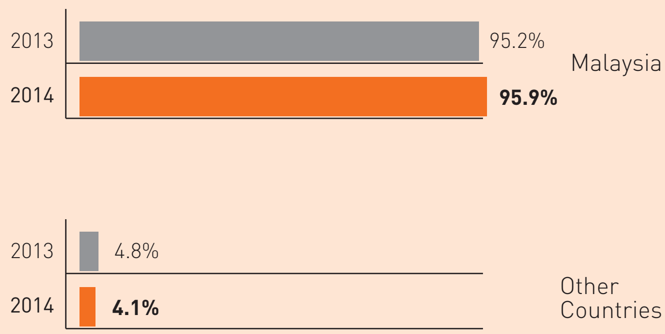




Segment Assets

as at 31 December





GROUP QUARTERLY FINANCIAL PERFORMANCE

2014

In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2014
Operating revenue	2,620.0	2,821.8	2,636.0	3,157.3	**11,235.1**
Operating profit before finance cost	316.3	337.7	317.4	327.7	**1,299.1**
Profit before taxation and zakat	279.6	309.4	262.8	253.7	**1,105.5**
Profit attributable to equity holders of the Company	210.6	214.1	188.8	218.3	**831.8**
Basic earnings per share (sen)	5.9	6.0	5.1	5.9	**22.9**
Single-tier dividend per share (sen)	–	9.5	–	13.4	**22.9**

2013

In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2013
Operating revenue	2,424.6	2,613.8	2,610.5	2,979.8	**10,628.7**
Operating profit before finance cost	297.9	332.8	364.4	378.5	**1,373.6**
Profit before taxation and zakat	229.5	241.9	264.9	309.7	**1,046.0**
Profit attributable to equity holders of the Company	213.2	213.9	240.9	344.2	**1,012.2**
Basic earnings per share (sen)	6.0	6.0	6.7	9.6	**28.3**
Single-tier dividend per share (sen)	–	9.8	–	16.3	**26.1**

STAKEHOLDER MANAGEMENT COMMUNICATION

We define our stakeholders as those who may be affected by or have an effect on our operations. We are mindful of who our stakeholders are, categorising them as key, primary and secondary stakeholders.

Identification of stakeholders

Stakeholders have the capacity to affect our business activity both positively and negatively. Each year, we monitor the type of publicity generated about the Company, and assess the perceived impact of this on our stakeholders.

TM is honoured to be part of the daily lives of millions of people whom we engage with at the individual and organisational levels, and through public-private partnerships with the Government. Given the presence of our technology networks and service across the world, we recognise our duty to engage with stakeholders beyond national borders. Dealing with such a large number of stakeholders comes with its own set of complexities and, occasionally, competing priorities. However, we truly value feedback from our diverse stakeholder groups, and conduct several formal stakeholder engagement surveys throughout the year.

Relationship with stakeholders

We have introduced various formal and informal channels to engage with each stakeholder group and understand their needs and concerns on matters related to our services and operations. Our ultimate goal is to manage our stakeholders' expectations effectively to achieve sustainable long-term relationships.

TM's stakeholders: Those who matter most to us

Close relationships have been built that help anticipate solutions and mitigate possible negative impacts. TM generates ideas, identifies weaknesses and defines improvement plans that integrate the interests of all parties. We have made available the following communication channels, most of which are accessible 24 hours a day, 365 days a year.

Customers	Customer feedback management	*Daily*
	Customer support centre at 100	*Daily*
	Social media tools – Twitter, FB, YouTube	*Daily*
	Market research	
	Loyalty programmes	*Regular*
	Events, dialogue sessions, roadshows and engagement sessions	*Ad-hoc*
Government & Authorities	Formal meetings	*Ad-hoc*
	Performance reports	*Regular*
	Discussions on government initiatives	*Ad-hoc*
Shareholders & Investors	IR events	*Ad-hoc*
	Annual and sustainability reports	*Annually*
	Annual general meetings	*Annually*
	Extraordinary general meetings	*Ad-hoc*
	Shareholder updates	*Regular*
	Quarterly reports	*Quarterly*
Business Partners	Progress reports	*Regular*
	Annual and sustainability reports	*Annually*
	Corporate presentations	*Ad-hoc*
	Signing ceremonies	*Ad-hoc*
Community	Website and service catalogues	*Daily*
	Annual and sustainability reports	*Annually*
	Visits, seminars and joint activities	*Ad-hoc*
	Community engagement activities	*Regular*
Employees	Employee satisfaction survey	*Annually*
	Dialogue and engagement	*Regular*
	Intranet, departmental meetings, newsletters	*Regular*
	Employee engagement programmes	*Regular*
	TM clubs: Kelab TM, BAKIT, TIARANITA	
	Top management messages	*Regular*
Suppliers	Transparency survey	*Annually*
	Suppliers training programmes	*Regular*
	Supplier relationship management	*Regular*
Trade Union & Professional Bodies	Dialogue and engagement	*Regular*
	Joint activities	*Regular*
	Consultations and negotiation	*Ad-hoc*
Analysts	Analyst briefings	*Regular*
	Site visits	*Regular*
	Seminars, question and answer sessions	*Regular*
	Performance reports	*Quarterly*
General Public	TM website	*Daily*
	TM contact centres such as TMpoint outlets	*Daily*
	Annual and sustainability reports	*Annually*
	Campaigns and roadshows	*Regular*
Non-Governmental Organisations (NGOs), Consumer Groups & Active Organisations	Dialogue and engagement	*Regular*
	Collaboration	*Regular*
	Sponsorships/Donations	*Ad-hoc*
Media	Press releases	*Regular*
	Press conferences, question and answer sessions	*Regular*
	Media coverage	*Regular*
	Media luncheons	*Regular*
Social Media	Engagement sessions with social media practitioners	*Regular*
	Corporate Twitter accounts	
	TM Facebook Accounts	*Daily*
	Other online channels	*Daily*

Relevant issues in the year by stakeholder

The Global Reporting Initiative defines material issues as "those topics that have a direct or indirect impact on an organisation's ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large".

Put simply, addressing materiality concerns the identification of all issues that could pose a risk or present opportunities. These issues are weighted according to their level of concern for stakeholders and the sustainability of our operations. Materiality analysis helps to identify the most salient topics to focus on in our Sustainability Report.

Applying a rigorous materiality process also helps TM formulate a strategy for allocating internal resources.

Areas that represent potential opportunities or risks to the business now or in the future are identified and then analysed to determine their relevance to society and our business. A topic is of high material interest if it is considered relevant to both our stakeholders and TM. A detailed materiality survey was conducted in 2014 to ascertain the views of each stakeholder group. The methodology and results of this survey have been compiled, reviewed and now presented in our Sustainability Report.

INVESTOR RELATIONS

Commitment to Shareholders

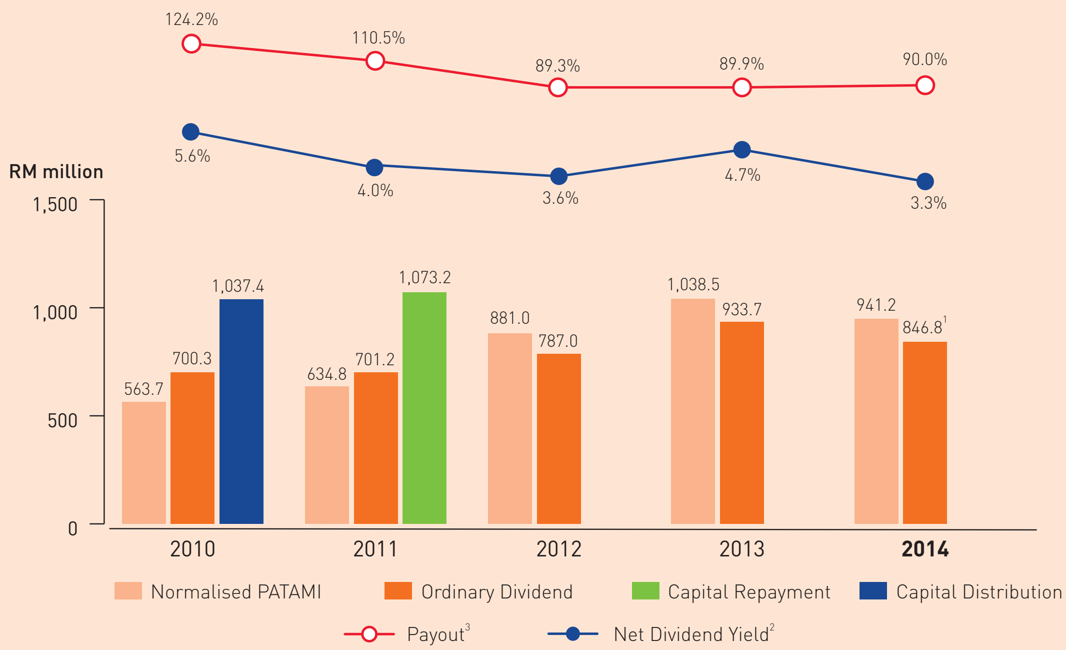
As we strive to become Malaysia's leading next-generation communications provider, we are conscious of our responsibility to create value for our shareholders.

This commitment was demonstrated in the financial year 2014 by declaring a paid and proposed total net dividend payout of RM846.8 million to our shareholders, comprising:

- An interim dividend of 9.5 sen per share amounting to RM348.4 million, paid on 29 October 2014; and
- A proposed final dividend of 13.4 sen per share amounting to RM498.4 million.

In addition, TM announced a new dividend scheme to shareholders. The dividend reinvestment scheme (DRS) provides shareholders the option to elect to reinvest, in whole or in part, their cash dividend which includes interim, final, special or any other cash dividend, in new ordinary share(s) of RM0.70 each in TM. This scheme, depending on the rate of acceptance, is expected to enlarge TM's share capital base and strengthen our capital position.

Dividend Payout Policy of RM700 million or up to 90.0% of Normalised PATAMI, whichever is higher



[1] 2014 interim dividend of 9.5 sen & final dividend of 13.4 sen
[2] Net Dividend Yield based on closing price at year end
[3] Excludes capital distributions/repayments

2014 was a strong year for us in the capital market. TM outperformed our peers in share price performance and remained among the top telcos in terms of total shareholder return. Our 12-month total shareholder return as at 31 December 2014 was 29.0% and from the date of our demerger (25 April 2008) up to 31 December 2014, was 316.1%.

Shareholder Base

Our shareholder base as at 30 January 2015 comprised 23,600 institutional and private/retail shareholders. Among our substantial shareholders are Khazanah Nasional Berhad, the Employees Provident Fund Board (EPF) and AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera, which together account for 56.5% holding of the Group. Meanwhile, our foreign shareholding as at 30 January 2015 stood at 15.7%.

Transparency

We continue to maintain a high level of transparency in our financial reporting, and are equally stringent in our corporate governance. Our operations are guided by the Malaysian Code on Corporate Governance, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) as well as international best practices.

Recognition

We were recognised as the Best Investor Relations in FinanceAsia's 14th Annual poll for the Best Companies in Malaysia. In addition, we also won the Best Strategic CSR and Best Annual Report in Malaysia, Most Organised Investor Relations as well as Best Senior Management Investor Relations Support at the Alpha Southeast Asia's 4th Annual Corporate Institutional Investor Awards.

As a responsible corporate citizen committed to enhancing our business sustainably in the interest of all our stakeholders, we published our seventh Sustainability Report in 2014, which adhered to Global Reporting Initiative (GRI) – G4 guidelines. In 2014, we were awarded the Platinum for Overall Excellence for the Most Outstanding Annual Report of the Year, Best Annual Report in Bahasa Malaysia as well as Best Corporate Social Responsibility at the National Annual Corporate Reports Awards (NACRA). We also won the NACRA Gold for Best Designed Annual Report and Industry Excellence Award for Main Board Companies under the Trade and Services Category for the 18th consecutive year.

TM was recognised at the Minority Shareholder Watchdog Group (MSWG) – ASEAN Corporate Governance Index Awards 2014 for Top Corporate Governance with the highest score of 86.9%, Exemplary Annual General Meeting (AGM) Minutes, Exemplary Environment, Social and Governance (ESG) Practices and Industry Excellence in Telecommunications and Utilities.

Dividend Policy

We reiterate our dividend commitment as stated in our dividend policy statement:

"In determining the dividend payout ratio in respect of any financial year after the Proposed Demerger, our Company intends to adopt a progressive dividend policy which enables us to provide stable and sustainable dividends to our shareholders while maintaining an efficient capital structure and ensuring sufficiency of funding for future growth.

Our Company intends to distribute yearly dividends of RM700 million or up to 90.0% of our normalised PATAMI, whichever is higher.

Dividends will be paid only if approved by our Board out of funds available for such distribution. The actual amount and timing of dividend payments will depend upon our level of cash and retained earnings, results of operations, business prospects, monetisation of non-core assets, projected level of capital expenditure and other investment plans, current and expected obligations and such other matters as our Board may deem relevant."

Dividend Reinvestment Scheme (DRS)

On 27 March 2014, TM announced a proposal to undertake a dividend reinvestment scheme that provides shareholders of TM (Shareholders) the option to elect to reinvest, in whole or in part, their cash dividend which includes interim, final, special or any other cash dividend, in new ordinary share(s) of RM0.70 each in TM (DRS).

On 8 May 2014, the Shareholders approved the DRS and the application of the DRS to TM's Final Dividend, at TM's Extraordinary General Meeting.

Pursuant to the DRS, 89,770,254 new TM shares were issued at an issue price of RM5.38 per new TM share. This translates to 82.8% rate of acceptance of Shareholders who reinvested their cash dividend into new TM shares. Of the total final dividend of RM583.1 million, RM483.0 million was satisfied by issuance of the new TM shares while the remaining was paid in cash.

On 27 August 2014, TM declared an interim dividend of RM0.095 per ordinary share of RM0.70 each in TM and the said interim dividend was also applicable for DRS. Pursuant to the second DRS, 52,196,765 new TM shares were issued at an issue price of RM5.67 per new TM share. This translates to a 84.9% rate of acceptance. Of the total interim dividend of RM348.4 million, RM296.0 million was satisfied by issuance of the new TM shares while the remaining portion was paid in cash.

TM Credit Rating

TM continues to exhibit strong fundamentals and a sound balance sheet. This is evident from the credit ratings accorded by both local and international rating agencies, as indicated below:

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

TM remains steadfast to maintaining our investment grade credit ratings and will continue with our prudent approach to financial and capital management.

Local Currency Debt

	TMISIS B
Coupon	4.870.0%
Maturity Date	28 Dec 2018
Principal (RM)	925,000,000

Note:

TMISIS is an abbreviation for TM Islamic Stapled Income Securities

	IMTN 001	IMTN 002	IMTN 003	IMTN 004	IMTN 005	IMTN 006	IMTN 007	IMTN 008	IMTN 009	IMTN 010	IMTN 011	IMTN 012
Coupon	4.50%	4.20%	4.20%	4.00%	3.95%	3.95%	3.93%	4.30%	4.82%	4.738%	4.55%	4.55%
Maturity Date	25 Jun 2021	13 Sep 2021	10 Dec 2021	13 May 2022	19 Dec 2022	28 Apr 2023	23 Jun 2023	18 Dec 2020	21 Mar 2024	27 Jun 2024	7 Oct 2024	20 Dec 2024
Principal (RM)	300,000,000	300,000,000	200,000,000	250,000,000	300,000,000	400,000,000	250,000,000	200,000,000	300,000,000	300,000,000	300,000,000	300,000,000

Note:

(i) ICP is an abbreviation for Islamic Commercial Paper and IMTN is an abbreviation for Islamic Medium Term Note

(ii) IMTN 001 to IMTN 007 were issued under the ICP/IMTN programme of up to RM2.0 billion

(iii) IMTN 008 to IMTN 012 were issued under ICP/IMTN programme of up to RM3.0 billion

Foreign Currency Debt

	Yankee Bond
Coupon	7.875%
Maturity Date	1 Aug 2025
Principal (USD)	300,000,000

	JPY Term Loan	USD Term Loan
Interest Rate	0.91375%	3mLibor + 0.91%
Maturity Date	20 Nov 2017	30 Oct 2020
Principal	7,800,000,000	100,000,000

Note:

(i) The JPY term loan was swapped to RM exposure with an interest rate of 3.62%

(ii) The USD term loan was swapped to RM exposure with an average interest rate of 4.01%

Investor Relations

TM is committed to maintaining open and transparent communication with our shareholders and investors in order to nurture a strong relationship with them. To keep them abreast of our strategies, performance and key business activities, we have a well-planned investor relations programme which includes conferences, non-deal roadshows and one-on-one meetings. We have a designated Investor Relations unit whose key role is to be proactive in disseminating relevant and timely information to the investing community.

Ensuring compliance with best practices, all communication with the capital market is governed by our Investor Relations Policy and Guidelines and is line with Bursa Malaysia's Corporate Disclosure Guide 2011.

Quarterly Financial Results Announcement and Briefing

Subsequent to disclosing our quarterly earnings to Bursa Securities, briefings are held for analysts and fund managers/investors via teleconferencing. These sessions are chaired by the Group CEO together with the Group CFO and attended by Senior Management representing our key Lines of Business. The objective is to ensure clear understanding of the Group's financial and operational performance.

Financial Results Presentations

Presentation slides of our results are prepared in an investor-friendly manner to aid understanding of the Group's performance. These are made available on the Company's website following the release of information to Bursa Securities. Copies of the presentation slides are also distributed by e-mail to analysts and investors who are on the distribution list of our Investor Relations unit.

Investor Engagement

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

The Group CEO, Group CFO and Investor Relations team regularly hold meetings and conference calls with fund managers, financial analysts, rating agencies and other stakeholders in Malaysia and abroad. On occasion, members of our Senior Management and the Board of Directors also participate in these activities.

In 2014, we reached out to a wider investor audience internationally by participating in non-deal roadshows and conferences in Edinburgh, Boston, Washington DC, Hong Kong, London and Singapore.

Locally, TM participated in small group meetings as well as large group presentations organised by research houses such as CIMB 6th Annual Malaysia Corporate Day 2014 and MIDF Corporate Spotlight 2014. Throughout the year, more than 300 meetings and conference calls with investors and analysts were conducted.

Investor Relations Portal

The Investor Relations unit maintains a portal on TM's corporate website, https://www.tm.com.my/AboutTM/InvestorRelations/Pages/Introduction.aspx, which serves as an excellent communication platform 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

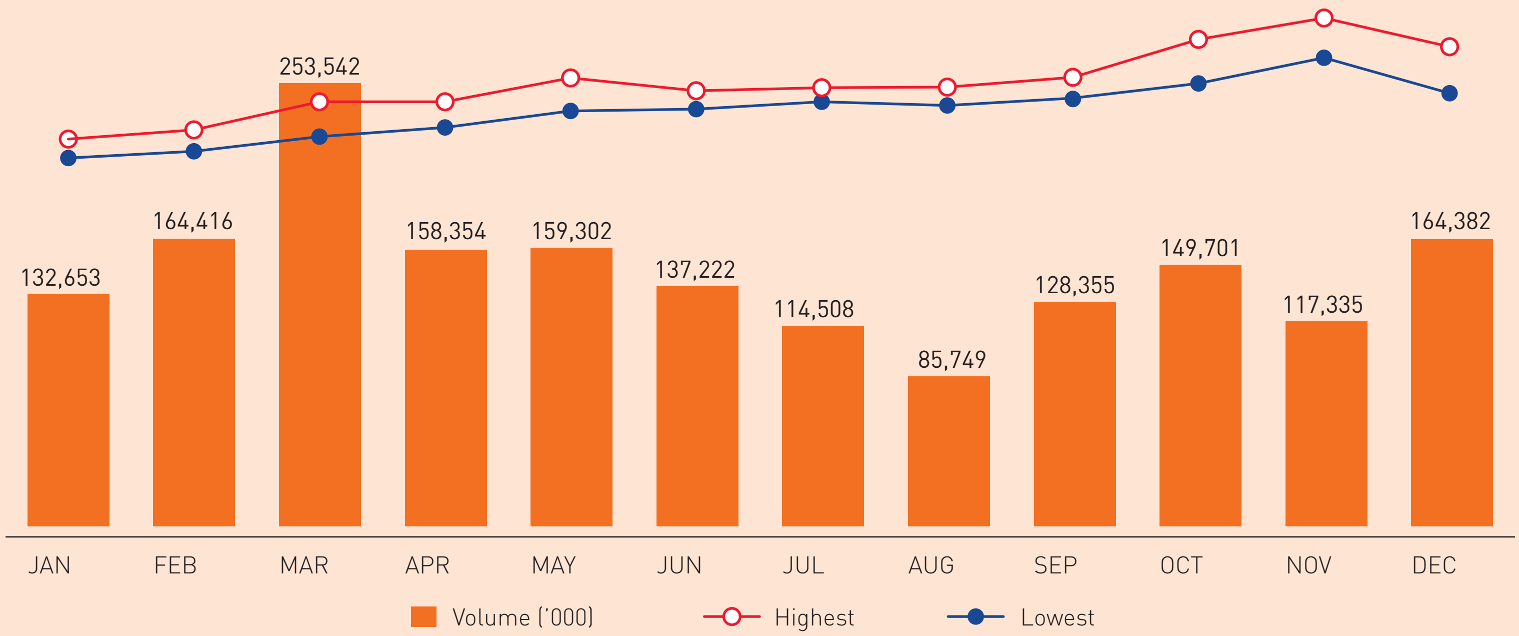
TM highly values feedback from the investing community, as it allows us to keep improving our relationship with this stakeholder group. To further enhance our Investor Relations function, we continuously seek constructive ideas through ongoing engagement with stakeholders as well as provide an avenue through which they may communicate with the team at investor@tm.com.my.

STOCK PERFORMANCE

We have been listed on Bursa Malaysia since 1990. In 2014, TM shares recorded a total turnover of RM10,997 million with 1,766 million shares traded as compared to a total turnover of RM8,721 million with 1,621 million shares traded in 2013.

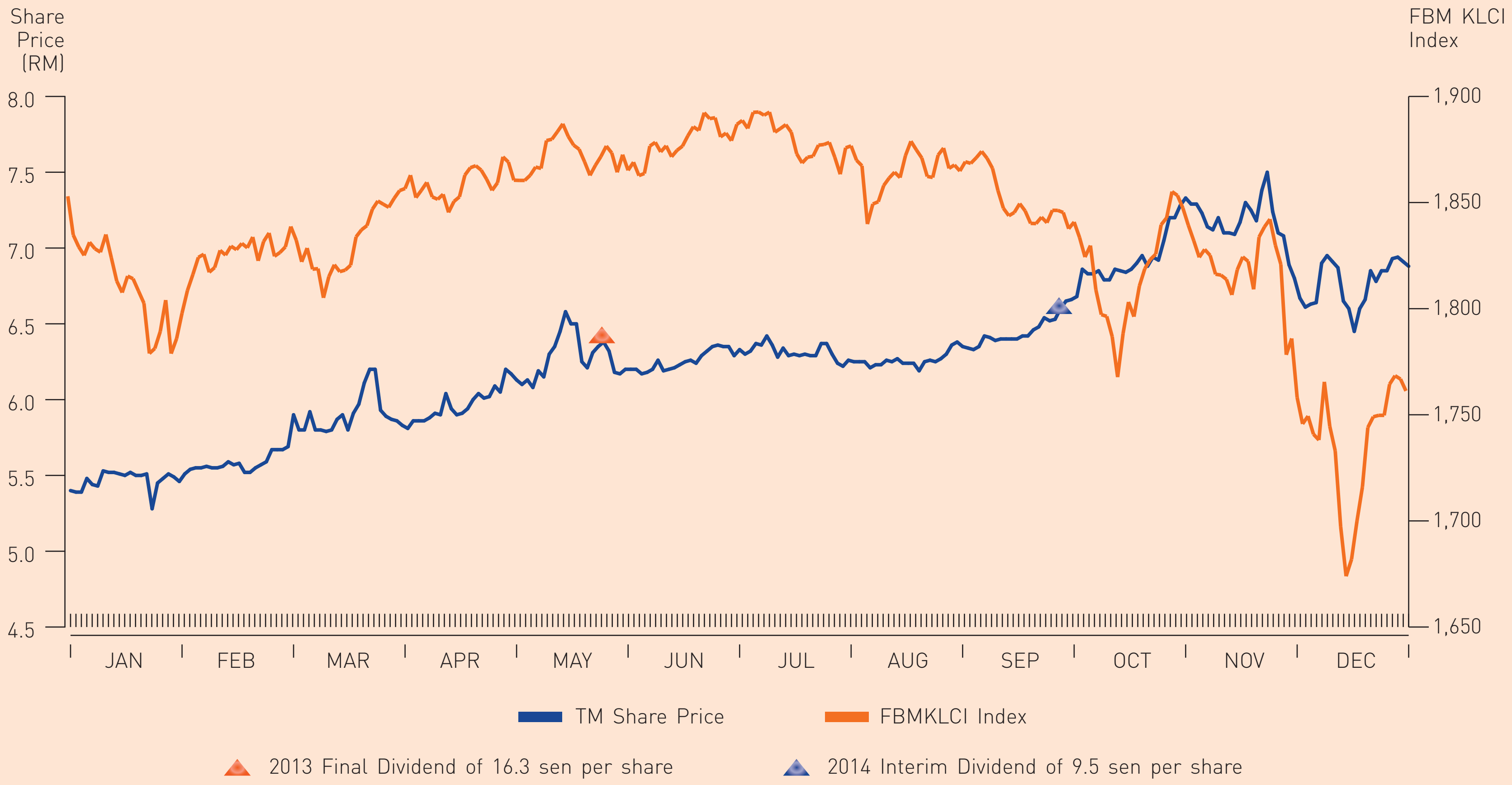
Share Price & Volume Traded

2014 Monthly Trading Volume & Highest-Lowest Share Price

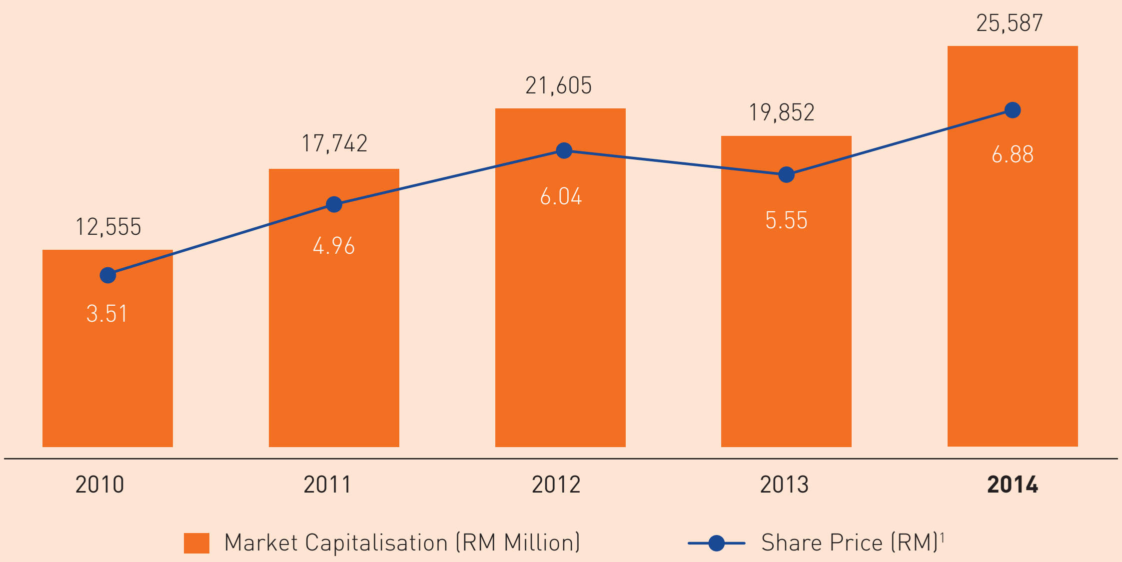


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume ('000)	132,653	164,416	253,542	158,354	159,302	137,222	114,508	85,749	128,355	149,701	117,335	164,382
Highest (RM)	5.59	5.74	6.20	6.20	6.59	6.38	6.43	6.44	6.60	7.22	7.57	7.10
Lowest (RM)	5.28	5.39	5.63	5.78	6.05	6.08	6.20	6.14	6.26	6.50	6.92	6.34

TM Share Price Performance vs. FBM KLCI 2014



Market Capitalisation/Share Price



[1]*Closing share price at year end*

FINA CALE

27 FEBRUARY 2014

Announcement of the audited consolidated results and declaration of final single-tier dividend of 16.3 sen per share for the financial year ended 31 December 2013.

27 MARCH 2014

Announcement of the Proposed Dividend Reinvestment Scheme (DRS) that provides shareholders with an option to elect to reinvest, in whole or in part, their cash dividends in new ordinary shares of RM0.70 each in TM.

15 APRIL 2014

Issuance of the 29th Annual General Meeting (AGM) Notice together with the Annual Report for the financial year ended 31 December 2013.

23 APRIL 2014

Issuance of Extraordinary General Meeting (EGM) Notice together with Circular to Shareholders.

08 MAY 2014

29th AGM and EGM of the Company.

26 MAY 2014

Date of entitlement for the final single-tier dividend of 16.3 sen per share for the financial year ended 31 December 2013, of which DRS was applied.

28 MAY 2014

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2014.

23 JUNE 2014

Date of payment of the final single-tier dividend of 16.3 sen per share for the financial year ended 31 December 2013, of which DRS was applied.

24 JUNE 2014

Additional listing of 89,770,254 new ordinary shares of RM0.70 each pursuant to the DRS.

NCIAL NDAR

AUGUST 2014 27

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2014 and declaration of an interim single-tier dividend of 9.5 sen per share for the financial year ended 31 December 2014, of which DRS was applied.

SEPTEMBER 2014 29

Date of entitlement for the interim single-tier dividend of 9.5 sen per share for the financial year ended 31 December 2014, of which DRS was applied.

OCTOBER 2014 29

Date of payment of the interim single-tier dividend of 9.5 sen per share for the financial year ended 31 December 2014, of which DRS was applied.

OCTOBER 2014 30

Additional listing of 52,196,765 new ordinary shares of RM0.70 each pursuant to the DRS.

NOVEMBER 2014 26

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2014.

FEBRUARY 2015 26

Announcement of the audited consolidated results and declaration of the proposed final single-tier dividend of 13.4 sen per share for the financial year ended 31 December 2014, of which DRS is to be applied.

APRIL 2015 06

Issuance of the 30th AGM Notice, 2014 Annual Report, 2014 Sustainability Report and Circular to Shareholders.

APRIL 2015 30

30th AGM of the Company.

Our foundation reinforced

The journey in giving the best of ourselves to our customers and in building an institution to last has a strong foundation in the pursuit of continuous excellence. The acknowledgements we humbly receive will only push us further to achieve this goal.

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CORPORATE PROFILE

ABOUT US

Telekom Malaysia Berhad (TM) is Malaysia's leading integrated information and communications solutions provider offering a comprehensive range of cutting-edge services and solutions in broadband, data and fixed-line.

Established as the Telecommunications Department of Malaya in 1946, TM has continuously developed and improved the country's telecommunications and broadcasting infrastructure. The year 2008 marked an inflection point, when a strategic demerger separated the Company's mobile operations from the fixed line business; and when TM signed a Public Private Partnership (PPP) with the Government of Malaysia to build and deliver high speed broadband (HSBB). Less than two years later, TM launched the nation's first HSBB service – UniFi – which was recognised by multiple global accolades, including being one of the fastest and lowest-cost high speed broadband roll-outs in the world.

Over the years, we have further strengthened our position as the nation's Broadband Champion, entrenching our market leadership within a highly competitive environment. Driven by stakeholder value creation, TM is committed to delivering an enhanced customer experience via continuous improvements and innovation, while focusing on increased operational efficiency and productivity.

Our true purpose is symbolised by our promise – "Life and Business Made Easier" – an inspirational pledge that goes beyond our dedication to enhancing the customer experience so that whatever we do, big or small, is focused on making the lives of all our stakeholders easier. This is achieved not only by enriching lifestyles and increasing business productivity, but also by going beyond connectivity to provide opportunities for communication and collaboration. TM continues to play an important role in transforming the way Malaysians connect, communicate and collaborate towards a better future; in the way we touch the lives of Malaysians – be it through our products and services or solutions, or our community and nation-building programmes as well as via education.

At the same time, our extensive global connectivity, network infrastructure and collective expertise are propelling Malaysia into an Internet hub and digital gateway for Southeast Asia. TM is well on its way to becoming the Information and Innovation Exchange we envision on our continuing journey of transformation.

Always committed to supporting the Government's initiatives to increase high-speed broadband capacity, TM is proud to have been awarded a landmark contract by the Malaysian Communications and Multimedia Commission (MCMC) to establish a new submarine cable system, *Sistem Kabel Rakyat 1Malaysia* (SKR1M), linking Peninsular Malaysia with Sabah and Sarawak. This will further enhance the nation's broadband connectivity to meet industry's growing demand for IP applications. Most recently, TM also accepted the award of the High Speed Broadband Phase 2 (HSBB2) Project and the Sub Urban Broadband (SUBB) Project in collaboration with the Government to deploy domestic access core networks to deliver end-to-end broadband network infrastructure and services, and increase coverage nationwide.

Guided by our Information and Innovation Exchange aspiration, 2014 witnessed the acquisition of Packet One Networks (Malaysia)

Sdn Bhd (P1) and our entrance into the Long Term Evolution (LTE) space with the launch of TMgo, our first 4G broadband offering. As we continue on our journey to become the nation's true Convergence Champion and No. 1 Converged Communications Service Provider, we intend to deliver convergence as a seamless experience beyond technology, products, services and devices to enrich, improve and impact the lives of Malaysians everywhere, true to our mantra – "Life and Business Made Easier".

With content being one of TM's key game changers, we are focused on improving HyppTV by offering more channels and packages to suit our customers' lifestyles. New value-added packages are increasing customers' choice of sports, entertainment, edutainment, news and lifestyle channels. With HyppTV Everywhere, customers can use their mobile devices to enjoy exclusive world-class channels available on the HyppTV platform even if they do not subscribe to TM's UniFi or Streamyx packages. The new offering is aimed at attracting more viewers among the tech-savvy Gen-Y segment who are the largest consumers of mobile entertainment and content, while at the same time enabling more Malaysians to watch HyppTV anywhere and anytime.

Along with our rapid transformation into an Information and Innovation Exchange, the focus on training and development of our more than 28,000 employees has never been sharper. TM Training Centre has developed a comprehensive range of programmes aimed at enhancing the soft and technical skills of all employees, with specialised modules to meet the needs of technical personnel as well as potential leaders. In addition, via TM's Education cluster comprising the Multimedia University (MMU) and Multimedia College (MMC), the Company is supporting the Government's vision of nurturing a knowledge-driven society, supplying a steady stream of capable and skilled human capital in various fields of expertise.

As a model corporate citizen committed to good governance and transparency, TM remains true to our pledge to ensure the integrity of our processes, people and reputation as well as the sustainability of our operations. Our Corporate Responsibility (CR) ethos reinforces responsible behaviour in the four main domains of the marketplace, workplace, the community and the environment. The Group's Reaching Out programmes leverage on our ICT expertise to empower communities, serving as a perfect example of how businesses can contribute to sustainable development.

TM's focus on excellence has led to numerous awards in almost every aspect of our operations including corporate governance and corporate responsibility. Most recently, we were honoured with the Platinum Award for Overall Excellence for the Most Outstanding Annual Report of the Year at the National Annual Corporate Report Awards (NACRA) in 2014, a distinction we earned three times before, in 2013, 2011 and 2006. We also won the Industry Excellence Award for Main Board Companies under the Trade & Service category for the 18th consecutive year. In addition, TM was awarded the NACRA 2014 Platinum Award for Best Corporate Social Responsibility Reporting, and the Anugerah CSR Perdana Menteri for Best Workplace Practices in 2009 and 2010. TM is also the winner of the Best Sustainability Report Award (SRA) in Malaysia for two consecutive years at the 2013 Sustainability Reporting Awards organised by The National Centre for Sustainability Reporting (NCSR) based in Indonesia. We were named Telecom Service Provider of the Year for the third time at the 2014 Frost & Sullivan Malaysia Excellence Awards as well as the Best Broadband Service Provider of the Year for the eighth time and the Data Communications Service Provider of the Year for the 10th consecutive year. On the regional front, TM was recognised as the Fixed Broadband Provider of the Year at the 2013 Frost & Sullivan Asia Pacific ICT Awards for the second year running. TM was also named Asia Pacific's Best Wholesale Ethernet Service Provider for two consecutive years in 2011 and 2012 by Metro Ethernet Forum for its commitment to keeping pace with global Ethernet standards. Additionally, the Company was accorded the Best Broadband Carrier Award at the 2012 Telecom Asia Awards.

TM will continue to focus on our ongoing transformation journey towards becoming a Convergence Champion, which will enable us to deliver our promise of "Life Made Easier" and "Business Made Easier" with TM.

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

1894

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

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

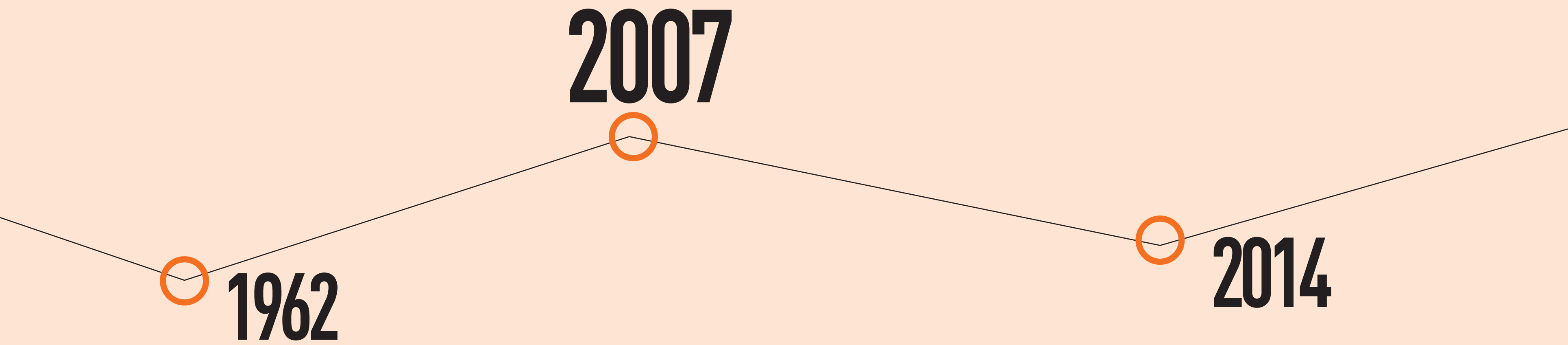
1991
- The Company is rebranded as Telekom Malaysia
- Introduction of Malaysia Direct, Home Country Direct

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 with the launch of Streamyx
- 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 Southeast 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
- TM initiates a consortium to develop an undersea cable system, Asia-America Gateway (AAG), linking Southeast 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
- A 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 the 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 Southeast 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 to 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 clinches 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

2012

- UniFi reaches Perak, Terengganu and Pahang
- TM launches its Integrity Pact, strengthening the Company's commitment to total integrity across the Group
- TM turns in a strong full-year performance for the financial year 2011, with revenue of RM9.15 billion and exceeding all three Headline KPIs
- TM inks an HSBB Wholesale service agreement with REDtone
- UniFi turns two
- Capital TV, Malaysia's first local business television channel, is launched and comes on board HyppTV
- TM holds the first TM Career & Education Fair
- TM embarks on a nationwide Cable Theft Prevention campaign
- SK Pendidikan Khas Pekan Tuaran, Sabah becomes the first school for special needs children to be adopted under TM's PINTAR School Adoption Programme
- TM clinches four awards at the 2012 Frost & Sullivan Malaysia Excellence Awards, including the coveted Service Provider of the Year, which was won for the first time since the 2008 demerger
- Four new HyppTV channels – EC Inspirasi, Outdoor Channel HD, UTV Stars and Kids Co – are added to HyppTV's growing stable
- TM bags the Best Broadband Carrier award at Telecom Asia Awards 2012 in Bangkok
- TM's first data centre outside Malaysia opens in Hong Kong
- TM gears up for IPv6 adoption with an IPv6-ready network
- TM's broadband subscriber base hits the 2 million mark
- My1Content portal, a national repository of local content developed by TM, is launched
- TM organises the Team Malaysia Fan Run 2012 to rally support for Malaysian Olympians
- Prime Minister Dato' Sri Mohd Najib Tun Haji Abdul Razak visits TM Convention Centre and officially launches its facilities
- UniFi surpasses the 400,000 subscriber mark ahead of its year-end target
- TM extends Program Sejahtera, which supports single mothers, to Kelantan, with the launch of the second phase of the programme
- Cahaya Malaysia, TM's latest submarine cable system, starts carrying traffic to Hong Kong
- HyppTV launches its first dedicated live sports channel – HyppSports HD
- Membership of the TM Rewards loyalty programme hits 1,000,000
- TM introduces UniFi BIZ30 and BIZ50 packages as well as HyppTV for UniFi Biz packages
- TM signs collaborative agreements with relevant parties towards the creation of a Smart and Connected Nusajaya
- VADS extends its TelePresence reach worldwide via collaboration with AT&T

2013

January

- TM introduces the new 8Mbps bandwidth speed for Streamyx and Business Broadband packages
- UniFi surpasses the 500,000 subscriber mark

February

- Cahaya Malaysia, TM's first private international submarine cable system, completes its connectivity route, connecting Malaysia with Japan and Hong Kong

March

- Prime Minister Dato' Sri Najib Razak pays TM employees a visit in appreciation of TM's contribution to the nation
- TM celebrates UniFi's third anniversary
- HyppTV wins Best Live Online TV service at the prestigious TV Connect Industry Awards

April

- TM seals Wholesale Ethernet deal with REDtone International Bhd's (REDtone) wholly-owned subsidiary, REDtone Telecommunications Sdn Bhd for access to all TM's Metro-E infrastructure nationwide
- TM is named the Best Broadband Carrier at the 16th Telecom Asia Awards for the second year running
- TM enters into an agreement with UEM Land to provide Internet connected homes in Nusajaya
- HyppTV introduces three new exciting packages – HyppTV Mega Pack, HyppTV Platinum Pack & HyppTV Sports Pack
- TM joins hands with regional telco players for the establishment of the Bay of Bengal Gateway (BBG) submarine cable system

May

- VADS becomes the first Malaysian Cloud service provider to receive the ISO 27001 certification from SIRIM QAS International
- TM is awarded the Fixed Broadband Service Provider of the Year at 2013 Frost & Sullivan Asia Pacific ICT Awards – again!
- TM is also recognised as the Telecom Service Provider of the Year at 2013 Frost & Sullivan Malaysia Excellence Awards for the second year running since the demerger
- TM introduces its latest marketing campaign – "Life Made Easier"

June

- Dato' Sri Ahmad Shabery Cheek, the new Minister of Communications and Multimedia, makes his inaugural visit to TM

July

- VADS takes Managed Security Services to the next level with the launch of two new web security products: VADS Managed Unified Threat Management (MUTM) and VADS Managed Web Application Firewall (MWAF)
- TM concludes new and enhanced Collective Agreements with its employee unions – the National Union of Telecommunications Employees (NUTE), the Union of Telecoms Employees Sarawak (UTES) and the Sabah Union of Telecommunication Employees (SUTE)

August

- HyppTV is made available nationwide via 4Mbps and 8Mbps Streamyx packages and on multiscreen devices via HyppTV Everywhere
- TM and Astro enter into a landmark collaboration for local and international sports content, enabling Barclays Premier League (BPL) to be available on HyppTV
- TM's 'Ramli' from Mencari Ramli Season 2 goes to Manchester

September

- The Ministry of Communications and Multimedia collaborates with TM to launch SaveME 999 for people with disabilities

October

- TM continues to empower Malaysian SMEs with the launch of enhanced UniFi packages with Microsoft® Office 365

November

- TM launches three new initiatives to enhance Malaysia's connectivity – My1Hub, Iskandar International Gateway (IIGW) and Cahaya Malaysia
- TM signs a High Speed Broadband (HSBB) service agreement with Formis Development Sdn Bhd (Formis), a member of Formis Resources Berhad for the provision of HSBB (Access), HSBB (Transmission) as well as Wholesale Internet Access services
- TM continues to extend the reach of HyppTV, with the launch of Business Broadband with HyppTV enabling TM's 8Mbps and 4Mbps Business Broadband subscribers to enjoy triple-play service – Voice, Internet and IPTV
- VADS becomes the first Managed Security Services provider in Malaysia to offer a comprehensive security solution utilising Cloud technology with the launch of VADS Cloud
- TM signs up Putrajaya Shangri-La as its first Hospitality Entertainment Solution customer to enable hotel guests to enjoy the latest ICT and entertainment solution via TM's HSBB network connectivity

December

- TM Team Malaysia Fan Run goes into its second edition, garnering Malaysians' support for athletes bound for SEA Games in Myanmar
- VADS makes TelePresence available to all with the VADS Managed TelePresence Public Room (TP Public Room)
- Three key industry players – TM, Celcom and DiGi – ink a wholesale bandwidth collaborative deal for TM Next-Gen Backhaul™ Services

2014

January

- TM kick starts the year with "The Best Ever Hypp-Normous Deal" campaign, offering UniFi and Streamyx customers the opportunity to upgrade their broadband speeds up to 20 times

February

- TM teams up with Etisalat for SmartHub Data Centre, enhancing TM's reachability in the Middle East and Africa
- TM turns in a solid performance for the financial year 2013 with a 6.4% rise in Group revenue, outstripping mobile industry growth

March

- TM joins hands with regional and global telco players for the establishment of the South East Asia – Middle East – Western Europe 5 (SEA-ME-WE 5) submarine cable system, connecting three continents: Asia, Africa and Europe
- Menara Kuala Lumpur launches its commemorative book in conjunction with the Visit Malaysia Year 2014
- TM signs a partnership with Green Packet Berhad and SK Telecom Co Ltd for the acquisition of interest in Packet One Networks Sdn Bhd
- HyppTV creates history by being the first Malaysian IPTV service to be recognised for two consecutive years at the prestigious TV Connect Industry Awards winning the Best Component or Enabler Award

April

- TM is crowned the Telecom Service Provider of the Year at the 2014 Frost & Sullivan Malaysia Excellence Awards for the third time

May

- TM obtains approval for its final single-tier dividend at its Annual General Meeting (AGM), making the total dividend payout of 26.1 sen per share or RM933.7 million, the highest payout to date since its demerger
- Season 3 of "Mencari Ramli", TM's football talent search TV show, draws its curtain with six winners
- KPJ Rawang Specialist Hospital becomes the first hospital to sign up for TM's Hospitality Entertainment Solution
- HyppMe – TM's first voice and mobile messaging application service – enters the market

June

- TV Direct Showcase, Malaysia's first 24-hour dedicated home shopping channel, is made available on HyppTV
- VADS and IBM Malaysia Sdn Bhd work together to launch Malaysia's first Virtual Private Cloud (VPC)

July

- TM collaborates with UEM Sunrise and Iskandar Investment to provide Smart City infrastructure and services in Nusajaya
- HyppTV launches AlHijrah On Demand, Malaysia's first Islamic On Demand content

August

- TM launches its first 4G broadband service offering – TMgo – in Kedah
- TM's special Merdeka-themed documentary, "Ceritera Tanah Airku" airs on TV

September

- TM Team Malaysia Fan Run returns for the third year in gathering support for Malaysian athletes to the 17th Asian Games in Incheon, South Korea
- HyppTV introduces its first, home-grown Bahasa Malaysia entertainment channel in High Definition – HyppSensasi
- TM launches Shop in a Box, another new innovative retail solution for Malaysian SMEs
- TM completes its investment agreement with Green Packet Berhad and SK Telecom Co Ltd for ownership and collaboration on the future growth of P1

October

- TM announces P1's new Board members and key management line-up
- TM R&D receives the Chairman's Award at the World Information Technology Services Alliance (WITSA) Global ICT Excellence Awards

November

- TM and Net2One Sdn Bhd, a member of Altel Holdings, seal a partnership for wholesale services
- MYTV Broadcasting Sdn Bhd and TM ink a Memorandum of Agreement for Digital Terrestrial Television's (DTT) infrastructure and network facilities services

December

- TM sweeps across all major categories at the National Annual Corporate Report Awards (NACRA) 2014, including the Platinum Award for the Most Outstanding Annual Report of the Year – for second consecutive year
- "Mencari Ramli" returns for its fourth season
- TM wins the contract to establish a new submarine cable system connecting Peninsular Malaysia with Sabah and Sarawak, called *Sistem Kabel Rakyat 1Malaysia* (SKR1M) via an open tender process

MEDIA MILESTONES

'Shop in a Box designed to increase SME sales'

'TM will continue to evolve'

TM's SME segment expects 10pc customers to tap new plan

Celcom loyalty deals

TM quarterly profit at RM218.3mil

TM does it again

...eeps most ...s at Nacra 2014

National athletes to step out in style

MyTV inks RM1bil accord with TM

...ear to challenge Big 3

Huawei eyes 10% revenue growth

UEM Sunrise in tie-up with edotco

TM stands tall among the nation's best and preferred employers

Malaysia's 100 leading grad employers

2014 CORPORATE EVENTS

1 15 Jan

UniFi for More Johor Businesses

TM inked a second Service Agreement with Axis Ame IP Sdn Bhd for the deployment and provision of high speed broadband (HSBB) network infrastructure and services to the new phases of the latter's industrial park at iPark @ Indahpura Phase 3 and SME City developments in Indahpura, Kulaijaya in Johor.

2 5 Feb

Faster Broadband for Free

TM offered its Streamyx and UniFi customers the unique opportunity to upgrade their broadband services by up to 20 times their current speed for free with "The Best Ever Hypp-Normous Deal".

3 12 Feb

First Ever TM Integrity Day

TM organised its first ever Integrity Day, further cementing the Company's stance on integrity after signing a Corporate Integrity Pledge.

4 28 Feb

Mencari Ramli '3' Unveils Top Finalists

Mencari Ramli '3' (MR3), TM's football reality TV programme which follows talented footballers on their journey in making their footballing dream come true, unveiled the lucky participants who made it to the Top 32.

5 7 Mar

New State-of-the-Art Submarine Cable System

TM formed an alliance with 15 leading global telcos to set up a consortium for the establishment of a new state-of-the-art submarine cable system – the South East Asia – Middle East – Western Europe 5 (SEA-ME-WE 5). The network will connect three continents – Asia, Africa and Europe.

6 27 Mar

Partnership with Green Packet and SK Telecom

TM signed an Investment Agreement with Green Packet Berhad and SK Telecom Co, Ltd to develop next-generation LTE infrastructure offering a full-suite of converged communications services. The exercise will see TM emerge as a 57.0% shareholder in Packet One Networks (Malaysia) Sdn Bhd.

7
22 Apr
TM Crowned with the Best of the Best

TM was crowned the Telecom Service Provider of the Year and also swept up another five awards at the 2014 Frost & Sullivan Malaysia Excellence Awards.

8
8 May
AGM and EGM

TM obtained approval for a final single-tier dividend at its 29th Annual General Meeting (AGM) and also held an Extraordinary General Meeting (EGM) at TM Convention Centre, Menara TM.

9
21 May
Perlis Gets to Enjoy UniFi

TM expanded its UniFi service to Perlis via a smart partnership with the Northern Corridor Implementation Authority (NCIA). The service was officially launched by DYMM Tuanku Syed Sirajuddin Ibni Al-Marhum Tuanku Syed Putra Jamalullail, Tuanku Raja Perlis in conjunction with His Royal Highness' 71st birthday celebration.

10
6 June
VADS Launches Malaysia's First Virtual Private Cloud

TM's wholly-owned subsidiary VADS and IBM Malaysia Sdn Bhd signed an agreement to launch Malaysia's first Virtual Private Cloud (VPC).

11
10 June
Hospitality Entertainment Solution in Sarawak

Imperial Hotel Kuching became the first hotel in Sarawak to subscribe to the Hospitality Entertainment Solution, enabling guests to enjoy TM's latest ICT and entertainment solution.

12
1 July
TM Collaborates on Smart City

TM entered into a joint venture with UEM Sunrise and Iskandar Investment to provide Smart City infrastructure and services in Nusajaya.

13
9 July
Islamic on Demand Channel

HyppTV launched the AlHijrah on Demand Channel, offering subscribers Islamic content in high definition on its platform.

14
17 July
"OP Selamat" Safety Is Back, Powered By TM

TM once again collaborated with Polis DiRaja Malaysia (PDRM) on the annual safety campaign "Op Selamat 5/2014" in conjunction with the Hari Raya celebration. This marked the 17th consecutive year the Company has supported the national initiative.

15
8 Aug
TM Broadband Goes to Kedah

TM further strengthened its position as Malaysia's Broadband Champion with the launch of its 4G broadband offering, TMgo, in Alor Setar, Kedah. The offering reflects TM's commitment to providing broadband services to all segments and locations across the nation.


15


16


18

16 **29 Aug**

Patriotic Documentary to Celebrate Merdeka

TM's Merdeka-themed documentary, "Ceritera Tanah Airku", was aired on HyppTV. The documentary is yet another national initiative supporting the 57th Merdeka celebration as well as Malaysia Day.

17 **7 Sept**

TM Team Malaysia Fan Run

TM Team Malaysia Fan Run returned for the third year in gathering support for Malaysian athletes participating in the 17th Asian Games in Incheon, South Korea.

18 **13 Sept**

HyppTV introduces first home-grown entertainment channel

HyppTV officially launched HyppSensasi – its first home-grown entertainment channel showcasing exclusive locally-produced Bahasa Malaysia programmes in high definition.

19 **25 Sept**

TM Launches Shop in A Box

TM provided another new solution for local SMEs to empower their business with its latest retail solution offering, Shop in A Box. The launch reflects TM's continuous efforts to encourage ICT adoption among SMEs in Malaysia.

20 **26 Sept**

TM Employees Gather for Sports Carnival

TM, through Kelab TM Kedah and Perlis, kicked off its annual Sports Carnival at Stadium Sultan Abdul Halim, Alor Setar held until 28 September. The carnival attracted more than 1,500 employees from all over Malaysia.

21 **8 Oct**

TM announces P1's Board and Management

TM, as the new holding company for P1, together with Green Packet Berhad and SK Telecom Co, Ltd announced the new P1 Board and key management line-up. TM is the company's controlling shareholder with a 55.3% stake.

22 **30 Oct**

TM R&D Receives Chairman's Award

TM R&D, the research arm and a wholly-owned subsidiary of TM, was recently crowned with the Chairman's Award at the World Information Technology Services Alliance (WITSA) Global ICT Excellence Awards, held in conjunction with the 2014 World Congress on Information Technology (WCIT) in Guadalajara, Mexico.

23 **18 Nov**

Agreement on digital terrestrial TV

TM signed an agreement with MYTV Broadcasting Sdn Bhd (MYTV) for the provision of infrastructure and network facilities for digital terrestrial television (DTT) services in Malaysia. With the agreement, both parties are set to bring Malaysia's first DTT infrastructure forward.

24 30 Dec

New Cable Network to Increase Broadband Capacity

TM was awarded a landmark contract via an open tender process to develop and construct the *Sistem Kabel Rakyat 1Malaysia* (SKR1M) by Malaysian Communications and Multimedia Commission (MCMC). The establishment of this new submarine cable system is part of the Government's initiatives to increase the nation's high-speed broadband capacity.

25 5 Dec

TM Sweeps NACRA 2014

TM walked away with the Challenge Trophy, winning the Platinum for the Most Outstanding Annual Report of the Year at the National Annual Corporate Report Awards (NACRA) 2014. This is the second consecutive year that TM has clinched the most coveted award, and the fourth time in its history, in addition to 2013, 2011 and 2006.

AWARDS & RECOGNITIONS 2014

AT TM, WE BELIEVE IN INNOVATING AND CREATING NEW IDEAS TO INCREASE OUR CAPABILITIES, STRIVING FOR GREATER HEIGHTS, TO SERVE YOU BETTER.

19 Mar
TV Connects Industry Awards 2014
- Best Component or Enabler

22 Apr
Frost & Sullivan Malaysia Awards
- TM Awards
  1. Telecommunication Wholesale Service Provider of the Year
  2. Data Communications Service Provider of the Year
  3. Broadband Service Provider of the Year
  4. Telecom Service Provider of the Year

- VADS Awards
  1. BPO Service Provider of the Year
  2. Managed Service Provider of the Year

5 May
11th RAM League Awards
- RAM Awards of Distinction 2013
- Blueprint Award 2013

9 May
Frost & Sullivan Malaysia Excellence Awards
- Telecom Service Provider of the Year
- Data Communications Service Provider of the Year

30 May
Asia-Pacific Stevie Awards
- Grand Stevie Awards

25 June
Frost & Sullivan Asia Pacific ICT Awards
- Fixed Broadband Service Provider of the Year

1 Aug
Asia Best Employer Brand Awards 2014
- Asia's Best Employer Brand Awards 2014

15 Aug
CMO Asia's World Brand Awards
- Brand Excellence Awards – Telecommunication Service Sector

10 Sept
Alpha Southeast Asia's 4th Annual Corporate Institutional Investor Awards
- Best Strategic CSR & Best Annual Report in Malaysia
- Most Organised IR
- Best Senior Management IR Support

Ethical Boardroom Corporate Governance Awards 2015
- Best Corporate Governance – Telecoms – Asia

30 Sept
World IT and Services Alliance (WITSA) Excellence Awards
- TM R&D won the Chairman's Award

8 Oct
Computerworld Malaysia Readers Choice Awards 2014
- Managed Connectivity
- Hybrid and Private Cloud Provider – Won by VADS

31 Oct
Asia Corporate Excellence & Sustainability Awards 2014
- Top won fo the category of Best Companies to work
- Top 5 companies to work

20 Nov
NACRA Awards 2014
- Overall Excellence for Best Annual Report – Platinum
- Best Corporate Social Responsibility – Platinum
- Best Annual Report in Bahasa Malaysia – Platinum
- Industry Excellence – Trading & Services
- Best Designed Annual Report – Gold

31 Nov
Top Asia Corporate Ball 2014
- Malaysia Top Corporate Leader – Tan Sri Dato' Sri Zamzamzairani Mohd Isa (Asian Corporate Icon – Telecommunication)

TM PAST AWARDS

2013

ANUGERAH JURUTEKNOLOGI NEGARA
- TM R&D won for Service category

GLOBAL HR EXCELLENCE AWARD
- Chief Human Resource Officer of the Year
- HR Leadership Award

ISLAMIC FINANCE AWARD FOR INNOVATION
- TM received recognition for Innovation

MALAYSIA INVENTION AND INNOVATION AWARDS (MTE)
- TM R&D won Bronze Awards

TV CONNECT INDUSTRY AWARDS
- Best Live Online TV Service or Solution

READER'S DIGEST TRUSTED BRANDS
- Phone & Broadband Service Category – Gold

PUTRA BRAND AWARDS
- Communication Network – Bronze

FROST & SULLIVAN MALAYSIA EXCELLENCE AWARDS
- Telecom Service Provider of the Year
- Data Communications Service Provider of the Year

The Brand Laureate Country Branding Award – won by Menara KL

ASIA COMMUNICATION AWARDS (ACA)
- Innovation Award won by TM R&D

KUALA LUMPUR MAYOR'S TOURISM AWARD
- Menara KL won Outstanding Achievement in Tourism Attraction Category

FROST & SULLIVAN ASIA PACIFIC ICT AWARD
- Fixed Broadband Service Provider of the Year

HUMAN RESOURCES EXCELLENCE AWARD 2013 "HR TEAM OF THE YEAR"
- Best 50 Companies to Work For in Asia

GLOBAL SERVICES 100 PROVIDER
- VADS – Outsourcing Malaysia Excellence Awards 2013 (BPO Project of the Year)

ALPHA SOUTHEAST ASIA'S INSTITUTIONAL INVESTOR CORPORATE AWARDS
- Best Strategic CSR
- Best Annual Report in Malaysia

MSC ASIA PACIFIC ICT ALLIANCE (MSC APITCA)
- Winner and Merit for the Best of Research & Development Award – won by TM R&D
- Merit for the Best Communications Applications – won by TM R&D

Computerworld Malaysia Readers Choice Awards 2013
- Managed Connectivity

CONTACT CENTRE ASSOCIATION OF MALAYSIA (CCAM) AWARDS

VADS won for:
- Best Outsourced Outbound Contact Centre (Over 100-seats)
- Best Government Contact Centre
- Best Government Initiative

CONTACT CENTRE WORLD AWARDS
- Best Leader
- Best Operations Manager
- Best Recruitment Campaign
- Best IT Support
- Best Sales Inbound

PERSIDANGAN DAN EKSPO CIPTAAN INSTITUSI PENGAJIAN TINGGI ANTARABANGSA (PENCIPTA) 2013

Won by MMU for:
- Best of the Best Awards
- Special Award from the Korean Asia Invention Association

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)
- Most Outstanding Annual Report of the Year – Platinum
- Best Corporate Social Responsibility Reporting – Gold
- Best Annual Report in Bahasa Melayu – Silver
- Industry Excellence Award – Trading & Services

ASIA PACIFIC INFORMATION AND COMMUNICATION TECHNOLOGY ALLIANCE (APICTA) AWARDS 2013
- Merit award for Communication Category

ANUGERAH ZAKAT KEBANGSAAN
- TM received recognition for Government Linked Company category

SMI ASSOCIATION OF MALAYSIA SME RECOGNITION AWARD
- SME Sahabat Negara Award 2013

MALAYSIAN – ASEAN CORPORATE GOVERNANCE INDEX 2013
- Top Five Overall Corporate Governance
- Best Conduct of AGM
- Best ESG

NATIONAL CENTRE FOR SUSTAINABILITY REPORTING (NCSR) AWARD
- Winner Best Sustainability Report 2012 in Malaysia

2012

THE BRANDLAUREATE TOP TEN MASTERS AWARDS
- The Most Preferred Brand in ICT – Broadband

NEF-AWANI ICT AWARDS 2011
- Favourite Telecommunications Company in People's Choice Category

PC.COM 12TH READERS CHOICE AWARDS 2011
- Best Wired Broadband for UniFi

FROST & SULLIVAN MALAYSIA EXCELLENCE AWARDS, KUALA LUMPUR
- Service Provider of the Year
- Broadband Service Provider of the Year
- Data Communications Service Provider of the Year
- Managed Service Provider of the Year

15TH ANNUAL TELECOM AWARD, BANGKOK
- Best Broadband Carrier

PUTRA BRAND AWARDS
- Silver for Communications Network Category

PENYEDIA PERKHIDMATAN INTERNET, KUALA LUMPUR
- Best Brand in ICT

FROST & SULLIVAN ASIA PACIFIC ICT AWARD, SINGAPORE
- Fixed Broadband Service Provider of the Year

URBANSCAPES-MARKIES AWARD
- Best Idea – Consumer Events/Experiential TM EveryoneConnects

QS ASIAN UNIVERSITY RANKINGS
- Multimedia University (MMU) the highest ranked Private University in Malaysia (MMU)

ASIA COMMUNICATIONS AWARD, SINGAPORE
- Giorgio Migliarina: Chief Technology Officer of the Year

WORLD HRD CONGRESS AND WORLD EDUCATION CONGRESS, MUMBAI, INDIA
- For TM Training Centre (TMTC):
  - Best Learning Programme (Best Behavioural Change)
  - Best Practices (Best e-Learning Implementation on a Budget)

MALAYSIAN SOFTWARE TESTING BOARD Q-MERIT AWARD
- TM R&D

CONTACT CENTRE WORLD TOP RANKING PERFORMERS AWARD – APAC REGION, SINGAPORE
- 5 Gold, 1 Silver and 4 Individual Awards for VADS Berhad

3RD CMO ASIA AWARDS FOR EXCELLENCE IN BRANDING & MARKETING
- Asia's Best Brand Award

GLOBAL SERVICES 100 PROVIDER
- Winner of the Global BPO Challengers category – VADS (BPO)

CONTACT CENTRE ASSOCIATION OF SINGAPORE AWARDS
- Bronze for Best Outsourced Contact Centre (VADS)

ALPHA SOUTHEAST ASIA'S INSTITUTIONAL INVESTOR CORPORATE AWARDS FOR MALAYSIA
- Best Annual Report
- Top three for:
  - Most Consistent Dividend Policy
  - Best Strategic CSR

ASIA GEOSPATIAL FORUM, HANOI, VIETNAM
- Asia Geospatial Excellence Award for MERS 999

COMPUTERWORLD READER'S CHOICE AWARDS
- Managed Connectivity category

11TH COMPUTERWORLD MALAYSIA READERS CHOICE AWARDS
- Gold Award (VADS)

MALAYSIA HR AWARDS
- Employer of Choice Gold Award

CUSTOMER RELATIONSHIP MANAGEMENT AND CONTACT CENTRE ASSOCIATION OF MALAYSIA (CCAM) AWARDS
- 16 awards for VADS
- VADS the Best of the Best BPO Outsourcer of the Year

MINISTRY OF INTERNATIONAL TRADE & INDUSTRY – INDUSTRY EXCELLENCE AWARD
- Multimedia University (MMU)

ANUGERAH CEMERLANG KESELAMATAN DAN KESIHATAN KEBANGSAAN
- Won by TM Pahang

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)
- Silver Award – Overall Excellence for Best Annual Report
- Industry Excellence Award for Main Board Companies under the Trading & Service Category

CONTACT CENTRE WORLD AWARDS
- 2 Gold, 2 Silver and 2 Bronze medals (VADS)

NATIONAL CENTER FOR SUSTAINABILITY REPORTING (NCSR), JAKARTA
- Best Sustainability Award for Malaysia

SMI ASSOCIATION OF MALAYSIA SME RECOGNITION AWARD

2011

THE BRANDLAUREATE TOP TEN MASTERS AWARDS
- SMEs' Most Preferred Brand in the Media category – TMIM's Yellow Pages

PC.COM 11TH PRODUCT AWARDS
- Best Fixed Broadband

THE BRANDLAUREATE COUNTRY BRANDING AWARDS 2010-2011
- Won by Menara Kuala Lumpur

NEF-AWANI ICT AWARDS
- Favourite Telecommunications Company 2010

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

READER'S DIGEST TRUSTED BRANDS AWARDS
- Platinum Award – Internet Broadband Service
- Gold Award – Phone Service

THE BRANDLAUREATE TOP TEN MASTERS AWARDS
- Asia's Best Employer Brand Award
- Asia's Best Brand Award

MALAYSIA 1000'S INDUSTRY EXCELLENCE AWARD FOR COMPUTER PRODUCTS
- Won by VADS Berhad

ACCA MALAYSIA SUSTAINABILITY REPORTING AWARDS
- Reporting on Social Performance

1ST MEF CERTIFIED SERVICE PROVIDER IN MALAYSIA

PIKOM 25TH ANNIVERSARY GALA DINNER & ICT LEADERSHIP AWARDS
- ICT Organisation Excellence Award
- ICT Personality of the Year – Dato' Sri Zamzamzairani Mohd Isa, Group CEO

BEST WHOLESALE ETHERNET SERVICE APAC

MALAYSIAN CORPORATE GOVERNANCE (MCG) INDEX AWARDS
- Industry Excellence in Telecommunications & Media
- Best CSR
- Distinction (A+)

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)
- 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

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

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
- Streamyx – Platinum

LABOUR DAY CELEBRATIONS
- Anugerah Majikan Prihatin

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS
- Data Communications Service Provider of the Year
- Managed 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

TOP RANKING PERFORMERS AWARDS APAC REGION FINAL
- Highly Commended Award
- Gold Award
- Silver Award

10TH MALAYSIA HR AWARDS
- HR Excellence – Gold Award

SHARE GUIDE ASSOCIATION MALAYSIA (SGAM) 21ST ANNUAL CONFERENCE AND ICT AWARDS
- Unified Communications Excellence

Malaysian Business-CIMA Enterprise Governance Awards
- 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 AWARDS
- 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
- Industry Excellence
- Best Conduct of Annual General Meeting
- Corporate Governance

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)
- 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

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 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)
- 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
- Distinction
- Best AGM Conducted in 2009

STARBIZ-ICRM CR AWARDS
- Community Category

CORPORATE IN

Board of Directors

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
Chairman
Non-Independent Non-Executive Director

DATO' FAUZIAH YAACOB
Non-Independent Non-Executive Director

DATUK ZALEKHA HASSAN
Independent Non-Executive Director

DAVIDE GIACOMO FEDERICO BENELLO @ DAVID BENELLO
Independent Non-Executive Director

DATO' SITI ZAUYAH MD DESA
Alternate Director to Dato' Fauziah Yaacob
Non-Independent Non-Executive Alternate Director

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA
Managing Director/ Group Chief Executive Officer
Non-Independent Executive Director

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN
Non-Independent Non-Executive Director

DATO' IR ABDUL RAHIM ABU BAKAR
Independent Non-Executive Director

DATUK SERI FATEH ISKANDAR TAN SRI DATO' MOHAMED MANSOR
Independent Non-Executive Director

NIK RIZAL KAMIL TAN SRI NIK IBRAHIM KAMIL
Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Non-Independent Non-Executive Alternate Director

DATUK BAZLAN OSMAN
Executive Director/ Group Chief Financial Officer
Non-Independent Executive Director

DATO' DANAPALAN T.P VINGGRASALAM
Senior Independent Non-Executive Director

DATO' IBRAHIM MARSIDI
Independent Non-Executive Director

GEE SIEW YOONG
Independent Non-Executive Director

FORMATION

as at 13 March 2015

SENIOR INDEPENDENT DIRECTOR

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

COMPANY 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

HEAD OFFICE

Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia
Tel : 603-2240 9494
Website : www.tm.com.my

STOCK EXCHANGE LISTING

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

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
(Company No. 378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Malaysia

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

AUDITORS

PricewaterhouseCoopers
(AF: 1146)
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia
Tel : 603-2173 1188
Fax : 603-2173 1288
Website : www.pwc.com

PRINCIPAL BANKERS

- CIMB Bank Berhad
- Malayan Banking Berhad

CONTACT US

For any enquiries on TM products and services

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

HEAD OF CUSTOMER EXPERIENCE MANAGEMENT AND TRANSFORMATION (CEMT)

Rafaai Samsi

Rafaai is Head of CEMT and is responsible for the overall customer service management of TM. He is also the Deputy Chief Technology and Innovation Officer of TM. His profile is disclosed on page 105 of this Annual Report.

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

Rafaai Samsi
Head of Customer Experience Management and Transformation (CEMT)

HEAD OF INVESTOR RELATIONS

Rohaila Mohamed Basir

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

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

Rohaila Mohamed Basir
Head of Investor Relations

as at 13 March 2015

Hazimi Kassim
Chief Internal Auditor

Idrus Ismail
Chief Legal, Compliance and Company Secretary

Ahmad Ismail
Chief Corporate and Regulatory Officer

CHIEF INTERNAL AUDITOR

Hazimi Kassim

Hazimi is responsible for the management of internal control and review of its effectiveness, adequacy and integrity. His profile is disclosed on page 104 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

Idrus is responsible for legal, compliance and company secretarial matters. He also oversees all programmes on corporate ethics and integrity practices in the Group. His profile is disclosed on page 103 of this Annual Report.

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

CHIEF CORPORATE AND REGULATORY OFFICER

Ahmad Ismail

Ahmad is responsible for the Group's corporate and regulatory matters. His profile is disclosed on page 104 of this Annual Report.

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

TM

MASS MARKET

CONSUMER & SMALL MEDIUM ENTERPRISE (SME)
- Telekom Sales & Services Sdn Bhd (100%)

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

- Telekom Applied Business Sdn Bhd (100%)

MANAGED ACCOUNTS

GOVERNMENT
- GITN Sdn Bhd (100%)

ENTERPRISE

VADS BERHAD (100%) [1]
- VADS Business Process Sdn Bhd (100%)
  - PT VADS Indonesia (100%) (90% owned by VADS Business Process Sdn Bhd and 10% owned by VADS Berhad);
- VADS Professional Services Sdn Bhd (100%)
- VADS Solutions Sdn Bhd (100%)
- VADS e-Services Sdn Bhd (100%)
- Meganet Communications Sdn Bhd (100%)

- Intelsec Sdn Bhd (100%)
  - Inneonusa Sdn Bhd (100%)
- GTC Global Sdn Bhd (100%) [4]

Legend:
- Market Clusters
- Lines of Business
- Education Cluster
- Foundation
- Business Functions
- Support Business and Corporate Functions
- TM Subsidiary

Notes:

(1) VADS Berhad is a wholly-owned entity of TM

(2) Yayasan Telekom Malaysia is a charitable trust established under the Trustees (Incorporation) Act 1952

(3) Packet One Networks (Malaysia) Sdn Bhd is a subsidiary of Mobikom Sdn Bhd with 55.3% shareholding

(4) GTC Global Sdn Bhd is a wholly-owned entity of TM

This chart represents TM's lines of businesses, subsidiaries, associates, business functions and corporate functions

GROUP CORPORAT

GLOBAL & WHOLESALE

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

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

MOBILE & WIRELESS

- Mobikom Sdn Bhd (100%)
  - **PACKET ONE NETWORKS (MALAYSIA) SDN BHD (55.3%)** [3]
    - Millercom Sdn Bhd (100%)
    - Packet One (L) Ltd (100%)
    - P1.Com Sdn Bhd (100%)
    - RuumzNation Sdn Bhd (100%)

EDUCATION CLUSTER

- Universiti Telekom Sdn Bhd (100%)
  - Unitele Multimedia Sdn Bhd (100%)
    - MMU Creativista Sdn Bhd 100%)
  - Multimedia College Sdn Bhd (100%)
- **Yayasan Telekom Malaysia**[2]

CUSTOMER EXPERIENCE MANAGEMENT & TRANSFORMATION

IT & NETWORK TECHNOLOGY

- Telekom Research & Development Sdn Bhd (100%)

SUPPORT BUSINESS

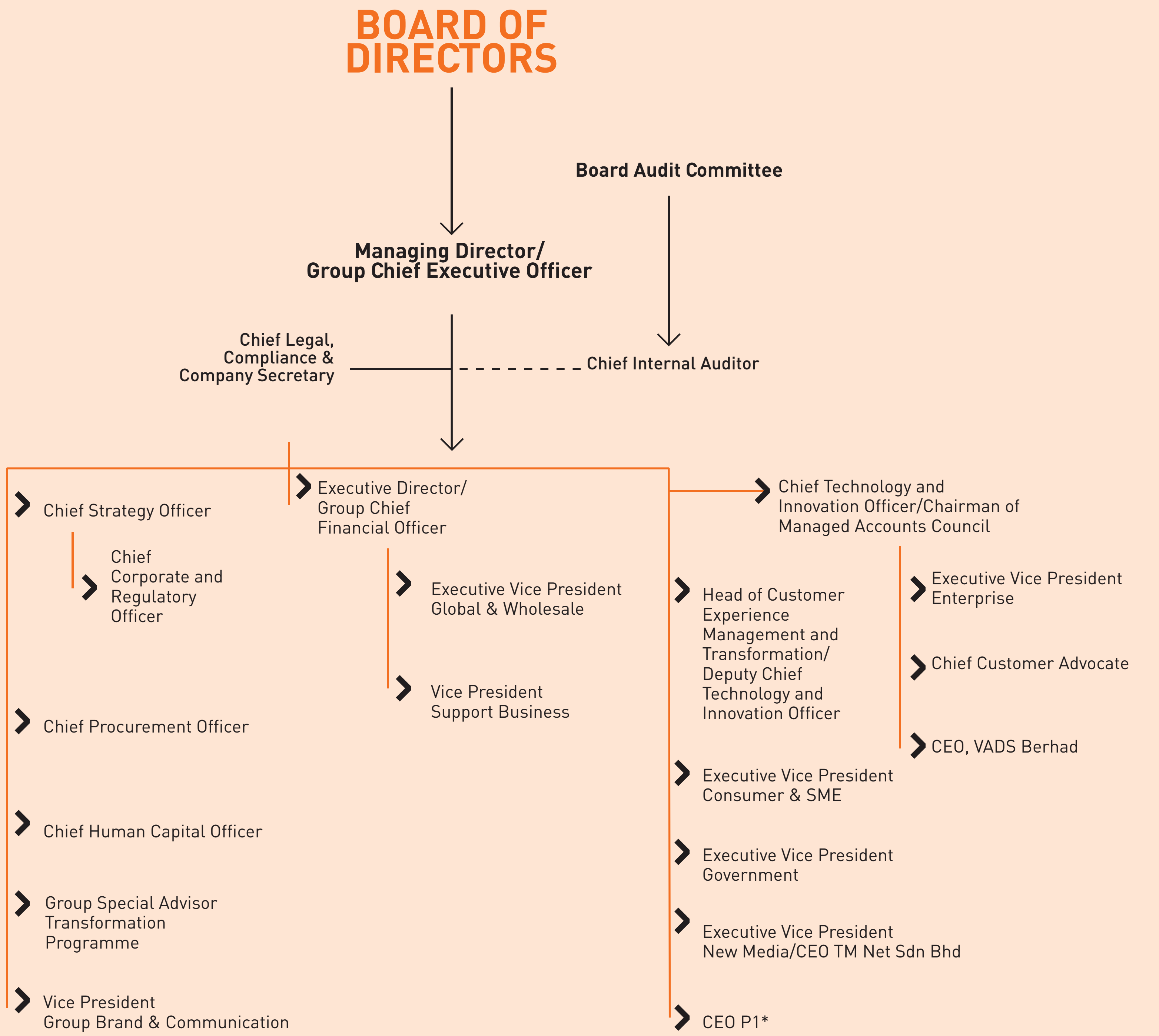
- TM Facilities Sdn Bhd (100%)
  - TMF Autolease Sdn Bhd (100%)
- Menara Kuala Lumpur Sdn Bhd (100%)
- Telekom Multi-Media Sdn Bhd (100%)
  - Mutiara.Com Sdn Bhd (30%)

CORPORATE CENTRE

Note: List of TM Group of Companies are shown on pages 378 to 383 of this annual report

E STRUCTURE

as at 13 March 2015

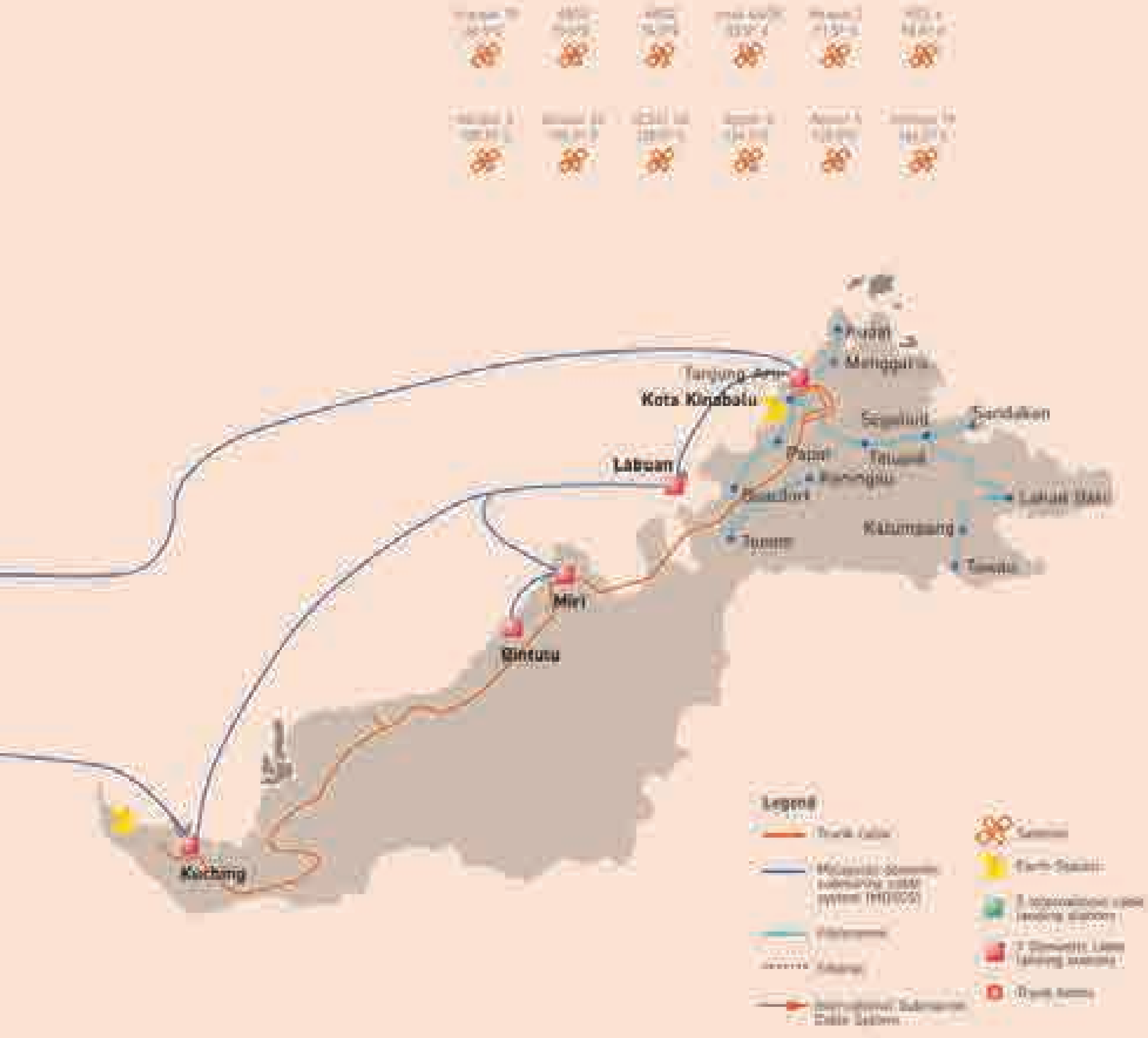


Note:
** Non GLT member*

as at 13 March 2015

GROUP ORGANISATION STRUCTURE

INTERNATIONAL & DOMESTIC INFRASTRUCTURE & TRUNK FIBRE OPTIC NETWORK


Tanjung Aru
Kota Kinabalu
Labuan
Miri
Bintulu
Kuching
Sandakan
Papar
Beaufort
Tenom
Keningau
Telupid
Lahad Datu
Kalumpang
Tawau
Legend

TM WORLDWIDE COVERAGE

Our integrity reaffirmed

Our commitment to building a better future is ingrained in all that we do – from improving customer experience, caring for our own employees, giving back to our communities and delivering value to our shareholders. We lead with integrity and ethics as a foundation for a successful and responsible organisation.

GA
CHAN

LEADERSHIP & ACCOUNTABILITY

BOARD OF D

Standing from Right to Left
Tan Sri Dato' Seri Dr Sulaiman Mahbob, Dato' Fauziah Yaacob, Dato' Ibrahim Marsidi, Davide Giacomo Federico Benello @ David Benello, Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor, Gee Siew Yoong, Dato' Siti Zauyah Md Desa, Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil

IRECTORS

Standing from Left to Right

Tan Sri Dato' Sri Zamzamzairani Mohd Isa, Datuk Bazlan Osman, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, Dato' Danapalan T.P Vinggrasalam, Dato' Ir Abdul Rahim Abu Bakar, Datuk Zalekha Hassan

Secretaries:

Idrus Ismail, Hamizah Abidin, Zaiton Ahmad

PROFILE OF DIRECTORS

Tan Sri Dato' Seri Dr Sulaiman, aged 66, a Malaysian, was appointed Non-Independent Non-Executive Chairman of TM on 12 January 2015. He holds a degree in Economics from the University of Malaya, Master of Science from the University of London and PhD at the Maxwell School of Citizenship and Public Affairs at Syracuse University, New York. He also attended a course on World Currency Reform at Harvard University in 1999. He was conferred an Honorary Doctorate in Economic Management by Universiti Kebangsaan Malaysia in October 2013.

Tan Sri Dato' Seri Dr Sulaiman served the Government sector for over 38 years in various capacities including the position of the Director-General of the Economic Planning Unit, Prime Minister's Department, Secretary-General of Ministry of Domestic Trade and Consumer Affairs (then), and Under Secretary (Economics) of Ministry of Finance (MOF), as well as Head of Secretariat of the National Economic Action Council (NEAC) during the financial crisis in 1997/1998, when Malaysia implemented the capital control policy. He was then seconded to the Malaysian Institute of Economic Research (MIER) during 1995-1997 as the Executive Director. He has also served at the Institute of Integrity Malaysia (IIM) as its first founding President from 2004 until 2005, where he established several work programmes to promote a culture of ethics and integrity within the public sector and also in the private sector in line with the Government's National Integrity Plan.

Tan Sri Dato' Seri Dr Sulaiman previously served as Chairman of Malaysian Investment Development Authority (MIDA) and the Companies Commission of Malaysia, and a Board member of Petroliam Nasional Berhad (Petronas), Federal Land Development Authority (FELDA), Malaysia Insurance Deposit Corporation (PIDM) and the then Multimedia and Communications Commission.

He is currently the Chairman of Universiti Telekom Sdn Bhd and GITN Sdn Bhd, wholly-owned subsidiaries of TM as well as Chairman of the Malaysian Institute of Economic Research (MIER) and Minority Shareholder Watchdog Group (MSWG). He is also the Deputy Chairman of Malaysian Economic Association (MEA) and a Board member of Bank Negara Malaysia, the Institute of Strategic and International Studies (ISIS) and Felda Global Ventures Holdings Berhad. He is an Adjunct Professor (Economics) at the University of Malaya, Universiti Utara Malaysia and Universiti Tun Abdul Razak.

Tan Sri Dato' Seri Dr Sulaiman complies with Paragraph 15.06(1) of the Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad on the restriction on number of directorships in listed issuers with two directorships in listed issuers, including TM.

He is a Non-Executive Director 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.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
CHAIRMAN/NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA

MANAGING DIRECTOR/ GROUP CHIEF EXECUTIVE OFFICER NON-INDEPENDENT EXECUTIVE DIRECTOR

Tan Sri Dato' Sri Zamzamzairani, aged 54, a Malaysian, was appointed Non-Independent Executive Director and Managing Director/Group Chief Executive Officer, TM on 25 April 2008. He holds a Bachelor of Science in Communications Engineering from Plymouth Polytechnic, United Kingdom (UK) and has completed the Corporate Finance, Strategies for Creating Shareholder Value Programme at Kellog School of Management, Northwestern University, USA. He also attended the Strategic Leadership Programme at the University of Oxford's Saïd Business School and the IMD CEO Roundtable Session at Lausanne, Switzerland in 2013.

His vast experience in the telecommunications industry spans more than 30 years. Tan Sri Dato' Sri Zamzamzairani's career started in TM where he served for 13 years before assuming key positions in several multinationals, such as Global One Communications and then at Lucent Technologies (Malaysia) Sdn Bhd as its Chief Executive Officer (CEO). In 2005, he returned to TM as Senior Vice President (SVP), Group Strategy and Technology and thereafter as CEO, Malaysia Business, before being appointed to his current office.

Tan Sri Dato' Sri Zamzamzairani is also a Director of a number of TM subsidiaries including as Chairman of VADS Berhad, Packet One Networks (Malaysia) Sdn Bhd and TM Net Sdn Bhd, and Deputy Chairman of GITN Sdn Bhd. Under his leadership, TM has successfully rolled out and launched the high speed broadband service in 2010, in a historic collaboration with the Government of Malaysia. He is an Adjunct Professor of MMU.

Tan Sri Dato' Sri Zamzamzairani complies with Paragraph 15.06(1) of the Main LR with one directorship in a listed issuer, ie TM.

As the Group CEO, he also sits on the Board Tender Committee (BTC) of TM. 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, aged 51, a Malaysian, was appointed Non-Independent Executive Director of TM on 25 April 2008. He is also the Group Chief Financial Officer (CFO) of TM, a position he assumed on 1 May 2005. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), UK and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He was a member of the Issues Committee of the Malaysian Accounting Standards Board from 2006 until 2010. He has attended the IMD Programme for Senior Executives in 2008 and the Strategic Leadership Programme at the University of Oxford's Saïd Business School in 2013.

He began his career as an auditor with Messrs Hanafiah Raslan Mohamad, a public accounting firm, in 1986 and subsequently served the Sime Darby Group, holding various finance positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a stint with American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed SVP, Finance/Company Secretary. He joined Celcom Axiata Berhad in 2001 as the SVP, Corporate Finance and Treasury and was subsequently appointed the CFO in 2002 prior to his appointment as TM Group CFO in 2005. He also oversees the operations of Global & Wholesale, Support Business and MMU. Datuk Bazlan is the Chairman of Fiberail Sdn Bhd and sits on the Boards of several subsidiaries within TM Group including VADS Berhad and Tulip Maple Berhad.

Datuk Bazlan complies with Paragraph 15.06 of the Main LR with one directorship in a listed issuer, ie TM.

He is a member of TM's Board Risk Committee (BRC), BTC and Board Investment Committee (BIC). 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
EXECUTIVE DIRECTOR/
GROUP CHIEF FINANCIAL OFFICER
NON-INDEPENDENT
EXECUTIVE DIRECTOR

DATO' FAUZIAH YAACOB
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Dato' Fauziah, aged 59, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 4 March 2013. She graduated with a Bachelor of Arts (Hons) and Diploma in Education, both from the University of Malaya. She obtained a Diploma in Public Administration from the National Institute of Public Administration (INTAN) and later a Diploma in Administrative Studies and a Masters in Public Administration, both from the University of Liverpool, UK.

Dato' Fauziah began her career in the civil service in 1981 as an Assistant Secretary in the Ministry of Education and was appointed Principal Assistant Secretary in the same ministry from 1986 until 1987. She later pursued her studies in the UK and upon her return in 1989, served as Assistant Secretary in the Ministry of Finance (MOF) until 1992. She was then posted to the Ministry of Transport as Assistant Director for two years and later assigned to Kuala Lumpur International Airport Berhad as Senior Manager from 1993 until 1999. Dato' Fauziah returned to MOF in 1999 and was appointed Principal Assistant Director in the Budget Division until 2006. Since then she has served in various capacities in the MOF including as Deputy Secretary General (Systems & Controls) before her appointment as Deputy Secretary General (Investment) on 15 January 2014.

Dato' Fauziah is a director of Pos Malaysia Berhad and several companies and agencies related to the Government, namely Pembinaan BLT Sdn Bhd, Aman Sukuk Berhad (a subsidiary of Pembinaan BLT Sdn Bhd), Pyrotechnical Managers Holdings Sdn Bhd, Lembaga Tabung Angkatan Tentera, Suruhanjaya Koperasi Malaysia and a commission member of Securities Commission. She is also an alternate director on the Board of Malaysian Airline System Berhad and Iskandar Regional Development Authority (IRDA). She complies with Paragraph 15.06(1) of the Main LR with two directorships in listed issuers, including TM.

Dato' Fauziah currently serves as a member of BTC and BIC of TM. She 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. She 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

Tunku Dato' Mahmood Fawzy, aged 56, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Arts (Hons) in Business Studies from the Polytechnic of Central London (now Westminster University), a Masters in Business Administration from Warwick University, UK, and a Diploma in Marketing from the Chartered Institute of Marketing. He is a member of the Institute of Public Accountants Australia, the Malaysian Institute of Management (MIM) and the Malaysian Institute of Corporate Governance.

Tunku Dato' Mahmood Fawzy has held a variety of different positions throughout his career. He started as a foreign exchange analyst with NCR UK Limited and later joined Svenska Handelsbanken, London as a Risk Analyst. He then joined Shell Malaysia Trading Sdn Bhd in 1990 and was cross posted to Shell New Zealand Ltd in 1991. In 1997, he joined an investment holding company, Wira Security Holdings Sdn Bhd as Executive Director and later moved to Tajo Bhd as CEO. Tunku Dato' Mahmood Fawzy then joined PricewaterhouseCoopers as Executive Director, Corporate Finance in 2000. In 2002, he was appointed the Managing Director and CEO of Engen Limited, an integrated oil company in South Africa, a subsidiary of Petronas. He was appointed Non-Executive Director of Energy Africa Limited until January 2004 and was a member of the Board of Governors of the South African Petroleum Industry Association (SAPIA). He left Engen in June 2005 and thereafter became the CEO of a shipping company until December 2006. He joined Khazanah Nasional Berhad (Khazanah) in May 2007 as Investment Director and retired as Executive Director, Investments in May 2010.

Tunku Dato' Mahmood Fawzy also sits on the Board of Hong Leong Islamic Bank Berhad, Hong Leong Assurance Berhad, Hong Leong MSIG Takaful Berhad, Hong Leong Asset Management Berhad, SapuraKencana Petroleum Berhad, Malaysia Airports Holdings Berhad and Packet One Networks (Malaysia) Sdn Bhd, a subsidiary of TM. He complies with Paragraph 15.06(1) of the Main LR as he holds three directorships in listed issuers, including TM.

Tunku Dato' Mahmood Fawzy is currently the Non-Executive Chairman of TM's Board Nomination and Remuneration Committee (NRC) and a member of the Board Audit Committee (BAC). He 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 T.P VINGGRASALAM
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Danapalan, aged 72, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008 and was made Senior Independent Director on 21 May 2009. He holds a Bachelor of Arts (Hons) from the University of Malaya and a Masters in Public Administration from Penn State University, USA.

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

He is currently a Director of Gibraltar BSN Life Berhad (formerly known as Uni.Asia Life Assurance Berhad) and Sirim QAS International Sdn Bhd (a subsidiary of Sirim Berhad), and a member on the Board of Trustees of M.U.S.T Ehsan Foundation and Maybank Foundation. Dato' Danapalan is also Chairman of Telekom Research & Development Sdn Bhd and a Board member of Universiti Telekom Sdn Bhd, wholly-owned subsidiaries of TM.

Dato' Danapalan complies with Paragraph 15.06(1) of the Main LR with one directorship in a listed issuer, ie TM.

He currently serves as a member of TM's BAC, NRC, BIC and BRC. 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

Datuk Zalekha, aged 61, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 9 January 2008 and subsequently re-designated as TM's Independent Non-Executive Director on 1 June 2011, following her retirement from the MOF. She graduated with a Bachelor of Arts (Hons) from the University of Malaya.

Datuk Zalekha began her career in the civil service in 1977, as an Assistant Director in the Training and Career Development Division of the Public Service Department. She continued to serve the Government in numerous ministries including the Ministry of Health, the Ministry of Social Welfare and the Ministry of National Unity and Social Development. She later joined the MOF in 1997 as its Senior Assistant Director of the Budget Division and continued to serve in various capacities including with the Government Procurement Division. She was the MOF's Deputy Secretary-General (Management) until her retirement in May 2011. She was then appointed as MOF's Procurement Advisor from June 2011 until June 2013.

Datuk Zalekha also sits on the Board of Menara Kuala Lumpur Sdn Bhd, a wholly-owned subsidiary of TM and a Director of Malaysia Airports Holdings Berhad. She complies with Paragraph 15.06(1) of the Main LR as she holds two directorships in listed issuers, including TM.

She is currently the Independent Non-Executive Chairperson of TM's BTC and serves as a member of BAC and NRC. 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.

Dato' Ir Abdul Rahim, aged 69, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Science (Honours) Degree in Electrical Engineering from the Brighton College of Technology, UK. He is a Professional Engineer registered with the Board of Engineers Malaysia and holds the Electrical Engineer Certificate of Competency Grade 1.

He started his career with the National Electricity Board in 1969 and served the organisation until 1979, holding various technical and engineering positions. He later joined Pernas Charter Management Sdn Bhd, a management company for the tin mining industry as an Area Electrical Engineer and subsequently in late 1983, was appointed to the post of Chief Electrical Engineer.

In 1984, he moved to Malaysia Mining Corporation Berhad as the General Manager in business development until 1991. In November 1991, he was appointed as the Managing Director of MMC Engineering Services Sdn Bhd and later as Managing Director MMC Engineering Group Berhad. In May 1995, he joined Petronas Gas Berhad to assume the position of Managing Director and CEO, until August 1999. In September 1999, he moved on to take up the post of Vice President of Petronas, in charge of the petrochemical business. He retired from Petronas on 31 August 2002 and was then appointed an independent consultant to Petronas for a period of 6 months. Thereafter, he was appointed to the board of several private and public companies, including TM.

Dato' Ir Abdul Rahim also sits on the boards of Westports Holdings Berhad and Global Maritime Ventures Berhad. He complies with Paragraph 15.06 of the Main LR as he holds two directorships in listed issuers, including TM.

Dato' Ir Abdul Rahim is currently the Independent Non-Executive Chairman of TM's BIC and a member of NRC and BRC. 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 ABU BAKAR
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Dato' Ibrahim, aged 62, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Economics (Analytical) (Hons) from the University of Malaya.

He was previously the Managing Director and CEO of Petronas Dagangan Berhad (PDB) until his retirement on 31 December 2007. During his tenure, he spearheaded the transformation of PDB including the development of its brand and business strategy, as well as the development of its administrative and electronic payment systems. He joined Petronas in 1979 where he held a number of senior managerial positions such as Senior Manager of the Eastern and Northern Region, General Manager of the Liquefied Petroleum Gas (LPG) and Retail Business in PDB and General Manager of the Crude Oil Group.

Dato' Ibrahim sits on the Board of Menara Kuala Lumpur Sdn Bhd, a wholly-owned subsidiary of TM. He is also a Director of UMW Oil & Gas Corporation Berhad. He complies with Paragraph 15.06(1) of the Main LR with two directorships in listed issuers, including TM.

He currently serves as Non-Executive Chairman of TM's BRC and a member of NRC, BAC and BTC. 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' IBRAHIM MARSIDI
INDEPENDENT
NON-EXECUTIVE DIRECTOR

David, aged 61, an Italian, was appointed Independent Non-Executive Director of TM on 21 November 2011. He graduated with a Bachelor in Mathematics and obtained a Masters in Mathematics from the University of Oxford, UK and Masters in Business Administration from Harvard University, US.

David was previously a Director and Leader of UK Telecom, Media and Technology Practice at McKinsey & Company, a firm he joined in August 1982. He retired in June 2011 and is currently a Director Emeritus at the firm. He has extensive consulting experience in telco engagements, mainly in Europe (in addition to the US and Asia) on corporate strategy, ICT strategy and business turnarounds as well as operations/customer service. In the early years of his career, he served as a Senior at Arthur Andersen and a Second Lieutenant at Scuola Militare Alpina, Aosta, Italy. David is also an Independent Director of Telecom Italia S.p.A.

David complies with Paragraph 15.06(1) of the Main LR with one directorship in a listed issuer, ie TM.

David 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.

DAVIDE GIACOMO FEDERICO BENELLO @ DAVID BENELLO
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Datuk Seri Fateh Iskandar, aged 47, a Malaysian, was appointed Independent Non-Executive Director of TM on 7 October 2013. He holds a Bachelor of Law (Hons) and Masters in Business Administration from the University of Queensland, Australia.

Datuk Seri Fateh Iskandar is currently the Group Managing Director and CEO of Glomac Berhad (Glomac). He first joined Glomac Group of Companies in 1992 and was appointed its Group Executive Director in 1997. He was thereafter promoted as Group Managing Director in 2004 and subsequently appointed as CEO of Glomac on 24 March 2009. Prior to joining Glomac, he practised law in Australia before returning to Malaysia to join Kumpulan Perangsang Selangor Berhad.

Datuk Seri Fateh Iskandar is the President of the Real Estate & Housing Developers' Association (REHDA) Malaysia and Immediate Past Chairman of REHDA Selangor Branch. He was the former Deputy Chairman of the Malaysian Australian Business Council (MABC), Chairman of Gagasan Badan Ekonomi Melayu, Selangor Branch (GABEM) a body that promotes entrepreneurship amongst Malays in the country. He is the Co-Chair of the Special Taskforce to Facilitate Business Group (PEMUDAH) on Legal & Services and was also a Member of PEMUDAH Selangor Group. He was one of the founding Directors of Malaysia Property Incorporated, a partnership between Government and the private sector that was established to promote property investments and ownership in Malaysia to foreigners all around the world.

He was awarded the Malaysian Business Award in Property 2012 by the Malay Chamber of Commerce and Outstanding Entrepreneurship Award at the 2013 Asia Pacific Entrepreneurship Awards. In April 2014, he was awarded by The Leaders International the "Global Leadership Awards 2014 – Commercial Property Development". Datuk Seri Fateh Iskandar also sits on the Boards of VADS Berhad (a wholly-owned subsidiary of TM), Axis Reit Managers Berhad, Media Prima Berhad and The New Straits Times Press (Malaysia) Berhad.

Datuk Seri Fateh Iskandar complies with Paragraph 15.06(1) of the Main LR as he holds four directorships in listed issuers, including TM.

DATUK SERI FATEH ISKANDAR TAN SRI DATO' MOHAMED MANSOR

INDEPENDENT
NON-EXECUTIVE DIRECTOR

He is currently a member of TM's BIC and BRC. 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.

Gee Siew Yoong, aged 65, a Malaysian, was appointed Independent Non-Executive Director of TM on 13 March 2014. She is a member of the Malaysian Institute of Certified Public Accountants and the MIA. She had attended the International Banking Summer School (IBSS) Cambridge, Massachusetts, USA.

She began her career in 1969 with PriceWaterhouse, leaving in 1981 as Senior Audit Manager and Continuing Education Manager. She then joined the Selangor Pewter Group as Group Financial Controller and was seconded to the USA from 1983 to 1984 as CEO of Senaca Crystal Inc., a company in the Group, which was undergoing reorganisation under Chapter XI of the US Bankruptcy Code. She later became the Personal Assistant to the Executive Chairman of Lipkland Group from 1985 until 1987.

Gee was then appointed by Bank Negara Malaysia as the Executive Director and Chief Executive of Supreme Finance (M) Berhad, a financial institution undergoing rescue and reorganisation under the supervision of the Central Bank until

GEE SIEW YOONG

INDEPENDENT
NON-EXECUTIVE DIRECTOR

the successful completion of the reorganisation in 1991. She later joined Land & General Berhad as the Group Divisional Chief, Management Development Services in 1993 before joining Multi-Purpose Capital Holdings Berhad as Executive Assistant to the Chief Executive in 1997 until 1999. During this period, she also served as a Director of Multi-Purpose Bank Berhad, Multi-Purpose Insurans Berhad and Executive Director of Multi-Purpose Trustee Berhad.

She currently sits on the Board of Sapura Resources Berhad, SapuraKencana Petroleum Berhad and Malaysia Smelting Corporation Berhad as an Independent Non-Executive Director.

She complies with Paragraph 15.06(1) of the Main LR with four directorships in listed issuers, including TM.

Gee is currently the Non-Executive Chairman of TM's BAC and serves as a member of BIC and BRC. 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.

Dato' Siti Zauyah, aged 55, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Dato' Fauziah Yaacob on 5 November 2014. She holds a Bachelor of Science (Hons) in Quantity Surveying from the University of Reading, UK, Diploma in Public Administration from INTAN and a Master in Business Administration (International Banking) from the University of Manchester, UK.

Dato' Siti Zauyah began her career in civil service in 1982 as a Quantity Surveyor with the Public Works Department and later moved on to hold several other positions with a higher learning institution and several private sectors before pursuing her Diploma in Public Administration at INTAN. Upon graduation, she joined the MOF and served in the Contract Management Division as Assistant Secretary from 1989 to 1993 before pursuing her Masters in 1995. Dato' Siti Zauyah continued to serve as Assistant Secretary with the Tax Division and Finance Division at MOF before being promoted as Principal Assistant Secretary in 2001. In 2003, she was seconded to the Asian Development Bank, Manila as Director's Advisor until August 2006. Upon her return, she continued her service with MOF in the Loans Management Division and was appointed as the Deputy Secretary (Economy, Public Transportation and Infrastructure), Investment, MOF (Inc.) and Privatisation Division in April 2008. She was appointed as the Secretary, Loan Management Division in November 2012 and later as Secretary, Government Investment Company Division before assuming her current position as Director, National Budget of National Budget Office, MOF on 18 December 2014.

Dato' Siti Zauyah is also a Director of Malaysia Airports Holdings Berhad, Bank Simpanan Nasional, Johor Corporation, Malaysia Debt Ventures Berhad, Prasarana Malaysia Berhad and Westports Malaysia Sdn Bhd (a subsidiary of Westports Holdings Berhad) as well as Alternate Director of Johor Petroleum Development Corporation Berhad. She complies with Paragraph 15.06(1) of the Main LR as she holds two directorships in listed issuers, including TM.

Dato' Siti Zauyah is also the alternate member to Dato' Fauziah on TM's BTC and BIC. 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.

DATO' SITI ZAUYAH MD DESA
NON-INDEPENDENT
NON-EXECUTIVE
ALTERNATE DIRECTOR

NIK RIZAL KAMIL
TAN SRI NIK IBRAHIM KAMIL
NON-INDEPENDENT
NON-EXECUTIVE
ALTERNATE DIRECTOR

Nik Rizal Kamil, aged 42, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on 29 November 2012. He holds a Masters in Science (Finance) from London Business School and a Bachelor of Science (Hons) in Economics & Accounting from the University of Bristol, UK. He is also a Fellow Chartered Accountant with the Institute of Chartered Accountants in England and Wales (ICAEW).

He started his professional career in 1995 as an Accountant/Auditor with Coopers & Lybrand, UK for a period of two years. He then returned to Kuala Lumpur in 1997 and joined Arthur Anderson & Co as an Assistant Manager in Audit and Business Advisory. After five years in audit, he joined RHB Sakura Merchant Bankers Bhd in 2000 as Assistant Manager in its corporate finance department. Subsequently, he joined Sarawak Shell Berhad as Principal Sector Planner of Business Planning in Miri, Sarawak for two years before being posted to Shell Regional Exploration & Production, Singapore as a Senior Business Analyst. During this period, Nik Rizal also assumed the role of Head of Planning and Economics for Shell Deepwater Borneo Ltd of Brunei. In early 2007, he was posted to Shell Corporate Global HQ in London as a Senior Downstream Financial Analyst for Shell's Global Lubricants and B2B businesses. He was with Shell Malaysia Limited as Finance Manager in Special Projects before joining Khazanah in April 2011, where he is currently a Director of Investments.

Nik Rizal complies with Paragraph 15.06(1) of the Main LR with one directorship in a listed issuer, ie TM.

Nik Rizal is currently a member of TM's BTC and BIC. 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.

GROUP LEADER

Seated from Right to Left
Tan Sri Dato' Sri Zamzamzairani Mohd Isa, Dato' Ghazali Omar, Nor Akmar Md Yunus

Standing from Left to Right
Moharmustaqeem Mohamed, Zaidy Jaafar, Massimo Migliuolo, Michael Parker, Badrul Hisham Ahmad, Nooreha Shaarani, Dato' Kairul Annuar Mohamed Zamzam, Dato' Mohd Khalis Abdul Rahim, Giorgio Migliarina, Hazimi Kassim, Jeremy Kung, Dato' Zuraidah Mohd Said, Idrus Ismail

SHIP TEAM

Seated from Left to Right
Datuk Bazlan Osman, Dato' Mohd Rais Azhar, Shazurawati Abd Karim

Standing from Left to Right
Izlyn Ramli, Wan Ahmad Kamal Wan Halim, Mohamad Mohamad Zain, Ahmad Ismail, Asmawati Yusuf, Nizam Arshad, Rafaai Samsi, Zam Ariffin Ismail, Dr Farid Mohamed Sani, Ahmad Azhar Yahya, Rohaila Mohamed Basir, Imri Mokhtar, Mohamad Rozaimy Abd Rahman, Vasantha Mohan Vasudevan, Dato' Sharif Zaimi Abu Hashim

PROFILE OF MANAG

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA
MANAGING DIRECTOR/
GROUP CHIEF EXECUTIVE OFFICER

Tan Sri Dato' Sri Zamzamzairani, 54, holds a Bachelor of Science in Communications Engineering from United Kingdom (UK) and has completed the Corporate Finance, Strategies for Creating Shareholder Value Programme at Kellog School of Management, Northwestern University, USA. He also attended the Strategic Leadership Programme at the University of Oxford's Saïd Business School and the IMD CEO Roundtable Session at Lausanne, Switzerland in 2013.

Tan Sri Dato' Sri Zamzamzairani was appointed TM's Managing Director/Group Chief Executive Officer (CEO) on 25 April 2008. His vast experience in the telecommunications industry spans more than 30 years. His career started in TM where he served for 13 years, before assuming key positions in several multinationals, such as Global One Communications and then at Lucent Technologies (Malaysia) Sdn Bhd as its CEO. In 2005, he returned to TM as Senior Vice President (SVP), Group Strategy and Technology and thereafter as CEO, Malaysia Business, before being appointed to his current office. Under his leadership, TM has successfully rolled out and launched the high speed broadband service in 2010, in a historic collaboration with the Government of Malaysia. He is also an Adjunct Professor of MMU.

DATUK BAZLAN OSMAN
EXECUTIVE DIRECTOR/
GROUP CHIEF FINANCIAL OFFICER

Datuk Bazlan, 51, is a Fellow of the Association of Chartered Certified Accountants (ACCA), UK and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He was a member of Issues Committee of the Malaysian Accounting Standards Board from 2006 until 2010. He has attended the IMD Programme for Senior Executives in 2008 and the Strategic Leadership Programme at the University of Oxford's Saïd Business School in 2013.

He began his career as an auditor with Messrs Hanafiah Raslan Mohamad, a public accounting firm, in 1986 and subsequently served the Sime Darby Group, holding various finance positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a stint with American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was appointed SVP, Finance/Company Secretary. He joined Celcom Axiata Berhad in 2001 as the SVP, Corporate Finance and Treasury and was subsequently appointed the Chief Financial Officer (CFO) in 2002, prior to his appointment as TM Group CFO on 1 May 2005. He was appointed Executive Director of TM on 25 April 2008. He also oversees the operations of TM's Global & Wholesale, Support Business and MMU.

DR FARID MOHAMED SANI
CHIEF STRATEGY OFFICER

Dr Farid, aged 39, holds a PhD in Chemical Engineering, a Masters in Engineering and a Bachelor of Arts with first class honours specialising in Chemical Engineering, all from the University of Cambridge, UK.

He was appointed TM's Chief Strategy Officer (CSO) on 1 January 2012. Prior to joining TM, he was with Khazanah Nasional Berhad (Khazanah) holding the position of Director, Investments, specialising in the telecommunications sector. He has served in Khazanah's Transformation Management Office and as SVP, Managing Director's Office. Dr Farid was a consultant at McKinsey & Company for two years before joining Khazanah in 2004.

EMENT TEAM

GIORGIO MIGLIARINA
CHIEF TECHNOLOGY AND INNOVATION OFFICER/ CHAIRMAN, MANAGED ACCOUNTS

Giorgio, 46, holds a Masters (Sc) in Electronic Engineering from the Polytechnic University of Turin, Italy and an MBA from INSEAD, France.

He was previously a Partner at McKinsey & Company based in London and Beijing, serving some of the world's leading operators and high tech companies. Prior to joining McKinsey, Giorgio helped launch Infostrada SpA, Italy's second fixed line operator, where he held positions in network planning and corporate development. Before Infostrada, he worked with Olivetti SpA. As TM's Chief Technology and Innovation Officer (CTIO), Giorgio is responsible for Network, IT, R&D and overall technical operations. He is also overseeing the transformation of the Managed Accounts cluster in TM, with direct responsibilities for the Enterprise, and ICT & BPO businesses. He was named Asia's CTO of the Year 2012 by Asia Communication Award.

DATO' MOHD KHALIS ABDUL RAHIM
CHIEF HUMAN CAPITAL OFFICER

Dato' Khalis, 51, holds a Masters in Human Resource Management from the University of Canberra, Australia and a Bachelor of Science with Honours in Applied Psychology from Coventry University, UK. He is a Certified Advanced Human Resource Professional (CAHRP) from the Malaysian Institute of Human Resource Management and is also a Certified Business and Executive Coach from the University of Malaya Centre for Continuing Education (UMCCeD).

He has extensive exposure in human capital management, having served in several multinational companies over 20 years in the field of human resource (HR) management across different industries. Dato' Khalis has been involved in various disciplines of the profession from organisational development and change management to performance management, industrial relations, HR reengineering as well as talent development. He was the HR Director of Colgate Palmolive Malaysia from June 2000 until October 2006 before moving to Freescale Semiconductor as HR Director responsible for Malaysia, Singapore and Asia Supply Chain. He joined TM as its Chief Human Capital Officer on 17 August 2009. Dato' Khalis was awarded the Chief Human Resource Officer of the Year and HR Leadership Award at the 21st Global HR Excellence Awards in 2013.

IDRUS ISMAIL
CHIEF LEGAL, COMPLIANCE AND COMPANY SECRETARY

Idrus, 61, holds a Bachelor in Economics from the University of Malaya and a Bachelor of Law from the National University of Singapore. He has a Certificate in Translation from the National Translation Institute of Malaysia, an Executive Masters in Islamic Banking and Finance from Asia e University and is currently pursuing an online Chartered Islamic Finance Programme at the International Centre for Islamic Finance (INCEIF). He was called to the Malaysian Bar in 1988.

Idrus started his career as a management trainee with Petroliam Nasional Berhad (Petronas) and brings with him over 30 years of experience mostly in conventional and Islamic financial institutions, where he served as company secretary as well as in-house counsel. Before joining TM, he was Company Secretary of the CIMB Group, served the PROKHAS secretarial department (providing secretarial services to Minister of Finance, Inc. companies) and was Senior Counsel of Islamic Banking and Finance in a major corporate law practice. He joined TM as Chief Legal and Compliance on 1 December 2009 and assumed the position of Company Secretary on 18 January 2010. He is also responsible for implementing programmes to inculcate overall ethics and integrity practices in TM as contained in TM's Code of Business Ethics. He is a Certified Integrity Officer (CeIO) jointly certified by the Malaysian Anti-Corruption Commission and the Malaysian Institute of Integrity.

MOHAMAD MOHAMAD ZAIN
CHIEF PROCUREMENT OFFICER

Mohamad, 51, is a Chartered Insurance Practitioner and an Associate Member of the Chartered Insurance Institute, UK as well as a Member of the Society of Fellow Chartered Insurance Institute, UK. He also holds a Diploma in General Insurance from the Australian Insurance Institute and Master of Communications Management from the University of Strathclyde Glasgow. He is currently Chairman of the Malaysian Association of Risk & Insurance Management (MARIM). He gained vast experience in insurance services while serving a UK-based insurance company for six years, including as Officer in charge for agency and direct client underwriting, claim management and re-insurance, designing insurance for credit card company and bank assurance, serving both domestic and MNC clients.

Mohamad joined TM in 1993 as Assistant Manager and has been tasked with managing the corporate insurance programme and implementing the Enterprise Risk Management programme for TM in 2001. In 2007, he was appointed General Manager (GM) entrusted with an expanded portfolio of Group Business Assurance covering Enterprise Risk Management, Revenue Assurance, Fraud Management, Insurance Management, Credit Management Policy & Monitoring, Corporate Compliance, Business Continuity Management and Enterprise Business Management. He was promoted as Vice President (VP), Group Business Assurance, a position he held from 2011 until his appointment as Chief Procurement Officer on 1 September 2014.

HAZIMI KASSIM
CHIEF INTERNAL AUDITOR

Hazimi, 50, holds a Bachelor of Arts in Accounting from the University of Canberra, Australia. He also attended the Wharton Advanced Management Programme at the University of Pennsylvania, USA in 2006. He is a Certified Practicing Accountant (CPA) of the Australian Society of Certified Practicing Accountants (ASCPA), a Chartered Member of the MIA and the Institute of Internal Auditors Malaysia (IIAM).

He has vast experience in external and internal audit, financial and management accounting, corporate finance as well as strategic planning, business development and investor relations. His wide-ranging career to date has spanned across audit and consulting services to securities, insurance, banking and telecommunications companies. He was the Chief Audit Executive in the Internal Audit Division of Malayan Banking Berhad and later Head of Corporate and Strategic Planning prior to joining TM as the Chief Internal Auditor.

AHMAD ISMAIL
CHIEF CORPORATE AND REGULATORY OFFICER

Ahmad, 54, holds a Bachelor of Science (Hons) in Electrical & Electronic Engineering from the University of Aston in Birmingham, UK and an MBA from the MMU, Cyberjaya.

He joined TM in 1983 as an Assistant Controller of Telecom and held various engineering positions before engaging in more managerial responsibilities. During his more than 30 years with the Group, he has been Managing Director of TM International Bangladesh Limited (now known as Robi Axiata Limited), GM Business Strategy, TM Retail and CSO of Telco Strategy Division, the CEO of Telekom Sales and Services Sdn Bhd as well as State GM for Penang and Melaka. He then assumed the position of VP, Customer Service Management in 2008 and was later appointed VP, Programme and Performance Management Office in July 2010. Ahmad was appointed the Chief Corporate and Regulatory Officer on 1 October 2010.

RAFAAI SAMSI
HEAD OF CUSTOMER EXPERIENCE MANAGEMENT AND TRANSFORMATION/ DEPUTY CHIEF TECHNOLOGY AND INNOVATION OFFICER

Rafaai, 57, holds a Bachelor of Science (Hons) in Electronic Engineering from Brighton University, UK and a Masters in Communications Management from the University of Strathclyde, UK.

His career in telecommunications started with the then Jabatan Telekom Malaysia in 1978, following which he assumed roles of increasing responsibility covering broad technical and business management fields within the TM Group. He was appointed CEO of TM-NTT Communications Corporation's joint-venture Company in July 1997 before returning to TM mainstream in July 2001, where he was assigned as GM of a number of divisions including State Business Operations, Market Development and Domestic Carrier Business Division. He was appointed VP Marketing and Sales for the Wholesale segment in October 2006 and subsequently promoted to Executive Vice President (EVP) to lead the Wholesale Line of Business on 1 July 2008. Rafaai was assigned as Deputy Chief Technology and Innovation Officer (Deputy CTIO) to run the day-to-day operations and turn-around initiatives of the IT and Network Technology Division since January 2013. He was assigned as Head of Customer Experience Management and Transformation, reporting directly to TM Group CEO on 1 July 2014 and at the same time remained as the Deputy CTIO. He is also the Chairman of Service Management Council (SMC) responsible for TM's overall customer service management.

AHMAD AZHAR YAHYA
CHIEF CUSTOMER ADVOCATE

Ahmad Azhar, 50, holds a Bachelor of Science in Electrical Engineering from Oklahoma State University, USA.

He began his career in 1987 as an engineer in Agilent Technologies (formerly known as Hewlett Packard). He then joined management consulting firm, Accenture in 1990 servicing a portfolio of clients in Malaysia, Asia and the Middle East in various industries from communications to high technology, oil and gas and the public sector. His experience includes strategic planning and change management, business and operations support systems, enterprise resource management, revenue and customer relationship management. He became a Partner at Accenture in 2000 before joining TM as Group Chief Information Officer on 2 August 2004. He was later appointed TM's Programme Director of the High Speed Broadband (HSBB) Programme in 2008, and contributed to the successful launch of UniFi in March 2010. He was the CSO of TM from 15 July 2010 until December 2011 and subsequently served as CEO of VADS Berhad from 1 January 2012 until 31 January 2015 before assuming his current position as TM's Chief Customer Advocate on 1 February 2015.

DATO' GHAZALI OMAR
GROUP SPECIAL ADVISOR, TRANSFORMATION PROGRAMME

Dato' Ghazali, 57, holds a Bachelor (Hons) in Electrical and Electronic Engineering from the University of Leeds, UK and an MBA from the MMU, Cyberjaya.

He has more than 34 years of experience in the telecommunications industry, beginning his career with the then Jabatan Telekom Malaysia in 1980 as Planning and Development Engineer specialising in Data Communications. He was later appointed GM, Marketing and Sales, TM Net Sdn Bhd, in 2002 before being promoted as VP of Enterprise and Government Sales, TM Retail in 2007. Dato' Ghazali was appointed as TM's EVP, Enterprise in February 2009 before assuming his current position as Group Special Advisor, Transformation Programme on 1 June 2014. He was also the CEO/Executive Director of VADS Berhad from March 2009 until January 2012.

IMRI MOKHTAR
EXECUTIVE VICE PRESIDENT, CONSUMER AND SME

Imri, 41, holds a Bachelor of Engineering (BEng) in Electronics Engineering and Management Studies with first class honours from University College London, UK and has attended leadership programmes at Cambridge Judge Business School and Harvard Business School.

He started his career with TM in 1996 before joining McKinsey & Company as a management consultant in 1999, followed by a stint in a Malaysian pay-TV company. In 2005, he returned to TM as GM of Strategy Development. He was made GM, Programme Management Office in 2006 and later VP, Programme and Performance Management Office in 2008. He was promoted as EVP, Consumer in 2010 and also served as CEO, Telekom Sales & Services Sdn Bhd in 2012 until early 2014. Imri was re-assigned as EVP, Consumer and SME in October 2014, responsible for the overall business operations of TM's Consumer and SME customer segments, plus product development and management. Additionally, he is entrusted to oversee the Mass Market cluster in TM.

DATO' KAIRUL ANNUAR MOHAMED ZAMZAM
EXECUTIVE VICE PRESIDENT, GOVERNMENT

Dato' Kairul Annuar, 51, holds a Bachelor in Engineering Science from the University of Western Ontario, Canada and an MBA from the MMU, Cyberjaya and attended the Advanced Management Training programme at INSEAD in 2003.

He has over 20 years of experience in the telecommunications industry, beginning with the then Jabatan Telekom Malaysia in 1985 as a Human Resource Planning Executive. He has since held various positions in local access, switching and transmission networks. He was appointed GM of the Terengganu Operations Area in 1998 and then the Personal Assistant to the Group Chief Executive in 2002. He was appointed GM of Corporate Affairs and later VP, Consumer & Business Sales Division in TM Retail in 2004. Prior to assuming his current position as EVP, Government in 2009, he was the CEO of Telekom Sales & Services Sdn Bhd.

MOHAMAD ROZAIMY ABD RAHMAN
EXECUTIVE VICE PRESIDENT, GLOBAL AND WHOLESALE

Rozaimy, 43, obtained a Bachelor in Distributed Computing from the University of East London, and a Masters of Science in Technology Management from Staffordshire University, UK. He attended technical and telecommunications training programmes at the AT&T School of Business and Technology and AT&T Bell Labs in New Jersey, USA. He also attended the Advanced Leadership Management Programme at the Madinah Institute of Leadership and Entrepreneurship, Saudi Arabia.

Rozaimy has more than 18 years' experience in the telecommunications industry. He served AT&T as its Sales Director before joining TM in 2006 as the GM of Product Marketing. He was then appointed the EVP of TM Global on 1 July 2009, responsible for managing TM's global business and TM regional offices in the UK, USA, Hong Kong, Singapore and Australia. Following the re-alignment of the Company's market segments in January 2013, Rozaimy has been spearheading the TM Global and Wholesale cluster, overseeing the global and wholesale business operations.

JEREMY KUNG ENG CHUANG

EXECUTIVE VICE PRESIDENT, NEW MEDIA/CEO, TM NET SDN BHD

Jeremy, 51, holds an Honours Degree in Computer Science from the University of Ottawa, Canada.

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

WAN AHMAD KAMAL WAN HALIM

EXECUTIVE VICE PRESIDENT, ENTERPRISE

Wan Ahmad Kamal, 51, holds a Bachelor of Science in Computer Science & Statistics from Monash University, Melbourne, Australia.

He has over 25 years of professional experience specialising in the Senior and Regional Sales Management, Business Management and Account Management roles across the Service Provider and Enterprise sectors in ASEAN and Malaysia. His career began in 1986 as an Assistant Director of Planning and Research Division with the Ministry of Education Malaysia until 1990 and later moved to Kumpulan Guthrie Berhad in Accounts and Sales Management. In 1994, he joined Sapura Telecommunications Berhad, where he served in Sales, Channel, Marketing and Product Management. In 2000, he joined Juniper Networks as the Country Manager, Malaysia and was made the Sales Director for Malaysia, Indonesia and Vietnam in 2002. He was later appointed Managing Director Malaysia in 2007 and promoted as Managing Director ASEAN in 2012. He joined TM on 1 June 2014 as EVP, Enterprise.

DATO' ZURAIDAH MOHD SAID

VICE PRESIDENT, SUPPORT BUSINESS

Dato' Zuraidah, 53, holds a Bachelor (Hons) in Computer Science from Ohio University, USA and a Masters (Science) in Management Information Systems from the University of Leeds, UK.

She has over 28 years' experience in IT and the telecommunications industry, where her career began in 1985 with Malaysia Institute of Microelectronic Systems (MIMOS). She joined TM's Information Technology Division in late 1988 and was later assigned to TM Product Marketing Group from 1996 until 2001. She was subsequently transferred to Major Business and Government Sales Division before moving to Business Sales, TM Retail as GM, handling the SME sector with revenue of RM2.1 billion in 2004. She was later appointed GM, Enterprise Sales in 2009, handling high-end corporate customers with excellent sales and cost performance. She was the CEO of Menara Kuala Lumpur Sdn Bhd (MKLSB) from August 2010 until 30 June 2014. During her tenure as CEO, MKLSB was recognised as TM's best subsidiary in 2011 and 2012. Dato' Zuraidah was appointed VP, Support Business on 1 September 2013. She is a member of the World Federation of Great Towers, an international association that links 35 leading telecommunications towers globally.

IZLYN RAMLI
VICE PRESIDENT, GROUP BRAND AND COMMUNICATION

Izlyn, 44, holds a Masters in Business Administration (Distinction) from City University (Cass) Business School, London, specialising in Strategic Management of Technology and E-Business and a Bachelor of Science (Hons) in Economics from University College London.

She started her career in 1992 at PricewaterhouseCoopers before moving to BzW Capital as an investment analyst. Izlyn joined TM in 1998 and served 10 years in Group Strategy and Planning. From 2006 until 2008, she was also appointed Special Assistant to the TM Group Chairman, as key policy liaison officer for national and international fora and organisations, including APEC, APEC Business Advisory Council and United Nations Global Alliance, focused on ICT Development and ICT for Development. Following the TM demerger in 2008, Izlyn moved to Axiata Group Berhad and was promoted to head the Corporate Communication Division. She was a key member of the Axiata rebranding team, and was also key in crafting Axiata's Corporate Responsibility Strategy. Izlyn returned to TM as VP, Group Corporate Communication on 1 October 2010 and was reassigned with an expanded role as VP, Group Brand and Communication effective 1 June 2014.

MASSIMO MIGLIUOLO
CEO, VADS BERHAD

Massimo, 52, holds a Baccalaureate from Lycee Chautebriand, France and Bachelor of Science and Masters of Science in Business Management from University Luigi Bocconi, Italy.

He brings more than 20 years of experience in strategic business development, architecture sales and go-to-market strategy, especially in the mobile and cloud industry. He is an experienced global business leader with a proven track record in building double digit growth businesses in innovative markets. He began his career in 1989 as Contract Manager with Montedison Group (Italy) and later moved to AT&T Network System, Italy in 1991 as Director, Business Development Mobile. In 1996, Massimo joined Lucent Technologies as Managing Director, Europe, Middle East and Africa (EMEA) Mobile Sales. He then spent 11 years at Cisco from 1999 where his last position there was VP of Emerging Markets, responsible for the Service Provider, Enterprise, Public Sector and Small and Medium Lines of Business in the Theatre as well as Marketing and Technology Architecture functions. Massimo joined TM in 2014 as VP, Real Estate, Managed Account and later appointed as CEO of Intelsec Sdn Bhd (Intelsec), a subsidiary of TM on 1 November 2014. He was appointed CEO, VADS Berhad on 1 February 2015 and remain as CEO of Intelsec.

PUAN CHAN CHEONG
CEO, PACKET ONE NETWORKS (MALAYSIA) SDN BHD

Puan Chan Cheong, more commonly known as CC, 46, holds a Bachelor of Science in Business Administration and Management Information Systems and Finance from University of Nebraska-Lincoln, USA. He is a visionary and astute entrepreneur with more than 20 years of business experience from consulting and the development and management of large-scale telecommunications to infrastructure and property projects internationally. His personal accolades include the coveted PIKOM (Malaysia's ICT Association) Technopreneur of the Year award in 2004.

He sits on the Board of Green Packet Berhad (Green Packet), a company he co-founded, which was incorporated as Green Packet Inc. in Silicon Valley in 2000.

In 2008, Green Packet under CC's helm, launched Malaysia and Southeast Asia's first large-scale commercial WiMAX operator, Packet One Networks Malaysia Sdn Bhd (P1). He assumed the role of P1 CEO in 2013 and was re-appointed to the role in 2014 after TM's acquisition of a majority stake in the promising "market challenger" in October 2014. With P1 entering the fray of TM as its mobile subsidiary, CC will lead the charge in building a formidable mobile telecommunications provider to complement TM's suite of offerings, and reinforce the Group's vision for true convergence.

STATEMENT ON CORPORATE GOVERNANCE

"EXCELLENCE IN CORPORATE GOVERNANCE IS AN IMPORTANT AND STRATEGIC COMPONENT IN PROMOTING ASEAN AS AN ASSET CLASS AND IN THE OVERALL DEVELOPMENT OF ASEAN CAPITAL MARKETS. THIS CORPORATE GOVERNANCE INITIATIVE WHICH COMPLEMENTS OTHER INITIATIVES UNDER THE ASEAN CAPITAL MARKETS FORUM TODAY REFLECTS THE COLLECTIVE AND STRONG COMMITMENT BY ASEAN MEMBER COUNTRIES TO ACHIEVE CONVERGENCE AS AN ASEAN ECONOMIC COMMUNITY BY 2015"

Datuk Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia.
News Release, Security Commission, 18 June 2014

At TM, corporate governance remains ingrained in every aspect of the organisation. Coupled with corporate values that uphold strong ethics and Uncompromising Integrity as the foundation for its people, the practice of good corporate governance continues to be strengthened in line with national as well as the organisation's own aspirations.

Malaysia was one of six ASEAN countries to have participated in the ASEAN Corporate Governance Scorecard (ASEAN CG) assessment. In a mirroring action, as the Company's corporate governance practices entered the next phase of their evolution, they have been benchmarked not only against other countries in the ASEAN region, but internationally. At both levels, TM's practices fare admirably and the Company is internationally recognised for good corporate governance. This is testament to how far it has come since corporate governance was first introduced.

A high level of corporate governance is integral to the next facet of the Company's transformation from being a "Broadband Champion" to becoming the "Convergence Champion". A strong corporate governance structure is crucial in ensuring continuous enhancement of shareholder value through financial performance while maintaining business sustainability, thus warranting continuing support of stakeholders.

Corporate governance also serves as the Company's calling card aimed at new domestic and international investors, providing confidence and assurance in investment-making decisions. Reinforcing corporate governance is one of the strategic components in promoting not only TM but Malaysia in the capital markets.

Constant and continuous efforts have been made towards enhancing TM's corporate governance framework, internal processes, guidelines and systems to ensure that they remain robust and relevant. Applicable regulatory requirements and implementation of appropriate risk management and internal controls are aligned to corporate governance while keeping up with TM's evolution.

Testimony to Corporate Governance

TM's corporate governance model is developed based on the following requirements and guidelines:

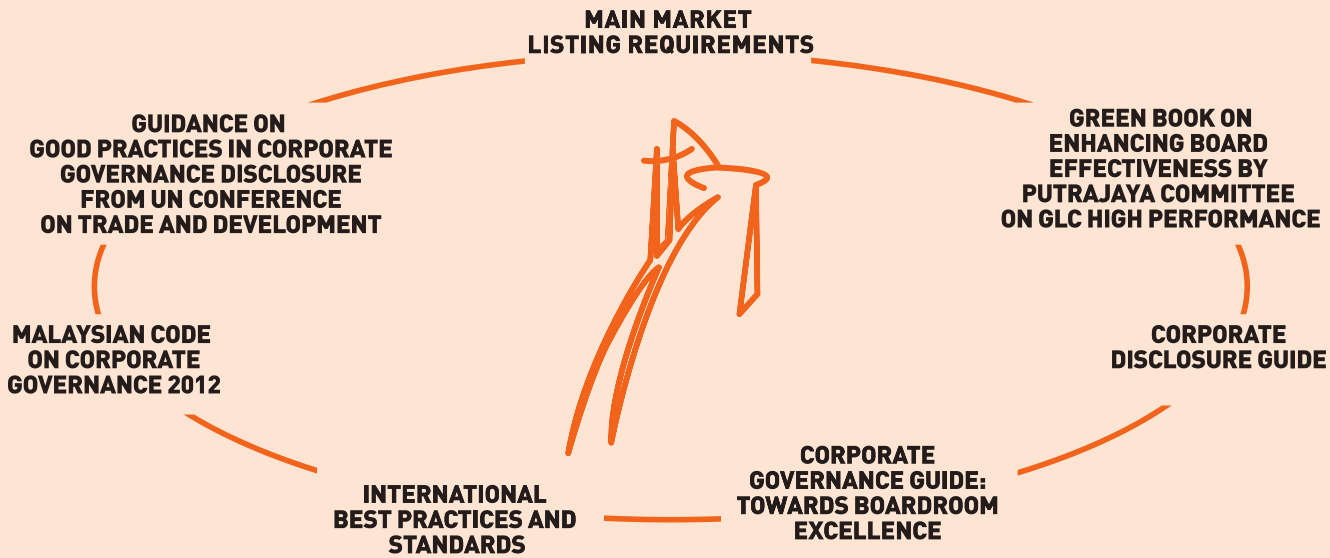


Chart 1: TM Corporate Governance Model Reliance

TM also benchmarks its corporate governance against the ASEAN CG.

TM's continuing commitment in ensuring transparency, accountability, disclosure and equality in its governance and stakeholder management is widely acknowledged by the industry. At the 2014 National Annual Corporate Report Awards (NACRA) on 20 November 2014, TM received its fourth Platinum for Overall Excellence in producing the Most Outstanding Annual Report of the year. It also retained its Industry Excellence Award in the Trading and Services category for Main Board Companies for the 18th consecutive year; achieved a Platinum Award for Best Corporate Social Responsibility, a step up from the previous year's Gold Award; and a Platinum Award for the Best Annual Report in Bahasa Malaysia, also an improvement from the Silver Award in 2013. Finally, TM was also conferred the Gold Award for the Best Designed Annual Report.

In addition, the Minority Shareholder Watchdog Group (MWSG) honoured TM for being among the best Malaysian corporations when it won Top Corporate Governance Recognition, Top Transparency Recognition, Industry Excellence Exemplary Environment, Social and Governance (ESG) Practices and Exemplary AGM Minutes at the Ceremony Award for MSWG-ASEAN CG Transparency Index, Findings and Recognition 2014 – The Malaysian Chapter on 9 December 2014.

TM's Corporate Governance Framework is best illustrated as follows:

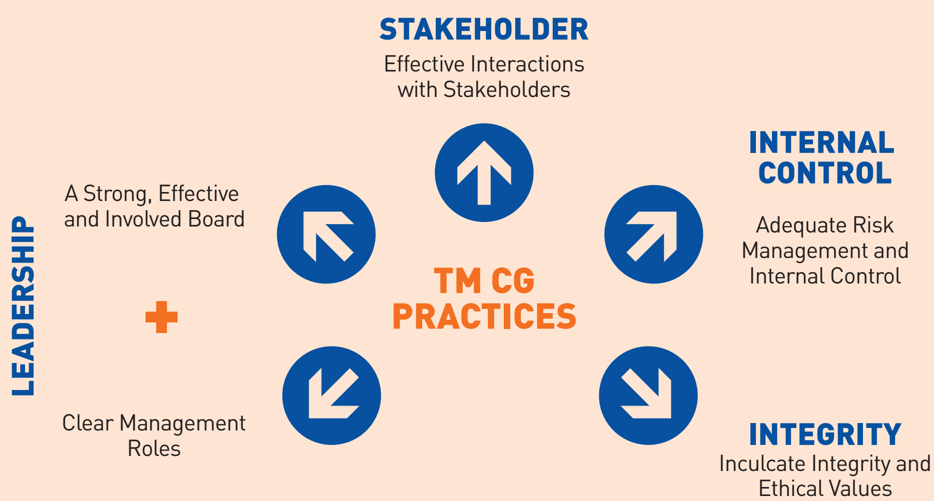


Chart 2: TM's CG Framework

The Board is pleased to elaborate on TM's application of the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and the extent of the Company's compliance during the financial year ended 31 December 2014, throughout this statement.

Board of Directors

TM continues to be led and controlled by an active, engaged and experienced Board. TM's Board maintains a healthy mix of Directors with varying backgrounds, ranging from economics to financial, technical and regulatory experience in the private and public sectors including the telecommunications industry both locally and abroad. As at the financial year, three Directors, the foreign Director and two local Directors, have experience in the telecommunications industry from the perspectives of consultants and regulators.

Throughout 2014, the Board of Directors continued to guide and effectively steer the Company with well-planned strategies and action plans through involved and active engagement with the Management.

Board Charter

Since it was first adopted in January 2013, TM's Board Charter continues to serve as a guide for good corporate governance practices within the Company. Its content encompass the Company's governance practices, Board policies and guidelines subsisting throughout the Company based on the principles outlined in MCCG 2012 as well as earlier codes and international standards on corporate governance that are, in the Board's opinion, best practices aligned to the respective rules and requirements.

The Board Charter provides reference for the Directors in relation to the Board's role, powers, duties and functions. It outlines processes and procedures for the Board and its committees in discharging their stewardship effectively and efficiently.

The decision of the Board is reached via simple majority save for items reserved for the Special Shareholder as stipulated in the Company's Articles of Association (AA).

The Board Charter is a living document that will continue to be reviewed and updated from time to time in order for it to continue to be relevant to presiding rules and regulations and best practices of corporate governance both locally and internationally. The document will also be strengthened against any deficiencies in the processes and procedures to ensure comprehensiveness of the document.

The Board Charter review forms part of the annual exercise under the Board Performance Improvement Programme (BPIP), which includes assessment of the Board's objectives, roles and responsibilities in ensuring consistency with, and adherence to the relevant rules, regulations and governance.

The current Board Charter as well as the Memorandum and Articles of Association are accessible on TM's official website at www.tm.com.my.

Roles and Responsibilities of the Board

The roles and responsibilities of the Board and that of the Management are clearly demarcated in the Board Charter. The respective principles, roles and responsibilities of the Chairman, Executive Directors (EDs) and Non-Executive Directors (NEDs) are segregated. Nevertheless, their respective functions remain mutually co-dependent enabling efficient and effective execution of their duties and responsibilities.

The Board's principal focus is the overall strategic direction, development and control of the Group in an effective and responsible manner. The role of Management, on the other hand, is to run the business operations and general activities and administration of financial matters of the Group in accordance with established delegated authority from the Board.

The following six core responsibilities serve as guiding principles for the Board in discharging its duties:

- Review and approve a strategic and annual operating plan (AOP) for the Group.

  The Board allocates sufficient time to thoroughly review and deliberate the Group's strategic direction and AOP for short-term and long-term perspectives and projection. It provides guidance, input and views in developing the Group's business strategies to ensure the Management has devoted sufficient and thorough thought in formulating the strategies. This includes challenging their findings in considering all relevant aspects that either support or affect the Group's current and future business direction.

  Separate sessions were held for in-depth discussions on strategy and AOP. A Board strategic retreat meeting was held in the second quarter of the year to thoroughly analyse and review the Company's current position and its future strategic directions. Lines of Business (LOBs) and selected Divisions presented their respective strategic plans towards realising the Group's strategic direction on becoming Malaysia's Convergence Champion. A second Board retreat was held in the fourth quarter specifically to deliberate on the AOP and financial targets of the Group based on the agreed strategic plan formulated earlier in the second quarter.

  The strategic plan, its execution and challenges are reported to the Board throughout the year, and a half-year review is conducted to monitor the execution of the approved strategic plan and AOP by the Management.

  Based on results of the 2014 Board Effectiveness Evaluation (BEE), the Board agreed that it has reviewed and adopted a strategic plan and financial plan for the Company including the setting of appropriate Key Performance Indicators (KPIs) in a timely manner. Timely meetings for the strategic plan formulation at year end and implementation monitoring at mid-year were held by the Company. The Board also commended the robust process undertaken by Management in formulating the strategic plan and AOP.

- Oversee and evaluate the conduct of the Company's business.

  LOBs and selected Divisions presented their respective performance, business priorities and key focus areas for the year with the aim of having focused and closer engagement with the Board. The Company's performance and balanced scorecards were reviewed on a monthly basis by the EDs at the Group Leadership Team meeting together with heads of LOBs and divisions. The Business Performance Report is a mandatory agenda and reported to the Board at every Board meeting. Their performances are measured and tracked against approved KPIs, announced during the first quarter of the year. KPI achievements are made public during the fourth quarter financial result announcement in February.

Based on the 2014 BEE results, the Board agreed that the process of overseeing the Company's performance is well established in the Company.

- Identify and manage principal risks.

  The Group Business Assurance (GBA) Division monitors any risk that the business and the Group as a whole might face, and the Board Risk Committee (BRC) is updated on potential risk issues that could jeopardise the business. The Board through the BRC ensures appropriate management of risks and constantly monitors the review and management of principal risks in ensuring sustainability of the Company's business.

  One of the significant issues deliberated by BRC in 2014 was the management of contingency plans to ensure business continuity in the event of a disaster, which was timely in the wake of a natural disaster faced by the country at the closing of year 2014.

  Based on the 2014 BEE results, the Board agreed that it has undertaken its responsibility in identifying principal risks and ensuring the implementation of appropriate systems to manage these in order to have a proper balance of risks and rewards. The Board further concluded that the Company has in place an appropriate Corporate Risk Management process.

- Monitor succession planning.

  The Nomination and Remuneration Committee (NRC) ensures effective succession planning for both the Directors and Key Management of TM Group (Pivotal Positions) and reports the progress thereof to the Board on a periodic basis. NRC also monitors the performances of the Board and the Pivotal Positions, and reviews and evaluates the suitability of potential candidates and their experience, to fill any gaps therein.

  In 2014, NRC underwent a rigorous process of selecting a suitable candidate who satisfies the requirement of Paragraph 15.09 (1)(c) of the Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities) to fill the gap left vacant since September 2013. Accordingly, on 13 March 2014, the Board approved NRC's recommendation on the appointment of Ms Gee Siew Yoong as an Independent Non-Executive Director (INED) on TM Board.

  Based on the 2014 BEE results, the Board agreed that the succession planning framework of Senior Management is being adhered to. However, it was commented that in addition to monitoring the effectiveness of succession planning, there was a need to ensure Senior Management received appropriate training to run and manage new businesses in relation to mobility, the Information and Innovation Exchanges, and converged services.

- Develop and implement an investor relations (IR) programme.

  The Board recognises that a sound IR programme is vital in managing investors' interest and perception of the Company. Continuous engagement is maintained with the investing community through a planned IR activities schedule managed by the IR Unit. This includes non-deal roadshows with investors and the press, and investor conferences held after the announcement of quarterly results. The Board Charter also outlines the Company's policy on communication with stakeholders based on the pre-existing Internal Communication Policy guidelines.

  Based on the 2014 BEE results, the Board concurred that the IR programme has been implemented successfully by the Management.

- Review the adequacy and integrity of the Company's internal control systems

  The Internal Audit function of the Company is managed by the Group Internal Audit Division (GIA) which is tasked to monitor the internal control systems inherent throughout the Company and report its findings directly to the Board Audit Committee (BAC). GIA has jurisdiction to audit any division or subsidiary of TM Group or review projects and systems at any time and report their findings directly to BAC members. BAC will review the adequacy and integrity of the internal control systems and ensure the implementation of appropriate internal control systems, supported by the external auditor's report.

  In addition, the external auditor reviews the controls annually and reports to the BAC.

  Based on the 2014 BEE results, the Board agreed that the regular meetings of BAC in the review of the internal and external auditing and the reports thereof, have assisted the Board in assuming this responsibility.

Apart from these six core responsibilities, the Board also takes independent and collective responsibility and accountability for the smooth functioning of core processes involving Board governance, business value and ethical oversight. The Board is constantly mindful of safeguarding the interests of all stakeholders. To facilitate the effective discharge of these responsibilities, dedicated Board Committees have been established with clear Terms of Reference (ToR), comprising Directors who have committed their time and effort as members.

Separation of Power between the Board and Management

TM has a clear policy for identifying the separate functions of the Board and Management and the Chairman and EDs in ensuring the smooth running of the Company's business and operations. The division of roles and responsibilities ensures that no one individual or group is able to dominate the decision-making process thus safeguarding the equilibrium of power in the Company.

The roles and responsibilities of the Non-Independent Non-Executive (NINE) Chairman, and the Managing Director/Group Chief Executive Officer (MD/Group CEO), are clearly separated. The demarcation accords a balance of power and authority in the Board and is adhered to in line with best governance practices. This ensures appropriate supervision and increased accountability of the Company's management while safeguarding the balance of power in the Board.

TM's NINE Chairman in 2014, Dato' Sri Dr Halim Shafie, had never held the position of CEO of the Company nor was he ever a part of TM Management, as such undue influence from past association was not a concern.

Throughout Dato' Sri Dr Halim's tenure as Chairman, the Board maintained an effective and commendable relationship among the Non-Executive and Executive Directors. His vast experience from service in various government sectors and agencies, coupled with his calm demeanour enabled him to command an effective working environment during meetings that was instrumental in generating active and effective board discussion. Being approachable outside the boardroom allows for constructive engagement with other stakeholders, both institutional and individual.

According to the 2014 BEE, the Chairman was highly effective and outstanding in performing his duties in leading the Board's discussions towards clear and decisive outcomes. He was steadfast in discharging his responsibilities as Chairman of the Board while maintaining very good rapport with Management.

With the appointment of Tan Sri Dato' Seri Dr Sulaiman Mahbob as the new NINE Chairman on 12 January 2015, the Board is confident that the demarcation of the roles and responsibilities will assist the new Chairman to work well with the Group CEO in the stewardship of the Board. Tan Sri Dato' Seri Dr Sulaiman's experience, derived from his position as Chairman of MSWG, Malaysia's monitoring body on corporate governance practices, will no doubt be a plus factor towards this end. Tan Sri Dato' Seri Dr Sulaiman has also never held the position of CEO of the Company nor has he ever been a part of TM's Management.

The Board and Management are confident that Tan Sri Dato' Seri Dr Sulaiman is qualified to helm TM and to further improve the Company's corporate governance.

Executive Directors (EDs)

As EDs, the Group CEO and Group Chief Financial Officer (CFO) each command their own respective functions. Their primary function is ensuring the smooth running of the Company's day-to-day operations, while their primary areas of responsibilities are captured in their respective KPIs and annually evaluated, reviewed and approved by the Board.

The Group CEO is responsible for the implementation of broad policies approved by the Board and is required to report and discuss at Board Meetings all material issues currently or potentially affecting the Group and its performance, including strategic directions, projects and regulatory developments.

On the other hand, the Group CFO is responsible for the financial management of the Group, developing initiatives and strategies in improving the Group's overall performance, implementing business and economic strategies, monitoring treasury aspects, forecasting and analysing the long-term financial situation of the Group. He also serves as a spokesperson for the Group in interactions with the market; and oversees the Global and Wholesale, Support Business and the education arm of the Group, the MMU.

The EDs have established several management committees to support them in discharging their operational and management duties. These forums provide the Senior Management team including the heads of various divisions and departments the platform to directly interact with each other, discuss, provide their views and review the objectives, strategies and operations of the Company on a regular basis.

Senior Independent Non-Executive Director (SID)

Dato' Danapalan T.P Vinggrasalam was appointed as TM's SID on 21 May 2009. Dato' Danapalan, who satisfied the prescribed criteria of a SID, was the most appropriate candidate selected among the INEDs, primarily due to his knowledge of the telecommunications industry as a former Malaysian Communications and Multimedia Commission (MCMC) Chairman and has significant influence in the Board.

Dato' Danapalan continued to be the main channel between the Independent Directors and the Chairman on matters that may be deemed sensitive and provided an alternative communication avenue for shareholders and stakeholders to convey their concerns and raise issues so that these concerns and issues can be channelled to the relevant parties.

Dato' Danapalan remained dedicated in his role as a SID, and was able to keep track of any probable underlying concerns brought forth by the stakeholders. In discharging his function, he maintained his independence from Management throughout 2014.

The criteria and roles of SID are incorporated in the Board Charter which is accessible on the Company's website. All queries relating to the Group can also be channelled to the SID's email address, sid@tm.com.my or directed to the following address:

Senior Independent Non-Executive Director
Level 51, North Wing, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur

Board Composition and Balance

Article 96 of TM's AA provides that there should not be more than 12 members of the Board. The Board currently has the maximum number of members, with a NINE Chairman, two EDs designated as the MD/Group CEO and the ED/Group CFO, two Non-Independent Non-Executive Directors (NINEDs) with each having their respective alternate directors designated as NINE Alternate Directors, and seven INEDs, inclusive of one foreign Director. The current Board members have the requisite skill sets and experience in providing guidance to TM's strategic plans and future aspirations.

With a NINE Chairman, the seven INEDs formed the majority on the Board of 12 directors, assuring effective checks and balances in its functioning. The current composition also complies with paragraph 15.02 of the Main LR, as 58.0% of the Board members are Independent Directors.

During the year, TM Board saw a few changes in its composition. Ms Gee Siew Yoong was appointed as an INED on 13 March 2014. This was followed by the cessation of Puan Eshah Meor Suleiman as Alternate Director to Dato' Fauziah Yaacob on 31 October 2014. She was replaced by Dato' Siti Zauyah Md Desa who assumed her position as the new Alternate Director on 5 November 2014.

On 12 January 2015, TM welcomed a new Chairman, Tan Sri Dato' Seri Dr Sulaiman, in place of Dato' Sri Dr Halim who is now the new Chairman of the MCMC.

With the appointment of Ms Gee and not counting Dato' Siti Zauyah who is the Alternate Director to Dato' Fauziah, the female:male ratio on TM's Board has increased from 2:9 in 2013 to 3:9 in 2014.

By virtue of their roles and responsibilities, the seven INEDs represent the Company's minority shareholders' interests. None of the INEDs were former employees of the Company. They are independent of Management and free from any undue influences from interested parties which could materially interfere with the exercise of their independent judgment.

In discharging their responsibilities, during each Board and Committee meeting, the INEDs were inquisitive in the quest for better understanding of items being discussed, vocal during discussions and judicious in the decision-making process. They were impartial in their views, with the Company's and stakeholders' best interest at the forefront of every major decision. The INEDs actively participated in the Board's deliberations and decision-making thus stimulating and challenging the Management to a commendable standard of performance. These values were clearly manifest when the INEDs chaired TM's main Board Committees namely the BAC, Board Tender Committee (BTC), Board Investment Committee (BIC) and BRC.

Chart 3: TM Board Composition

Independence

TM determines the independence of the Directors in accordance with the criteria stipulated in paragraph 1.01 of the Main LR, whereby a director needs to be independent from management and free from any business or other relationship which could interfere with his independent judgement or the ability to act in the best interests of the company. All seven INEDs satisfy the criteria of independence as defined under the Main LR.

The INEDs are not involved in the day-to-day operations of the Company. Business transactions handled by the Company are free from any involvement of the INEDs other than for the final approval when the Board's decision is required, as the case may be. This mitigates the risk of possible undue influence from third parties and allows INEDs to exercise fair judgement and avoids any possible conflict of interest situations.

In addition, all Directors are required to declare their interests or any possible conflict on any matter tabled prior to the commencement of the Board meetings. With the proposals disseminated to Directors five days before the meeting, they are able to ascertain their involvement (if any) and, when required, recuse themselves and abstain from deliberation to allow unbiased and free discussion and decision making.

Over the years, the Board members have cultivated a rapport among themselves, which instead of deterring them from articulating dissenting views or even unpopular opinions during meeting discussions, encourages open, frank and thorough discussion in reaching decisions. The INEDs' respective backgrounds, experience, strong personalities and understanding of good governance practice enable them to exercise objective judgement. They are not easily influenced by non-related factors, able to act in the best interest of the Company and safeguard TM's stakeholders' interests.

Furthermore, the independence of INEDs is assessed annually through the BEE to reaffirm their state of independence. This exercise involves questionnaires that cover principles, perspectives and personal insights of the respective INEDs, and are completed by all Directors on themselves and on their peers. The NRC, as part of its ToR, reviews the annual assessment to reaffirm the INEDs' independence status.

For new appointments, the assessment on the independence of the proposed director, which is carried out prior to the appointment, is ascertained in accordance with the criteria set out in the Main LR.

In addition, the independence of all Directors of TM, including the NED, is reviewed annually. The criteria of independence under Paragraph 1.01 of the Main LR or any amendment thereto must be met. The Board, via the NRC, undertakes the independence assessment of the Directors via the BEE taking into account their skills, experience and contributions as well as their background, economic and family relationships. Thereafter, they determine whether the Directors can continue to bring independent and objective judgment to the Board. The NRC also determines, according to character and judgment, whether there are relationships or circumstances which could affect, or appear to affect, the Independent Directors' judgment.

The Board believes that tenure should not form part of the independence assessment criteria, as the fiduciary duties of Directors as promulgated in the Companies Act, 1965 (CA 1965) constitute the primary concern for all Directors, regardless of their status. The Board firmly believes the ability of a Director to serve effectively is dependent on his calibre, qualifications, experience and personal qualities, particularly his integrity and objectivity. The Directors' Peer Evaluation results from the BEE exercise would highlight the Independent Directors' ability to act independently.

Although none of the INEDs has served more than nine years cumulatively in TM, the Board agrees that there are significant advantages to be gained from long-serving Directors who possess insight and knowledge of the Company's businesses and affairs.

Having departed from the MCCG 2012's recommendation to restrict the limit of the independent director's tenure to nine years, the Board believes the requirement for shareholders' approval to retain the independent status of Independent Directors of nine years on the Board is therefore immaterial.

Fostering Commitment of the Board

TM's Board meetings were scheduled early in October and shared with the Directors before the beginning of the subsequent year to ensure the Directors' time commitment.

There were seven scheduled Board meetings during the year to discuss and decide on the quarterly financial results, important issues raised that required the Board's input and approval and various other matters based on the predetermined agendas. In addition, four special meetings were held to obtain immediate and strategic decisions.

A strategic retreat was held in June 2014 for the Company's strategic discussions and growth plans, while a Board retreat was held in December 2014 on the Group's AOP and financial targets. Besides the Board meetings, urgent decisions were approved via three Directors' Circular Resolutions during the year.

All Directors have complied with the minimum attendance of at least 50.0% of Board meetings held in the financial period pursuant to the Main LR. The Board has also agreed for the 50% minimum attendance requirement to be adopted for Board Committees. Overall, all committee members complied with the attendance threshold.

Details of attendance of each Director on the Board and respective Board Committees and the 29th Annual General Meeting (AGM) in the financial year ended 31 December 2014 are as follows:

Chart 4 : TM Board Attendances at 2014 Meetings

No	Directors	TM Board		BAC		NRC		BTC		BRC		BIC		29th AGM Attended
		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		
		Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	
	Director													
1.	Tan Sri Dato' Seri Dr Sulaiman Mahbob *(Chairman)* *[Appointed on 12 January 2015]*	N/A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	N/A	N/A
2.	Tan Sri Dato' Sri Zamzamzairani Mohd Isa *(MD/Group CEO)*	12/12	100.0	–	–	–	–	11/12	92.0	–	–	–	–	✔
3.	Datuk Bazlan Osman *(ED/Group CFO)*	12/12	100.0	–	–	–	–	12/12	100.0	4/4	100.0	6/6	100.0	✔
4.	Dato' Fauziah Yaacob	12/12	100.0	–	–	–	–	12/12	100.0	–	–	6/6	100.0	✔
5.	Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	11/12	92.0	8/8	100.0	5/5	100.0	–	–	2/2	100.00	–	–	✔
6.	Dato' Danapalan T.P. Vinggrasalam	12/12	100.0	8/8	100.0	5/5	100.0	–	–	4/4	100.0	6/6	100.0	✔
7.	Datuk Zalekha Hassan	12/12	100.0	7/8	88.0	4/5	80.0	12/12	100.0	–	–	–	–	✔
8.	Dato' Ir Abdul Rahim Abu Bakar	9/12	75.0	–	–	3/5	60.0	–	–	3/4	75.0	5/6	83.0	–
9.	Dato' Ibrahim Marsidi	11/12	92.0	7/8	88.0	5/5	100.0	12/12	100.0	4/4	100.0	–	–	✔
10.	Davide Giacomo Federico Benello	12/12	100.0	–	–	–	–	–	–	–	–	–	–	✔
11.	Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	10/12	83.0	–	–	–	–	–	–	4/4	100.0	6/6	100.0	✔
12.	Gee Siew Yoong *[Appointed on 13 March 2014]*	9/9	100.0	6/6	100.0	–	–	–	–	2/2	100.0	3/3	100.0	✔
	Alternate Director													
1.	Dato' Siti Zauyah Md Desa *[Alternate to Dato' Fauziah Yaacob]* *[Appointed on 5 November 2014]*	1/2	–	–	–	–	–	–	–	–	–	–	–	–
2.	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil *[Alternate to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin]*	9/12	–	–	–	–	–	9/12	75.0	–	–	4/6	67.0	✔
	Directors who have resigned/ceased since the last report													
1.	Dato' Sri Dr Halim Shafie *(Chairman)* *[Resigned on 12 January 2015]*	12/12	100.0	–	–	–	–	–	–	–	–	–	–	✔
2.	Eshah Meor Suleiman *[Alternate to Dato' Fauziah Yaacob]* *[Ceased on 31 October 2014]*	1/10	–	–	–	–	–	–	–	–	–	–	–	–

The average meeting attendance is calculated based on the attendance from the date appointment to the date of resignation.

Alternate member to principal Director. During the year, Directors with alternates, in either the main Board or Committees have endeavoured to ensure that each meeting was represented by them or their respective alternates. In a meeting where Tunku Dato' Mahmood Fawzy was unavoidably absent, his alternate Nik Rizal Kamil attended the meeting on his behalf.

Alternate Director as principal member of committee.

In maintaining and monitoring the limitation on directorship as required by the Main LR, the Directors upon appointment and following thereafter will notify the Company Secretary of their directorship in other companies for disclosure to the Board at Board Meetings. All TM Directors comply with the Main LR's restriction of five directorships on listed issuers.

The Board is also of the opinion that the provisions in the CA 1965 and Main LR are sufficient to ensure adequate commitment by the Directors to perform their duties and each Director is able to discern sufficient time commitment for the Company without it being formally regulated. Such is evidenced by the attendance of the individual Directors at Board and Committee meetings as shown at earlier page.

Board Effectiveness Evaluation (BEE)

The BEE was adopted by TM in 2004. Conducted internally since 2011, it comprises a Board Evaluation, a Committee Evaluation and a Directors' Self and Peer Assessment. It is designed to improve the Board's effectiveness as well as to draw the Board's attention to key areas that need to be addressed in order to maintain cohesion of the Board despite its diversity.

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

Questionnaires on the BEE include 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 accountabilities and responsibilities are also evaluated. These questionnaires are completed by the Directors for Self and Peer Assessments.

The BEE 2014 findings were generated based on Directors' feedback on the BEE forms and interviews held with the Directors and Company Secretary. Directors' responses complement the BEE 2014 questionnaires providing the Board's overall perception and opinions on TM. Upon collation and tabulation of the results and analysis of output, the Company Secretary consulted the Chairmen of the Board and NRC for in-depth analysis of the BEE results. A summarised report was presented to the NRC and Board in February with comparative analysis of the previous year's results to enable the Board to identify its strengths, areas for improvement and potential issues regarding the Board, Board Committees and individual Directors.

The BEE 2014 results revealed that the Board had performed demonstrably well, with most of the areas being rated as "Good" or "Outstanding". The overall average ratings for Board Responsibilities, Board Administration and Process, Board Conduct, Board Composition, Board Interaction and Communication with Management and Stakeholders was higher than "3.5" out of a total of "4.0", indicating the of Directors' satisfaction with the Board's overall performance.

Ratings for the Board Committees improved remarkably as compared to 2014. All Board Committees were rated "Good" to "Outstanding", indicating that Committee members have performed effectively as a group and in assisting the Board to discharge its roles and responsibilities.

Self and Peer Evaluations were also conducted to assess each Director's attributes, personalities and qualities. Each Director is provided with the results of the self-evaluation marked against peer evaluation for comparisons and remedial action. Directors' Peer evaluation results continued to be high in 2014, indicating healthy Board dynamics and a collectively strong Board with good working relationship among Board members and between the Board and Management.

Based on the 2014 BEE results and interviews conducted with the Directors, the Board remained objective to focus on the following strategic areas in 2015 to maintain TM's competitive edge:

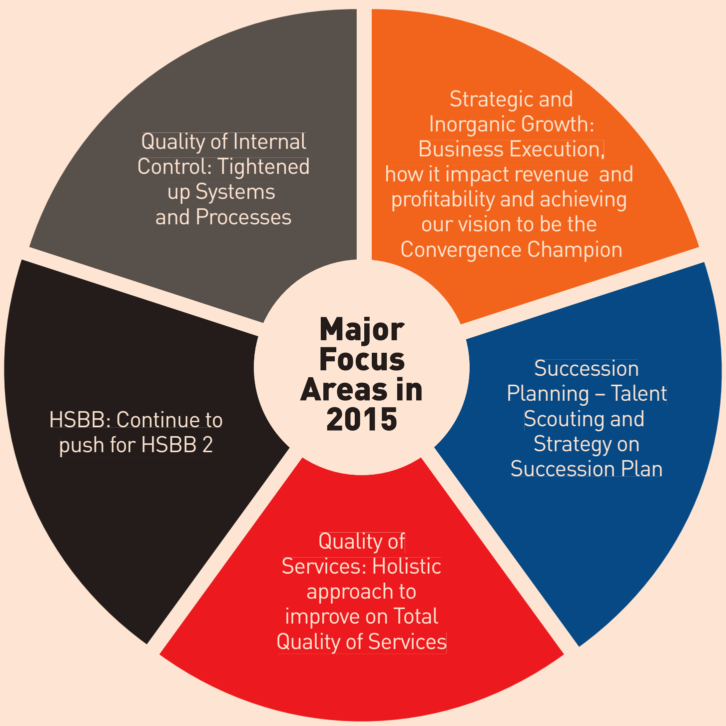


Chart 5: 2015 Strategic Focus Areas

Directors' Remuneration

The Board ensures that the Group's remuneration policy remains competitive to attract and retain Directors of such calibre who are able to provide the necessary skills and experience as required, commensurate with the responsibilities for the effective management of TM Group. The policy and framework for the overall remuneration of the EDs and NEDs are reviewed against market practices by the NRC, following which recommendations are submitted to the Board for approval.

A holistic review of the NEDs' remuneration package was undertaken in 2013. A revised Directors' fees for the NINE Chairman, SID and NEDs was approved by the shareholders at the 28th AGM on 7 May 2013. The shareholders had approved the Directors' fees of RM276,000 per annum for the NINE Chairman, RM180,000 per annum for the NED; and SID's fee of RM27,000 per annum effective 1 January 2012. This approval is still subsisting to date as there is no revision to the Directors' fees during the financial year ended 31 December 2014 and financial year ending 31 December 2015. Pursuant to Article 99(3) of the Company's AA, such fees cannot be increased except pursuant to an ordinary resolution passed at the Company's general meeting.

Executive Directors (EDs)

The remuneration package for EDs is balanced between fixed and performance-linked elements. As EDs, the Group CEO and Group CFO are paid salaries, allowances, bonuses and other customary benefits as appropriate to Top Management. A significant portion of the EDs' compensation package has been made variable in nature depending on the Company's performance during the financial year, which is determined based on the individual KPIs, and aligned to TM Group's Balanced Scorecard. They are not paid Director's fees or meeting allowances for Board and Board Committee meetings that they attend and are members of.

The respective performances of the EDs (as well as the 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. The Group CEO and Management team members are rewarded according to a combination of achievement of targets and their 360-Degree ratings. These payments are competitive, in line with the Group's corporate objectives, culture and strategy. The EDs recused themselves during the deliberations on their performance rewards and remuneration review at NRC and Board meetings.

In 2013, the Long-Term Incentive Plan (LTIP) for EDs and Top Management under TM Rewards Transformation initiatives was implemented and granted to eligible participants based on the approved mechanism. The main objective of the initiative is to align the interest of Top Management with that of shareholders, driving a high performance culture and as a retention tool.

Non-Executive Directors (NEDs)

In respect of the NEDs, the determination of their remuneration package is a matter for the Board as a whole. The NEDs' fees are based on a standard fixed fee, which is subject to shareholders' approval. Meeting allowances are paid based on attendance at Board and Committee meetings. NEDs are not entitled to participate in any employee share scheme or variable performance-linked incentive scheme pursuant to the Blue Book issued by the Putrajaya Committee on Government Linked Companies (GLCs) High Performance (PCG) to maintain appropriate checks and balances. They are, however, entitled to other benefits in kind, such as annual overseas business development trips, reimbursement on business equipment and telecommunications bills as well as insurance and medical coverage.

In the interests of good corporate governance and ensuring transparency, although there is no proposed review to the existing fees and the shareholders' approval in 2013 is still subsisting, the resolution on the total directors' fees for the financial year ended 31 December 2014 and payment of the fees from 1 January 2015 until the conclusion of the next AGM are tabled at the forthcoming 30th AGM for shareholders' approval.

Details of the total remuneration of each Director of the Company, categorised into appropriate components for the financial year ended 31 December 2014, are as follows:

Chart 6: 2014 Directors' Remuneration

NO.	NAME OF DIRECTORS	SALARY (RM)	FEE (RM)		ALLOWANCE (RM)		TOTAL AMOUNT (RM)
			TM	SUBSIDIARY	TM	SUBSIDIARY	
NON-INDEPENDENT AND EXECUTIVE DIRECTORS (NIED):							
1	Tan Sri Dato' Sri Zamzamzairani Mohd Isa	2,108,566.00 [a]	–	–	235,789.93 [b]	–	2,344,355.93
2	Datuk Bazlan Osman	1,205,660.00 [a]	–	–	164,339.38 [b]	–	1,369,999.38
NON-INDEPENDENT AND NON-EXECUTIVE DIRECTORS (NINED):							
3	Dato' Sri Dr Halim Shafie (Resigned on 12 January 2015)	–	276,000.00	276,000.00	84,200.00	14,000.00	650,200.00
4	Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	–	180,000.00	85,000.00	126,750.00	3,500.00	395,250.00
5	Dato' Fauziah Yaacob	–	180,000.00	–	129,250.00	–	309,250.00
NON-INDEPENDENT AND NON-EXECUTIVE ALTERNATE DIRECTORS:							
6	Dato' Siti Zauyah Md Desa *(Alternate to Dato' Fauziah Yaacob)* *(Appointed on 5 November 2014)*	–	–	–	–	–	–
7	Eshah Meor Suleiman *(Alternate to Dato' Fauziah Yaacob)* *(Ceased on 31 October 2014)*	–	–	–	51,250.00	–	51,250.00
8	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil *(Alternate to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin)*	–	–	–	22,000.00 [c]	–	22,000.00 [c]
INDEPENDENT AND NON-EXECUTIVE DIRECTORS (INED):							
9	Datuk Zalekha Hassan	–	180,000.00	90,000.00	148,750.00	2,000.00	420,750.00
10	Dato' Ir Abdul Rahim Abu Bakar	–	180,000.00	–	102,750.00	–	282,750.00
11	Dato' Danapalan T.P Vinggrasalam	–	207,000.00	90,000.00	98,000.00	12,600.00	407,600.00
12	Dato' Ibrahim Marsidi	–	180,000.00	90,000.00	151,750.00	2,000.00	423,750.00
13	Davide Giacomo Federico Benello	–	180,000.00	–	152,000.00 [d]	–	332,000.00
14	Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	–	180,000.00	15,000.00	53,000.00	1,000.00	249,000.00
15	Gee Siew Yoong *(Appointed on 13 March 2014)*	–	144,193.54	–	60,000.00	–	204,193.54
	TOTAL AMOUNT	3,314,226.00	1,887,193.54	646,000.00	1,579,829.31	35,100.00	7,462,348.85

Note:

[a] *Inclusive of Company's contribution to provident fund.*

[b] *Inclusive of car allowance in lieu of provision of company car.*

[c] *Paid directly to Khazanah Nasional Berhad.*

[d] *Inclusive of per diem allowance for foreign director amounting to RM110,000.*

Directors' Indemnity

TM maintained a Directors' and Officers' Liability Insurance for coverage throughout the financial year. Directors and officers are indemnified against any liability incurred by them in the discharge of their duties while holding office as Directors and officers of the Company. This insurance does not, however, provide coverage in the event of any negligence, fraud, breach of duty, breach of trust or fine upon conviction. The Directors contribute jointly to the premium payment of this policy.

Board Committees

Article 118 of the Company's AA provides the Board the discretion to delegate its powers to its Committees.

All of these Committees have specific ToR, operating procedures and their respective authority parameters approved by the Board. The Committees' modes of operation are reviewed from time to time to ensure they are relevant and up-to-date. The ToRs of the Board Committees are detailed in the Board Charter which is available on the Company's official website.

TM has established the following five main Board Committees which are entrusted to carry out the Board's delegated tasks:
- Audit Committee
- Nomination and Remuneration Committee
- Tender Committee
- Risk Committee
- Investment Committee

There is also a provision for the establishment of ad-hoc committees dubbed Board Sub-Committee (BSC) to be created as and when required based on specific needs and the nature of the issues/cases raised.

The proceedings and deliberations of the Board Committees are reported to the Board at every Board Meeting by the Chairmen of the Board Committees. On matters reserved for the Board and where the Board Committees have no authority to make decisions, recommendations are highlighted in their respective reports together with the Committee members' comments and views for the Board of Directors' deliberation and endorsement.

Board Audit Committee (BAC)

In compliance with the Main LR and MCCG 2012 and in addition to the duties and responsibilities set out under its ToR, the BAC assists the Board by providing an objective non-executive review of the effectiveness and efficiency of the internal control of TM Group.

The BAC report detailing its membership, number and attendance of each member at the BAC meetings, summary of its key functions and principal activities, as well as training during the financial year 2014 is set out on pages 142 to 146 inclusive, of this annual report. In addition, the Statement on Internal Audit is set out on pages 147 to 148 inclusive, of this annual report.

Board Nomination and Remuneration Committee (NRC)

TM has a combined Nomination Committee and Remuneration Committee for the purpose of expediency, as the same members are entrusted with the functions for both the Nomination and Remuneration Committees. In 2014, NRC was assigned the additional role on governance matters. Members of the NRC are mindful of their roles, which are clearly reflected and demarcated in the agendas of NRC meetings.

The NRC report detailing its membership, number and attendance of each member at the NRC meetings, summary of its key functions and principal activities during the financial year 2014 is set out on pages 136 to 141 inclusive, of this annual report.

Board Tender Committee (BTC)

BTC was established to consider and approve all procurement proposals based on the approved limits of authority in line with the Board's delegation of power.

Membership

- Datuk Zalekha Hassan *(Chairperson/INED)*
- Tan Sri Dato' Sri Zamzamzairani Mohd Isa *(Member/NIED)*
- Datuk Bazlan Osman *(Member/NIED)*
- Dato' Fauziah Yaacob *(Member/NINED)*
- Dato' Ibrahim Marsidi *(Member/INED)*
- Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil *(Member/NINE Alternate Director)*
- Dato' Siti Zauyah Md Desa *(Alternate Member/ NINE Alternate Director)* *[Appointed on 5 November 2014]*
- Eshah Meor Suleiman *(Alternate Member/NINE Alternate Director)* *[Ceased on 31 October 2014]*

During the year, Puan Eshah ceased as alternate director to Dato' Fauziah on the Board of TM. Accordingly, Puan Eshah also ceased as alternate member to Dato' Fauziah on BTC.

Meetings of BTC

BTC held 12 meetings during the financial year 2014. TM's Chief Procurement Officer (CPO) attended the BTC meetings as a permanent invitee while the Chief Technology and Innovation Officer (CTIO) was invited as and when required to provide additional input on technical requirements. The Management Evaluation Committee members were also invited to brief the BTC on specific issues as and when required.

Main Activities in 2014

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 limits of BTC. BTC also deliberated on the procurement transformation plan to further improve the Company's procurement efficiency. BTC continues to actively deliberate on identified procurement issues and process improvements in order to be more transparent, adopting best practices and strengthening the procurement governance at the same time strengthening security to eliminate possible avenues for bribery and malpractices.

Significant matters reserved for Board's approval and procurement proposals within the authority limits of TM's Board were tabled at Board meetings.

BTC is supported by sub-management committees chaired by the Group CEO, Group CFO and CPO, depending on the level of authority accorded to them.

Board Risk Committee (BRC)

BRC was established to support improvements in the management and monitoring of the Group's risk profile. This has resulted in a more integrated and structured approach to managing risks inherent in various aspects of TM's business.

A detailed BRC report detailing its membership, ToR, attendance of each member at meetings held in 2014 together with the Risk Management Report of the Group, is set out on pages 149 to 153 inclusive, of this annual report.

Board Investment Committee (BIC)

BIC was established to provide guidance to Management in considering and evaluating equity investment and/or divestment related proposals of TM Group for recommendation to the Board. In 2014, BIC's roles were enhanced to include deliberation on proposals relating to TM Group's properties for the approval of TM Board.

Membership

- Dato' Ir Abdul Rahim Abu Bakar *(Chairman/INED)*
- Datuk Bazlan Osman *(Member/NIED)*
- Dato' Fauziah Yaacob *(Member/NINED)*
- Dato' Danapalan T.P Vinggrasalam *(Member/SID)*
- Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor *(Member/INED)*
- Gee Siew Yoong *(Member/INED)* *[Appointed on 12 June 2014]*
- Nik Rizal Kamil Tan Sri Dato' Nik Ibrahim Kamil *(Member/NINE Alternate Director)*
- Dato' Siti Zauyah Md Desa *(Alternate Member/NINE Alternate Director)* *[Appointed on 5 November 2014]*
- Eshah Meor Suleiman *(Alternate Member/NINE Alternate Director)* *[Ceased on 31 October 2014]*

During the year, the membership of BIC was reviewed with the appointment of Ms Gee as a new member and Dato' Siti Zauyah as alternate member in place of Puan Eshah following the latter's cessation as alternate director to Dato' Fauziah on the Board of TM. Both Director and Alternate Director, with their financial background and vast experience in the financial sector, are invaluable in providing input on the viability of proposed investments.

Meetings of BIC

Six BIC meetings were held during the year. Decisions/recommendations of the meetings were reported to and deliberated at the Board meetings.

Main Activities in 2014

During the year, BIC vigorously considered several strategic proposals involving long-term investments to ensure they are in line with TM's strategic direction. Several proposals were also considered in order to align TM with market developments and technology advancements.

Board Sub-Committee (BSC)

During the year, TM is pleased to report that no major issue was raised that merits the formation of a BSC.

Management Committees and Sub-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 discuss key strategic matters and monitor the Company's performance and operations.

Management Committee (MC)

The salient ToR of the MC are as follows:

- Formulate Group-level key business strategies and policies, including action plans.
- Review, guide and facilitate policy-related matters for the Group, not limited to investments, divestments, enterprise business management, regulatory and financial policies.
- Provide strategic direction and recommend a policy framework for TM Group human capital management matters to the Board, including talent management and succession planning.
- Discuss, review and recommend to the Board changes to the Group's compensation and benefits.
- Review 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)

GLT is tasked, among others, to:

- Review the overall monthly business performance of TM Group.
- Discuss, deliberate and challenge the performance improvement reports of TM Group and LOBs.
- Discuss and review key business priorities and operational issues of TM Group.

Sub-Management Committees

In ensuring proper administration and supervision of the Company's day-to-day business, the EDs and key Management members were assisted by the following main sub-committees:

Mass Market Management Committee (MMMC)

MMMC, chaired by EVP Consumer and SME, was established following the alignment of the Mass Market cluster in October 2014. Its main objectives are to deliberate on strategic matters relating to Mass Market business for deliberation and approval to MC and to provide guidance and/or decision-making relating to Mass Market business operations.

Managed Accounts Council (MAC)

MAC, established in 2013, is chaired by the Managed Accounts Chairman who is the CTIO. Its main objective is to drive more collective focus in advancing the Managed Accounts business. It provides guidance and approval on key initiatives, reviews business performance and drives the priorities for the Managed Accounts business, to ensure synergies across the Managed Accounts' LOBs and VADS Berhad.

Mobility Guiding Council (MGC)

MGC, established in 2014, is chaired by the Group CEO. Its main purpose is to ensure the development and implementation of a coherent strategy on mobility and wireless for TM Group, and to align the Group's mobility and wireless strategy with TM's broader convergence aspiration.

Business Continuity Management Steering Committee (BCMSC)

BCMSC, established in March 2012, is chaired by the Group CEO. It is the primary decision-making platform for TM Business Continuity Management (BCM) that oversees BCM programmes in TM Group.

Customer-Centricity Steering Committee (CCSC)

CCSC was established in November 2009 and is chaired by the Group CEO with the objective of improving TM's customer experience and achieving customer service charter goals.

Group Technical Investment Committee (GTIC)

GTIC was established in June 2012 and is chaired by the CTIO with CSO as alternate Chairman. GTIC's objectives are to address fragmented technical investment issues and ensure alignment and optimisation of technical investment across the Group.

Finance Committee (FC)

FC was established in July 2009 and is chaired by the Group CFO. It is a platform to review and deliberate on financial matters pertaining to investment and budgets, and resolve key financial and operational issues. Specific matters requiring the Board's decision are tabled by FC to MC for prior input before escalation to the Board.

Group Product Committee (GPC)

GPC was established in 2009 and is chaired by the CSO. GPC acts as a strategic point of reference for unresolved cross-line business and operational issues related to product and customer segmentation. It also provides guidance and policies to ensure product synergies within the Group.

Management Procurement Committees (MPC)

Three MPCs were established, each chaired by the Group CEO, Group CFO and CPO, to deliberate on procurement matters which are segregated based on approved limits of authority.

Group Property Committee (Property-Comm)

Property-Comm was established in December 2009, and chaired by the Group CFO, to oversee TM Group's property related matters and provide recommendation for approval to BIC, as deemed necessary.

Board Performance Improvement Programme (BPIP)

The BPIP Governance work-stream adopted since January 2008 has undergone enhancements throughout the years to improve the Board's functions and structure, ensuring the Board's priorities are aligned with the Group CEO's mandate. Various initiatives have been introduced as Board Operating Mode (BOM) deliverables to enhance the Board's effectiveness. These deliverables are monitored and reported to the Board annually. The Management formulates a whole-year plan for TM Board Meeting Priorities and Agenda for the Board's approval in the first quarter annually taking into account the Group CEO's Priorities as well as major focus areas requested by the Board based on the BEE results. The Board Agenda is aligned with the Company's Vision and Mission, consistent with the Board's key roles and the mandate provided to the Group CEO.

In 2014, the Board's main focus was on strategy and industry issues, in line with the Board's business direction and the competitive telecommunications industry landscape. The time spent deliberating various broad agenda topics at Board meetings in 2014 is as per chart 7 below:

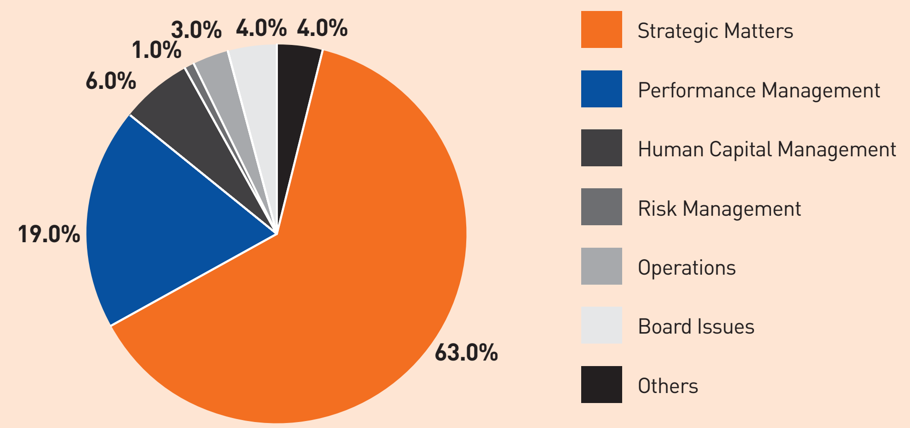


Chart 7 – 2014 Board Time Spent

Board Training and Knowledge Acquisition

To date all TM Directors, including newly appointed Directors, have successfully completed the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Securities. Induction briefings on the Malaysian telecom's industry, as well as TM's aspirations, business targets and group performance, were organised for the newly appointed Directors. Apart from the MAP, Directors also attended other relevant training programmes and seminars organised by the relevant regulatory authorities and professional bodies.

Training needs for the Directors continue to be evaluated through the Board Training Programme to identify how best to aid the Directors in discharging their duties.

Board Training Programme (BTP)

The BTP Guidelines adopted in January 2005 to address the training needs of Directors in the absence of the Bursa Securities' Continuous Education Programme (CEP) requirements were in line with MCCG 2012 in promoting the continuous training of Directors to keep them updated of industry trends and enhance their skills.

The training structure for the Board is monitored and updated to be relevant to changing business needs. As a result of close monitoring of the BTP by the NRC and in line with the BEE results, the Directors' training structure for 2014 was aligned to their training needs focusing on Industry, Strategy, Corporate Governance and Investor Relations.

In 2014, the Directors attended various seminars, conferences and international conventions to gain insight into the industry and latest regulatory and technological developments which are relevant to the Group's business.

TM has continuously organised in-house training for Directors' development initiatives. During the year, two sessions were arranged in relation to "Customer Experience Journey" and "Applicability of Goods and Services Tax Act 2014 and its impact to Directors". In October 2014, a Board visit was organised to Manchester, United Kingdom for a knowledge-sharing session at a CXO Technology Summit on content and media applications and visit to an education provider at MediaCityUK.

Based on the BTP records, all Directors completed the minimum requirement of 36 training hours for the year. The Directors also concurred that they have devoted sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning in order to sustain active participation in Board deliberations.

Salient finding of the BPIP in 2014 was that Directors spent more than 50.0% of their training on key areas namely Industry Knowledge and Strategy. This is in line with the need to maintain and enhance their knowledge as well as remain up-to-date with developments in the business and telecommunications market. The increase in "Industry" topics (2013: 20.0%; 2014: 36.0%) was driven by Directors' participation in CommunicAsia 2014, Khazanah Megatrends Forum, GSMA Mobile World Congress 2014, Microsoft Summit and the CXO Technology Summit.

The Directors' trainings structure in 2014 is depicted in the chart below:

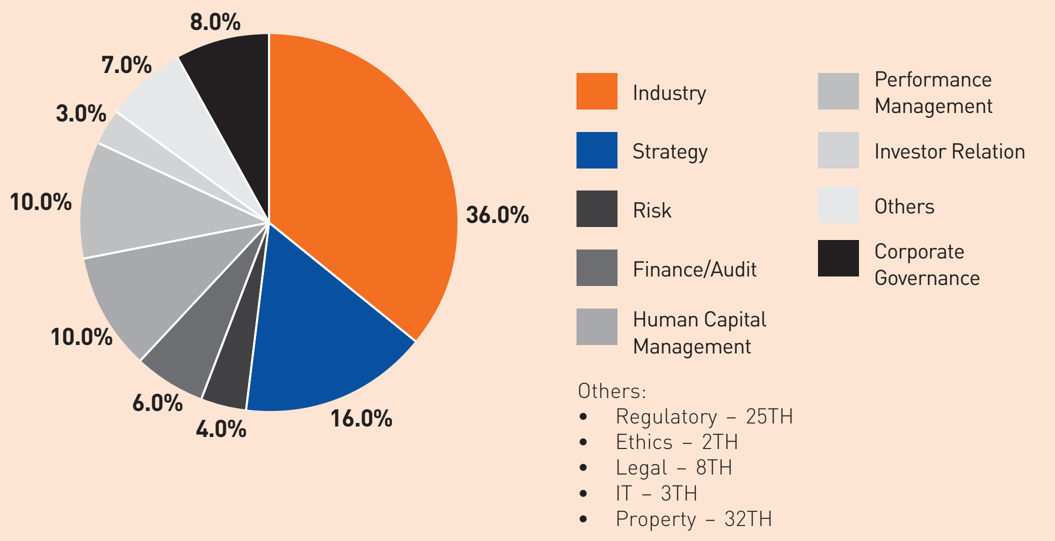


Chart 8 – 2014 Directors' Training Structure

In furtherance of the quest for continuous learning and acquisition of relevant skills and knowledge in order to enhance their business expertise and professionalism, the following are conferences, seminars and training programmes attended by the Directors in 2014:

Training Focus	List of Conferences/Seminars and Training Programmes
Corporate Governance	• Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) • Annual Directors Duties, Governance and Regulatory Updates Seminar 2014 • Workshop by Minority Shareholder Watchdog Group (MSWG) on Corporate Governance
Industry	• CommunicAsia 2014 • Khazanah Megatrends Forum 2014: Scaling the Efficiency Frontier • VADS CXO Summit • 2014 Global Communications Forum • Telecom Industry Trends • GSMA Mobile Word Congress
Strategy	• Strategic Retreat cum Board Meeting : CIMB's Customer Experience Journey • Managing a Sustainable Business Development • Working for Peace through the Media • ASLI National Economic Summit & Dialogue • Invest Malaysia 2014

Training Focus	List of Conferences/Seminars and Training Programmes
Risk	• IERP Conference Enterprise Risk Management • Board Risk Intelligence – Risk Governance into Practice • The Next Global Crisis: Does the World's Banking System Threaten our Future Economic Security?
Finance/Audit	• Audit Committee Workshop Series 2014 • The Time Is Now: Understanding and Embedding Accounting in the Malaysian Public Sector • Audit Committee Institute (ACI) Technical Update • FIDE Programme for Development Financial Institution Directors • The Jersey Finance Asia Roadshow
Human Capital Management	• TM Leader's Dialogue • Senior Leadership Programme: Branding Leaders, Branding the Nation
Performance Management	• Directors' Breakfast Series with Beehan: Great Companies Deserve Great Boards • MINDA Corporate Directors Onboarding Programme • Knowledge Management and Action Research • International Directors' Summit
Investor Relations	• Maybank Non-Deal IR Roadshow • CLSA Non-Deal IR Roadshow
Others	• Regulatory • Ethics • Legal • Information Technology • Property

Board Access to Information

Access to Management

In an industry where technology is ever evolving, it is imperative that the Board has easy access to the Senior Management to seek clarification and understanding for efficient decision making.

The Board thus has direct access to the Senior Management and unrestricted and immediate access to information relating to the Group's business affairs. Relying on the integrity of the Company's Senior Management with access to expertise in legal, accounting, financial and other advisors, the Directors are able to discharge their duties effectively to arrive at informed decisions.

Relevant and material information is provided to the Board on average five calendar days prior to the meetings to enable the Board to have sufficient time to assess the proposals or information. In 2014, an average of six calendar days was recorded for the distribution of Board papers save for Special Board Meetings for which a shorter timeframe has been agreed with the Board.

Company Secretary

Company Secretaries are at all times accessible to the Directors for advice and services. The Chief Legal Compliance and Company Secretary, supported by the Joint Secretaries, is responsible for providing support and appropriate guidance to the Board on policies and procedures, rules and regulations and relevant laws as well as best practices on governance.

The Board also has access to the Meeting and Document Management System, a secured electronic archival and retrieval system which stores all proposal papers and minutes of Board, Committees and Management Committee meetings.

Access to External Experts

Other than the Group's internal resources, the Board and its Committees have at their disposal access to external information and expert advice by engaging independent external experts at the expense of the Company, should they deem it necessary in ensuring performance of their duties.

During the year, legal advisors were appointed to provide legal opinions on governance issues to NRC.

Industry Information Packs (Info-packs)

The Board is updated on information relating to the telecommunications industry and developments thereof with the issuance of quarterly Info-packs, a compilation summarising analysts' views on TM, local and global trends, events, competitive intelligence, industry reports, periodicals and local and overseas regulatory updates. As at December 2014, 35 Board Info-packs have been issued to date.

Communication and Interaction

Board and Management

Senior Management members are invited to attend Board and Committee meetings to present, report or seek recommendations for the Board's consideration on matters relating to their areas of responsibility. Concise and comprehensive proposal papers are prepared and presented for the Directors' consumption, deliberation and decision. Since 2012, MC members and permanent invitees have been invited to Board meetings during the presentation of monthly performance reports/balanced scorecards for effective deliberation on the Company/Group's performance.

Vital decisions are communicated to the Management within one working day of the Board meeting while the minutes of Board Meetings are completed for comments by the Chairman and EDs within five working days. Relevant extracts of the minutes are distributed to the Management for action within three to five working days, depending on the urgency of the items.

The Board's adoption of a rating process for papers and presentations by Management helps to provide constructive feedback to the Management and improve the quality of papers presented to the Board. During the year, the overall average of Board ratings on the quality of Management papers and presentations was recorded at above 4.00 points out of 5.00 points.

Management was also given the opportunity to rate the Board's performance in terms of the focus, constructiveness and support given by the Board during deliberations and whether clear decisions based on relevant facts were derived from the discussions. In the year under review, the Management's average rating of the Board increased to 4.28 points out of 5.00 points as compared to 4.21 points in 2013.

Shareholders and Investors

A sound Investor Relations (IR) programme is vital in managing the interests of shareholders, stakeholders and investors in the Company. Continuous engagement is maintained with the investing community through a planned IR activities programme managed by the IR Unit under the patronage of the Group CFO.

Shareholders and market observers are also welcomed to raise queries at any time through Group Brand and Communication and the IR Unit.

All communication with the capital market is under the scope of the Investor Relations Policy and Guidelines, guaranteeing timely and high quality disclosure of information to shareholders and investors to enable them to form proper judgments and appraisals of the Group in making informed investment decisions.

TM also announced its Headline KPIs for 2014 to 2016 in February 2014 in its continuous efforts to enhance greater transparency to the public. These targets were 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.

On 14 April 2014, TM also conducted an engagement session with MSWG providing clarification on a corporate proposal undertaken by the Company during the year.

In addition, the Company provides an alternative communication line with the investing community and other stakeholders through the SID. This is an important channel for minority shareholders and relevant stakeholders to air their concerns to the Company and Management.

Communication and feedback from investors can also be directed to investor@tm.com.my. Alternately it can be addressed to:

Head of Investor Relations
Level 11 South Wing, Menara TM,
Jalan Pantai Baharu,
50672 Kuala Lumpur

Details of TM's Investor Relations initiatives and activities during the year are set out on pages 43 to 47 inclusive, of this annual report.

Independent Directors' Discussion

SID is responsible to lead confidential discussions with the other NEDs who may have concerns which they believe have not been properly considered by the Board as a whole. The discussions are held as and when required or deemed necessary by the SID. As such, the Board is able to pursue a greater degree of independence, and NEDs can meet and actively exchange views in the absence of Management.

During the year, no such meeting was held, indicating that issues were discussed and resolved to the INEDs' satisfaction during the Board meetings and retreat sessions.

Relationship with the External and Internal Auditors

The Board maintains an appropriate relationship with the Company's auditors through the BAC. The authority to communicate directly with both the external and internal auditors has been explicitly accorded to the BAC in the Board Charter enabling the BAC's ability to discharge this duty effectively.

The BAC and Board place great emphasis on the objectivity and independence of the external auditor, Messrs PricewaterhouseCoopers (PwC), in providing transparent reports to the shareholders. PwC has continued to report its opinions to shareholders of the Company, and this is included as part of the Group's financial reports with respect to the statutory audit for the financial year. PwC is regularly invited to attend the BAC meetings to provide full disclosure of the audit undertaken by them specifically on financial related matters and the integrity of systems that relate to the financial aspects. BAC has also fully exercised its rights under the Board Charter for a biannual private discussion without the presence of the Management for a full and free discussion on issues that concern both BAC and/or PwC.

The external auditor's presence was also requested at the Company's AGM to personally provide its report to the shareholders and attend to any issues raised by the shareholders.

A full report outlining the BAC's role and relationship with the external and internal auditors is set out on pages 144 to 145 inclusive, of this annual report.

Annual Report and Annual General Meetings (AGM)

TM's annual report contains invaluable information for shareholders specifically and the public in general for insights to the Company. As a key channel of communication between the Group and its stakeholders, it contains a comprehensive report on the Group's direction and financial performance, ensuring disclosure beyond the requirements of the Main LR in promoting better governance.

A summary of the annual report is published in printed form and posted to shareholders together with a CD ROM. An electronic version of the full annual report is also available on the Company's corporate website for download. As per previous years, TM continues to produce the e-book version of the 2013 Annual Report, available as a download on both iOS and Android.

The complete printed versions of the annual reports both in English and Bahasa Malaysia are provided to shareholders upon request. Details on the request for printed copy are provided in the summary of the annual report together with the request form. Our Share Registrar will ensure that the printed copies reach the shareholders within four days of receiving the request.

TM has also noted the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) as well as the analysis on the state of Integrated Reporting in Malaysia and is of the belief that TM's Annual and Sustainability Reports are already on the Integrated Reporting path. TM's Annual Report disclosures are in line with the mandatory information required by Bursa Securities. Efforts are being made to structure the contents to further reflect the Integrated Reporting concept.

Another significant avenue of communication and dialogue with shareholders is during TM's general meetings, in particular the AGMs. During the AGM, the Group CEO presents a comprehensive review of the Group's performance and value created for shareholders as well as current developments of the Group. This review is supported by a visual and graphic presentation of the key points and financial figures. Questions raised by the MSWG prior to the AGM are also shared with all shareholders during the AGM together with feedback on pertinent issues and queries relating to the Company's business. The presentations are later uploaded onto the Company's website upon conclusion of the AGM.

In line with MCCG 2012's recommendation in encouraging shareholders' participation in general meetings, the notice for the AGM has been further enhanced to include all relevant information with regard to shareholders' rights at the said general meeting.

The Board will consider the use of electronic voting for both show of hands and polling, to facilitate greater shareholder participation taking into consideration its reliability, applicability, cost and efficiency.

The Board encourages active participation by the shareholders and investors during the AGM. Attendance at the Company's AGM continues to be high as evidenced by the registration of 2,519 shareholders at the 29th AGM of the Company held on 8 May 2014, representing an increase of 10.0% from the attendance at the 28th AGM.

Upon commencement of the general meeting, the Chairman will inform the meeting of the rules including voting procedures that will govern the meeting. The Company also engages independent scrutineers to count, audit and validate the votes for each proposal presented to shareholders. The Chairman will identify and remind the interested parties should the proposal warrant them to abstain, prior to the voting of the proposal. The result of the voting for each resolution is promptly announced to the general meeting after each voting process. A summary of voting results for all resolutions is also presented for the shareholders' information. Thereafter, the results of the resolutions are uploaded accordingly on Bursa Securities' website. In addition, minutes of the general meetings are accessible on the Company's website.

At the general meetings, shareholders have encouragingly taken the opportunity to raise questions on the agenda items of the AGM. Appropriate answers and/or clarifications are provided by the Board members, Committee chairman or Senior Management. A press conference is held immediately after the AGM at which the Chairman, Group CEO, Group CFO and relevant Senior Management are present to clarify and explain issues raised by the media.

Internal Corporate Disclosure Policies

The Board has established an Internal Communication Policy and Best Practices to facilitate the handling and disclosure of material information in a timely and accurate manner. The Policy, based on openness and transparency, two-way communication, accountability, timeliness, accuracy and simplicity aims to ensure the Company's compliance with the disclosure requirements as set out in the Main LR and other relevant laws. The Company has also adopted the Corporate Disclosure Guidelines (2nd Edition) issued in October 2013 by Bursa Securities.

Board Conduct

Conflict of Interest and Related Party Transactions (RPT)

All Directors are required to make written declarations of their interest in transactions at every Board meeting to ensure accountability and ascertain potential or actual conflict of interest in relation to every issue that comes before the Board. Directors are also reminded by the Company Secretary of their statutory duties and responsibilities and are provided with updates on any changes thereon.

A register is maintained by the Company Secretary on Directors' interests and directorships, including his/her related persons for the purpose of monitoring, among others, for RPT tracking by the Compliance Unit and Group Procurement.

During the year, Directors have updated the Company Secretary on changes of their interest and status as and when changes occurred.

The Directors further acknowledged that they are required to abstain from deliberation and voting on relevant resolutions in which they have conflict of interest at the Board or any general meeting convened and recuse themselves from the meeting. In the event a corporate proposal is required to be approved by shareholders, interested Directors will abstain from voting in respect of their shareholdings in TM and will further undertake to ensure that persons connected to them will similarly abstain from voting on the resolutions.

Trading on Insider Information

TM's Directors and employees are absolutely prohibited from trading in securities or any other kind of property based on price sensitive information and knowledge which has not been publicly announced.

Notices on the closed period for trading in the Company's shares are sent to the Directors and principal officers on a quarterly basis as a reminder on the prohibition by identifying the timeframe during which Directors and the principal officers are prohibited from dealing in the Company's shares. Directors are also reminded not to deal in the Company's shares when price sensitive information is shared with them in the proposal papers.

During the year, there were no cases reported relating to any breach of the prohibition.

Corporate Integrity

The Company Directors' Code of Ethics issued by the Companies Commission of Malaysia is internalised in TM as a tenet for proper comportment of the Board of Directors. Through disclosure of interest at every meeting, Directors have implemented the principle relating to sincerity, integrity and responsibility.

Apart from the above, the conduct of TM Board, Management, employees and all stakeholders of the Group is further governed by the Code of Business Ethics (CBE), Procurement Ethics Rules and Practices, Integrity Pact, TM Anti-Corruption Guide, and Whistleblower Policy. These policies and guidelines aim predominantly to uphold the value of 'Uncompromising Integrity'

For suppliers, the declaration under CBE is an annual occurrence, providing a regular reminder of the Group's policy towards integrity.

Employees, Board members and suppliers involved at all levels of procurement activities in TM are required to pledge to an Integrity Pact, a declaration made against corrupt practices. The Integrity Pact was first introduced on 13 August 2012 as an initiative adopted from the Government to curb corruption in public contracting. It is a directive by the Board and Management to enhance governance and integrity in the Company. Its implementation is in line with the provision relating to procurement in the CBE and policy against corruption and conflict of interest as laid out in the Procurement Ethics Rules and Practices.

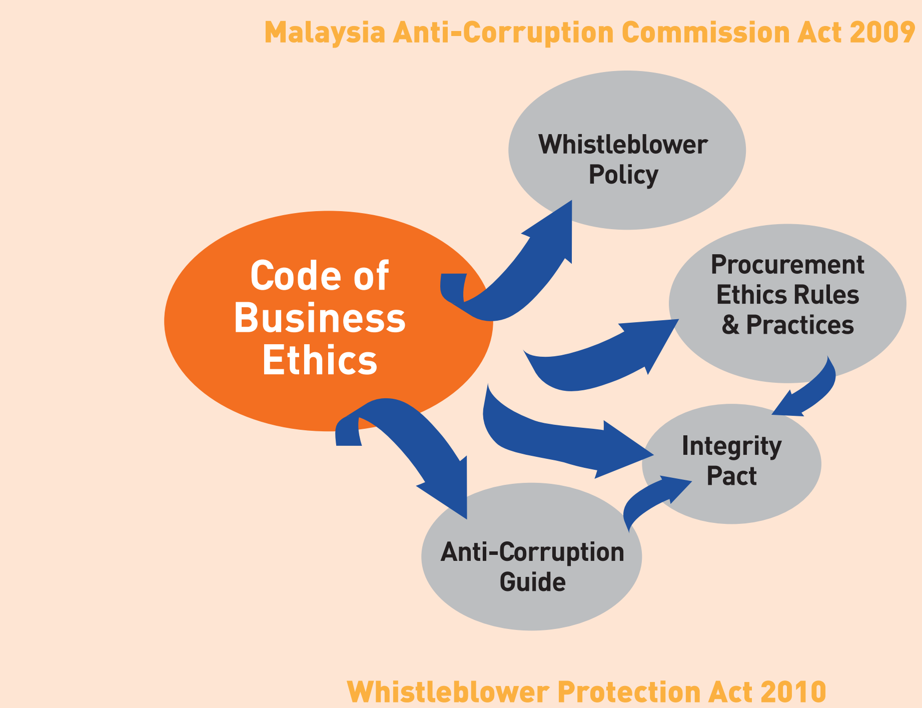
The declaration signifies to all involved in procurement activities, including the public, of the Group's commitment towards creating a business environment, encompassing interactions with business partners and the Government, that is free from corruption.

Additionally, members of BTC are required to execute a declaration prior to every meeting confirming that the member has no conflict of interest in the proposals tabled at the meeting. Confidentiality of information is also maintained throughout the procurement exercise.

In addition, TM's CBE includes a Whistleblower Policy under which TM Group employees are encouraged to report concerns about alleged unethical behaviour, actual or suspected fraud within the Group. Increased awareness among stakeholders was noted during the year, as evidenced by an increased number of reports and improved quality of information resulting in positive actions taken against wrongdoers.

The CBE, Procurement Ethics Rules and Practices and Integrity Pact and Whistleblower Policy emphasise the Company's intolerance against corrupt practices and undesirable behaviour within and in relation to the Group. This represents a collective effort between Enterprise Ethics and Integrity Unit, GIA, Special Affairs Unit, Group Human Capital Management and Group Procurement under the Ethics & Integrity Committee.

Details of the Corporate Integrity initiatives are stated on pages 159 to 161 of this annual report.



Conflict Management

TM Board recognises the importance of addressing conflicts within the Board sensibly, fairly and efficiently within the Company irrespective of the parties involved. If any issue of concern or sensitive matter arises between Board members, the Chairman and SID have a tacit role to act as intermediaries to resolve the issue to its conclusion.

In instances where there is a conflict or issue between Board members and employees involving unethical conduct of any member of the Board of Directors, TM has established a grievance procedure whereby the aggrieved employee may escalate complaints against the Board member via a formal channel through the SID and/or the Company Secretary.

The SID and/or the Company Secretary shall evaluate and if required, stream the complaint to the NRC Chairman for consultation to decide on the next course of action. If the complaint is substantiated and warrants further investigation, an independent ad hoc body, the Board Ethics Committee, shall be established to review and investigate the complaint and recommend the next course of action to the NRC and ultimately, TM Board shall decide the appropriate actions to be taken against the Director, as the case may be.

Promoting Sustainability

TM continues to focus on organic growth by building business models that create enduring consumer and employee values. The economic, social and environmental aspects of its operations continue to be managed to ensure long-term viability of the Company's business.

TM's Annual Sustainability Report illustrates the Company's programmes towards these endeavours and also its Corporate Responsibility (CR) initiatives. The Annual Report highlights the financial aspects of the business and, together with the Sustainability Report, provide a clear, comprehensive and transparent representation of the Company's performance annually.

The Sustainability Report is made available to the public through the Company's official website.

Accountability and Audit

Financial Reporting

The Board ensures that shareholders are presented with a clear, balanced and meaningful assessment of the Group's financial performance and prospects through quarterly announcements of financial results made on 28 May, 27 August and 26 November 2014, as well as the Chairman's and Group CEO's Statements in this annual report. Through delegation, a focused BAC assists the Board in overseeing the Group's financial reporting processes and the quality of its financial reporting.

Directors' Responsibility Statement

The Directors have provided assurance that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year as required by the CA 1965.

The Statement of Responsibility by Directors for the audited financial statements of the Company and Group is as outlined on page 258 of this Annual Report. Details of the Company and the Group financial statements for the financial year ended 31 December 2014 are set out on pages 259 to 387 of this annual report.

Internal Controls

The establishment of an appropriate control environment and control framework as well as for reviewing its effectiveness, adequacy and integrity is evidence of the Board's overall responsibility for the Group's system of internal controls. It is designed to manage the risk of non-achievement of the Group's objectives and provide adequate assurance against the occurrence of any material misstatement or loss.

The Directors' Statement on Risk Management and Internal Control (SORMIC), which provides an overview of the state of internal controls within the Group, is enumerated on pages 129 to 135 inclusive, of this annual report.

Compliance Statement

Pursuant to paragraph 15.25 of the Main LR of Bursa Securities, the Board is pleased to report that this Statement on Corporate Governance outlines the corporate governance practices of the Company with reference to the MCCG 2012. TM has fully applied the broad principles set out in the Code. The Board, however, continues to reserve several of MCCG 2012's Recommendations and Commentaries as it believes that these departures are justified and the statement above has rationalised the reasoning behind the departures. TM nevertheless will continue to strengthen its governance practices to safeguard the interests of all its stakeholders.

This Statement, together with the SORMIC, BAC, NRC and BRC Reports, sets out the manner in which the Company has applied the principles as prescribed in the MCCG 2012.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors duly passed on 26 February 2015.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
Chairman

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

This Statement is made pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) which requires the Board of Directors of listed companies to include in their annual report, a "statement about the state of internal control of the listed issuer as a group". The revised Malaysian Code on Corporate Governance (2012) requires the Board to establish a sound risk management framework and internal control system. The Board of Directors is pleased to provide the following statement that has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers endorsed by Bursa Securities which outlines the nature and scope of the risk management and internal control of the Group during the financial year under review.

Responsibility and Accountability

The Board acknowledges its overall responsibility in the establishment and overseeing of the Group's risk management framework and internal control systems. The risk management framework and internal control systems are designed to manage the Group's risks within an acceptable risk appetite set by the Board and Management, rather than eliminate totally the risks of failure, to achieve goals and objectives of the Group. The Board also reviews from time to time the effectiveness, adequacy and integrity of the framework and systems. The Management is responsible for 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 control to mitigate and control these risks.

The framework and systems are designed to address and manage rather than eliminate the risk of failure to achieve business objectives and therefore can provide only reasonable and not absolute assurance against material financial misstatement or loss. There are two committees at the Board level that have primary risk management and internal control oversight responsibilities:

- The Board Risk Committee (BRC) – with oversight over operations and business risk management.
- The Board Audit Committee (BAC) – with oversight over internal control systems, financials and governance matters.

Risk Management Framework

TM Group has in place an Enterprise Risk Management framework and processes for identifying, evaluating and managing significant risks faced by the Group based on MS ISO31000 standards. The responsibilities of the Board for the governance of risk and controls include:

- Setting the awareness and culture towards effective risk management and internal control;
- Embedding risk management in all aspects of TM Group's daily business and operational activities and processes;
- Approving the Board's acceptable risk appetite; and
- Reviewing the risk management framework, processes, responsibilities and assessing whether they provide reasonable assurance that risks are managed within tolerable ranges.

In 2014, TM continued to refine its approach and methodology, continuously identifying, assessing and mitigating the risks across the horizontal and vertical operations of the Group. Guided by documents and technical papers issued by TM Forum, TM has embedded the Telco Risk Universe consisting of a set of risks grouped into categories reflecting the common business operations of a telecommunications company. With this approach, all strategic and operational risks in TM are consolidated and being proactively monitored and managed. Strong management of operational risk enhances operational robustness and effectiveness thus culminates in the reduction of overall corporate risks.

Risk assessment and evaluation have been embedded as an integral part of TM's annual strategic planning cycle and day-to-day operations. 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 and periodical business performance processes.

Further information on Risk Management is provided on pages 151 to 153 of the Annual Report.

Internal Control Framework

The Board acknowledges that the system of internal controls is designed to manage and reduce, 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 internal control system is intertwined with the Group's operating activities and exists for fundamental business reasons.

The framework and system of internal controls is developed based on the COSO (Committee of the Sponsoring Organisations of the Treadway Commission) Internal Control Integrated Framework – a generally accepted framework for internal control. This framework and system are regularly reviewed throughout the year 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.

Review of Risk Management and Internal Control Effectiveness

The Board

In evaluating the effectiveness of the risk oversight and internal controls, the Board considers the business risks that have impacted or are likely to impact the Group's achievement of its objectives and strategies. The Board also assesses the effectiveness of the risk management and internal control system in managing those risks that are in place through the BRC and BAC.

Board Risk Committee

The main role of the BRC is to assist the Board in ensuring a sound and robust enterprise risk management framework and such framework has been effectively implemented to enhance TM Group's ability to achieve its strategic objectives. The Terms of Reference and activities of TM BRC's risk management policies and activities are detailed on pages 149 to 153 of this Annual Report.

Board Audit Committee

The main role and responsibility of the BAC is to assess the adequacy and effectiveness of the Internal Control Framework and its implementation within TM Group which includes ensuring policy implementation and the adequacy of controls, and reviewing the integrity of internal control systems and management information systems through the Internal Audit function. At the same time, BAC oversees the financial reporting of TM Group to ensure that it presents a true and fair view of TM Group's financial position and performance and is in compliance with applicable financial reporting standards and regulatory requirements. Terms of Reference and activities of TM BAC's risk management policies and activities are detailed on pages 142 to 146 of this Annual Report.

During the annual assessment, the Board considered all issues that have been dealt with in all reports reviewed by the Board during the year together with any additional information necessary to ensure that it has taken into account all significant aspects of risks and internal control of TM Group for the year under review and up to the date of approval of the statement for inclusion in the Annual Report.

The review steps that have been undertaken by the Board include:

- the changes in the nature and extent of significant risks since the last assessment and how TM Group has responded to changes in its business and the external environment;
- the effectiveness of TM Group's risk management and internal control system;
- the work of its internal audit and risk management units and other assurance providers, which include the external auditors;
- the extent and the adequacy of the frequency of the communication of the results of the monitoring to the Board;
- the incidence of significant control failure or weaknesses identified at any time during the period and their impact on TM's performance or financial, business or operational conditions.

The Board recognises that neither risk management nor internal control processes provide absolute assurance. The Board is of the view that the processes implemented and executed by the Management provide reasonable assurance that significant risks which impact TM's strategies and objectives for the year ended 31 December 2014 are within levels appropriate to TM Group's business and approved by the Board. In making the statement above, assurance statements in writing were obtained from the Chief Executive Officer and the Chief Financial Officer certifying that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework and policies adopted by TM Group.

The Management

The Management acknowledged that they are responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed. The Management has assured the Board that TM's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by TM. The Management has implemented the necessary processes to:

- identify and analyse the risks relevant to the business of TM Group and the achievement of objectives and strategies;
- design, implement and monitor the risk management framework in accordance with TM Group's strategic vision and overall risk appetite; and
- identify changes to risk or emerging risks, take actions as appropriate, and promptly bring these to the attention of the Board.

Internal Audit

TM has established an in-house independent internal audit function reporting to the BAC with the objective to provide an independent, objective assurance and consulting activity designed to add value and improve TM Group's operations. It helps TM Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. During the financial year, the internal audit function provides continuous assessments that risks, which may hinder TM's ability from achieving its objectives, were being adequately evaluated, managed, monitored and mitigated. It further evaluated the effectiveness of the governance, risk management and internal control framework and facilitated enhancement. Where applicable, they provided recommendations to improve the effectiveness of risk management, control and governance processes. Management followed through and reviewed the status of actions on recommendations made by the internal and external auditors.

Audit reviews are carried out on units that are identified premised on a risk-based approach, in line with the Group's objectives and policies in the context of its evolving business and regulatory environment, taking into consideration input of the Senior Management and the Board. Further information on the Internal Audit Function is provided on pages 147 to 148 of the Annual Report.

Under the COSO Internal Control Integrated Framework, the internal control assessment is segregated into five interrelated components, as follows:

A. Control Environment

Control environment is the organisational structure and culture created by the 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:

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.

Board Committees

- 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.

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 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, the Management, employees and all stakeholders of the Company.

- All Executive Directors, the 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 Rules & Practices

- TM's Procurement Ethics Rules & Practices (Procurement Ethics) which was formally introduced in 2006 focuses on three tenets of ethical conduct expected from all employees and business partners in TM's business practices, namely:
  - Zero tolerance on corruption;
  - No or transparent conflict of interest; and
  - Honest representation of capabilities

- All TM employees within TM Group of Companies and its business partners are required to adhere to the principles and practices of the Procurement Ethics which serve to promote greater transparency and accountability and cultivate an ethical working environment that will reduce graft, enable products to be purchased at competitive market prices and ultimately improve profitability.

Integrity Pledge

- The Corporate Integrity Pledge (CIP) signed by TM on 27 April 2011 demonstrates TM's commitment to upholding integrity in the organisation's processes, procedures and policies.

Integrity Pact

- The implementation of TM's Integrity Pact in 2012 further ensures that all procurement activities in TM are free from corruption by requiring business partners, members of the Procurement Committees and employees to sign an undertaking that they will refrain from getting involved in corrupt practices and to report any acts of corruption.

Strategic Themes and Objectives

- The Management continues to execute the Performance Improvement Programme (PIP3.0) which focuses on four strategic thrusts to support the achievement of the Group's key business objectives. They are:
  - Customer centricity and quality improvements;
  - One company mind-set with execution orientation;
  - Operational excellence and capital productivity; and
  - Leadership through innovation and commercial excellence.

Risk Management and Internal Control Policy Statement

- The Board and the Management issued the Risk Management and Internal Control Policy Statement that TM Group is committed to a "Risk-based Internal Control System" designed to provide reasonable assurance of achieving the Group's business objectives, safeguarding and enhancing shareholders' investments and TM Group's assets. This will be done through the implementation of an Integrated Risk Management Framework and programme throughout the Group. The Chief Executive Officers of the Group, Heads of Business and Support Groups and the CEOs of its subsidiaries are responsible and accountable in the implementation of the risk management framework and practices.

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.

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 engagement 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.

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 to ERM is continuously emphasised and reinforced.

Control Self-Assessments (CSAs)

- 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 Policy & Governance (BPG)

- BPG is a set of documents that outlines business policies and governance in TM.
- BPG provides an overview of the Company's key business policies and governance across key functions in the organisation. It also identifies the key process owners of these functions and indicates the relevant processes and procedures that support the policies and governance.
- The Policy is applicable to all TM employees involved in the respective business processes and must be complied with in discharging responsibilities.

Procurement Policy

- TM's Procurement Policy has been established to control and manage the procurement activities within the Group. TM's philosophy is to procure goods/ services/ work that are the best in terms of quality, price, quantity, delivery, supplier and technology, using the "Total Cost of Ownership" approach to ensure the best returns to the company.

Credit Management Policy

- The Group continues to strengthen the execution and implementation of key controls as stipulated in the new Credit Management Policy that includes assignment of credit rating, collateral management, management of customer payment behaviour rating and tainting of customer with persistent bad payment trend. For Mass Market, the Group started to impose a credit limit per customer account on UniFi customers, to be followed by other telephony and broadband services.

- Strengthening of the Group's credit management policy provides the assurance that high-risk customers are duly identified and appropriate credit controls are executed to minimise credit and payment risk to the Group.

Subsidiaries Policy (SP)

- 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.

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.

IT Governance Policy (ITG)

- TM Group has in place an ITG policy consisting of five core domains, namely ITG General Information, IT Principle, IT Architecture, IT Infrastructure, Business Application Needs and IT Investments and Prioritisation. The objective of this policy is to set the rights and accountability framework to encourage desirable behaviour in the use of IT in TM.

Data Governance Policy and Framework

- TM Group has in place a Data Governance Policy and Framework to protect TM's data against internal and external threats to privacy and confidentiality. The Data Governance adopts a holistic approach to data lifecycles from defining data ownership, classification, handling, retention and disposal of key business data.

Annual Business Plans

- Annual business plans are prepared by TM's Lines of Business 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 the Management on the key operating statistics, as well as legal and regulatory matters, if any.

Business Performance Management (BPM) Policy and Guidelines

- BPM provides a comprehensive reference to TM's Balanced Scorecard (BSC), stating the guiding principles and policies for TM Group in developing and deploying BSC processes. It supports TM's Corporate Governance, providing an internal control framework to manage strategy implementation for better business performance.

TM Tender Evaluation Centre (TMTEC)

- As part of the Group's continuous efforts to mitigate the risk of sensitive information leakage during tender evaluation exercise, TMTEC was established at Menara TM to centralise the evaluation and meeting room involving procurement activities. The location is equipped with enhanced physical and IT security systems to detect and provide integrated audit trail for movement of tender documents and information within the centre.

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. The Group insurance programme is also extended to cover the Group's legal liability arising from operations, employee benefit insurance and other insurance programmes deemed fit to provide financial aid to the Group against insurable and unplanned losses.

TM Anti-Corruption Guide

- TM Anti-Corruption Guide is driven by the compliance requirement to relevant laws in relation to corruption including but not limited to the Malaysian Anti-Corruption Act 2009, the Penal Code and the Anti-Money Laundering Act and Anti-Terrorism Financing Act 2001 and supplements the existing TM internal policies with strong focus to eradicate corruption in TM.

Business Continuity Management (BCM) Programme

- TM Group continues to enhance the BCM in ensuring our ability to continue providing communication services following unplanned or man-made crises or disasters. The Management through the BCM Steering Committee chaired by the Group CEO is committed to enhancing the service reliability and resilience via improved coverage of the Network & IT Operation BCM, reviewing the BCM programme for all TM Call Centres and establishing the BCM programme for the corporate office.

Corporate Responsibility (CR)

- TM Group has adopted the guidelines for Government Linked Companies (GLCs) as contained in the Silver Book as a guide to plan, implement and report its community initiatives.
- It also adopts Bursa Malaysia's Corporate Social Responsibility Framework for Private Limited Companies (PLCs) and Global Reporting Initiative (GRI-G3) framework as additional guidelines for a concise and comprehensive view of TM's performance in managing its CR activities and initiatives.

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 service 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.

Recording to Reporting Framework (R2R)

- The R2R 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 on root causes of weaknesses, to prevent recurrences and to enable the Management to present quality and timely reports for faster and more accurate decision making.

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.

Internal Control Incident (ICI) Reporting

- 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.

Whistle-Blowing Policy

- The Group has adopted a whistle-blowing policy and established an "Ethics Line" in providing an avenue for employees to report actual or suspected malpractice, misconduct or violations of the Group's policies and regulations in a safe and confidential manner.

E. Monitoring

Monitoring the effectiveness of internal controls is embedded in the normal course of the business. Periodic assessments are integral to the Management's continuous monitoring of internal controls. Systematic processes available to address deficiencies include:

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.

Audit and Business Assurance Committee (ABAC)

- ABAC, comprising members of Senior Management from the respective Lines of Business, regularly monitors major internal and external audit issues to ensure they are promptly addressed and resolved.

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.

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 MFRS.

Headline Key Performance Indicators (KPIs)

- These Headline KPIs are a subset of broader performance indicators approved by the Board. The Board agreed in year 2014 on three KPIs taken from TM Group's Corporate Scorecard to be reported as Headline KPIs, i.e. revenue growth, EBIT growth and the TRI*M Index.

Group Internal Audit (GIA)

- GIA undertakes regular reviews and continuous assessments on the risk management and systems of internal controls. GIA maintains a flexible audit approach and a robust audit plan that together address emerging as well as potential risks. Significant findings and recommendations for improvement are highlighted to Senior Management and the BAC, with periodic follow-up reviews of the implementation of action plans.

Special Affairs Unit (SAU)

- The Special Affairs Unit is responsible for reviewing and monitoring the ethical conduct and practices of all employees, including Senior Management. Investigation of ICIs is also undertaken by the Unit (where applicable) and tabled to the Board Audit Committee. Appropriate actions are then taken based on the strengths and merits of the findings. The SAU takes on concerns raised by whistle-blowers for further investigation.

Adequacy and Effectiveness of The Group's Risk Management and Internal Control Systems

The Board has received assurance from the Group Chief Executive Officer and Group Chief Finance Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, during the financial year under review. Taking into consideration the assurance from the Management Team and input from the relevant assurance providers, the Board is of the view that the system of risk management and internal control is satisfactory and is adequate to safeguard shareholders' investments, customers' interests and the Group's assets 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.

Review of the Statement by External Auditors

As required by paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. This was performed in accordance with Recommended Practice Guide [RPG] 5 (Revised) issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the risk management and internal control of the Group. RPG 5 does not require the external auditors to, and they did not, consider whether this statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

NOMINATION & REMUNERATION COMMITTEE REPORT

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

Datuk Zalekha Hassan
Member
Independent Non-Executive Director

Dato' Ibrahim Marsidi
Member
Independent Non-Executive Director

Membership

TM's Nomination and Remuneration Committee (NRC) was established in line with the relevant authorities' call for enhanced self-governance to increase the efficiency and accountability of Boards, ensuring that decision-making processes are not only independent but are seen to be independent.

TM's Nomination Committee and Remuneration Committee have been combined for the purpose of expediency, as the same members are entrusted with the functions of both committees. Members of the NRC are aware of their dual roles, which are clearly reflected and demarcated in the agendas of each meeting. The duties and responsibilities of the respective nomination and remuneration functions are also comprehensively defined in TM's Board Charter (Board Charter).

The NRC comprises exclusively of Non-Executive Directors (NEDs), with 80.0% of its members being independent. Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, who is the sole Non-Independent Director in the committee, continues to helm the NRC. Based on findings of the Board Effectiveness Evaluation (BEE), the NRC has performed effectively under his chairmanship.

The Chairman was selected based on pre-determined processes taking into consideration the skills, knowledge and experiences required. Being a nominee representing a Government Linked Investment Company on the Committee, he is able to align the evaluation of existing Directors and selection of new Directors with the Company's requirements. This ensures adequate checks and balances in the decision-making process as the Board is also required to endorse the recommendations and final decisions of the NRC.

Although the Senior Independent Director (SID) is not the Chairman of TM's NRC, indicating a departure from the recommendation of the Malaysian Code on Corporate Governance (MCCG 2012), the Board, via the BEE findings, agreed that the NRC, under the chairmanship and leadership of Tunku Dato' Mahmood Fawzy, has maintained its independence and objectivity during the process of Board appointments and performance evaluation. His strong views and character, dynamic personality, inquisitive nature and outstanding leadership skills, coupled with the support of his fellow committee members, create a strong foundation for an effective NRC.

The composition of the committee remains the same as in the previous year. Based on the BEE, the Board is satisfied with the performance of the NRC which continues to provide sound advice and recommendations to the Board.

Meetings and Attendance

The NRC convened five meetings during the financial year 2014. Matters that sought NRC's urgent decision were circulated to its members via Circular Resolutions together with the proposals containing relevant information for their consideration. Two NRC Circular Resolutions were circulated and approved during the year.

Details of the members' attendance 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	5/5	100.0
Dato' Ir Abdul Rahim Abu Bakar	3/5	60.0
Dato' Ibrahim Marsidi	5/5	100.0
Datuk Zalekha Hassan	4/5	80.0

Summary of the Terms of Reference (ToR)

The NRC is governed by its own ToR. In 2013, the ToR was reviewed as per the MCCG 2012's recommendation that an annual review be conducted of the Board Charter, which incorporates NRC's ToR. A subsequent review of the ToR was conducted in January 2014 and further updates were made in January 2015 to strengthen its governance and ensure operational efficiency and consistency across all TM Board Committees as well as to reflect relevant changes in regulations and internal policies.

The recent updates in January 2015 expanded the NRC's power to include governance related matters and issues that may directly or indirectly affect the Board, as the NRC deems relevant.

In carrying out its duties and responsibilities, the NRC has the following authority:

- Full, free and unrestricted access to TM's records, properties and personnel.
- Report its recommendations to the Board for its consideration and approval.
- Acquire the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary.
- Seek the advice of external consultants on the appropriateness of remuneration packages and other employment conditions, if required.

NRC's updated ToR has been incorporated in the Board Charter and is accessible on the Company's official website at www.tm.com.my.

The key functions of the NRC and its principal duties and responsibilities are summarised as follows:

a) Nomination:

(i) Key functions

- Ensure that Directors bring the required mix of responsibilities, skills and experience to the Board.
- Support the Board in promoting boardroom diversity in terms of experience, skills, competencies, race, gender, culture and nationality to enable the Company to maximise business and governance performance.
- Ensure Directors appointed to the Board adhere to all relevant rules and regulations inclusive of the Companies Act, 1965 (CA 1965) and Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities).
- Assist the Board to review annually the appropriate balance and size of the NEDs and their participation; and establish procedures for an annual assessment of the effectiveness of the Board as a whole and contribution of each Director and Board Committee member.
- When a vacancy exists or when it is considered that the Board would benefit from the services of a new Executive Director (ED) or NED with particular skills, the NRC may select candidates with the appropriate expertise and experience as new ED or NEDs. 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 applies to potential candidates identified by the Special Shareholder.
- Ensure the Board takes into account the need for openness and transparency in developing Board appointment procedures and make its recommendations to the Board.
- Annually assess the Independent Directors by going beyond their background, economic and family relationships to determine whether they can continue to bring independent and objective judgment to the Board.

(ii) Principal Duties and Responsibilities

- Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness.
- Review annually the Board's required mix of skills and experience and other qualities, including core competencies which NEDs should bring to the Board and disclose the same in the annual report.
- Recommend and review suitable orientation, induction, educational and training programmes to continuously train and equip the existing and new Directors.
- Review, consider and approve the appointment, upgrade and promotion of the EDs and Group CEO with power to re-appoint, remove or dismiss based on the terms and conditions of the employment contract.
- Recommend to the Board candidates for directorship in the Company and its Group.
- Review the Board structure and balance of appointments between EDs and NEDs and recommend to the Board any changes thereto.
- Review the adequacy of the structure, size and composition of Board Committees and recommend to the Board any changes thereto.
- Ensure periodic reviews of the Board Charter including the ToRs of all Board Committees.
- Review and consider the recommendations of the Group CEO in the appointment, upgrade and promotion of pivotal positions, as well as the Company Secretary.

b) Remuneration:

(i) Key functions

- Set the policy framework and make recommendations to the Board on all elements of the remuneration package including terms of employment, reward structure and benefits for EDs and pivotal positions with the aim of attracting, retaining and motivating individuals of the highest quality.
- Recommend the remuneration and entitlements of the NEDs including the Non-Executive Chairman, for the decision of the Board as a whole.

(ii) Principal Duties and Responsibilities

- Set, review, recommend and advise the policy framework on all elements of the remuneration such as reward structure, fringe benefits and other terms of employment of EDs and pivotal positions, having regard to the overall Group policy guidelines and framework, aligned with the business strategy and long-term objectives of the Company.
- Advise the Board on the performance of the EDs and assess their entitlement to performance-related pay, and advise the Group CEO on the remuneration and terms and conditions of employment of the Senior Management.
- Represent the public's interest and avoid any inappropriate use of public funds when considering severance payments for senior staff. The NRC also exercises care to avoid determining a severance package that the public might deem to be excessive.
- Review proposals for the remuneration package of each Board Committee.
- Establish and recommend a formal and transparent procedure to develop a policy on the remuneration of the Non-Executive Chairman, NEDs and Board Committees, for the final decision of the Board of Directors as a whole.
- Consider and approve the Remuneration Framework for Boards of TM Group subsidiaries and the revision thereof, including any variation to the subsidiaries' remuneration framework on a case by case basis.

Board Diversity

Having a diverse range of expertise and experience is important in ensuring a vibrant and robust Board. Creating an environment which enables the Board to interact cohesively within the ambit of its diverse background ensures checks and balances within a constructive and challenging environment while ensuring good governance. TM Board recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as essential in ensuring its continuous productivity and enhanced performance.

The Board acknowledges that there is always room for improving diversity in the efficient functioning of the Board. It is, further, of the opinion that creating a diverse Board involves a myriad of critical elements not limited to gender and/or age, but including experience and skill-sets as well as the members' background – education and personality, ethnicity/race, nationality, religious beliefs and cultural or socio-economic personal histories.

The Board believes that the existing appointment process for selecting a new member is already adequate as it takes into consideration the required skills-set, experience, competency, regional and industry experience, and knowledge of the individual candidate, in addition to the candidate's gender and age and how these add to the Board's diversity.

In 2014, the number of women Directors on the Board of TM increased with the appointment of Ms Gee Siew Yoong, as an Independent Non-Executive Director (INED). With the appointment, TM's Board currently comprises four women: a Non-Independent Non-Executive Director (NINED), two INEDs and one Independent Non-Executive Director (NINE) Alternate Director:

(i) Dato' Fauziah Yaacob (NINED)

(ii) Datuk Zalekha Hassan (INED)

(iii) Ms Gee Siew Yoong (INED)

(iv) Dato' Siti Zauyah Md Desa (NINE Alternate to Dato' Fauziah Yaacob)

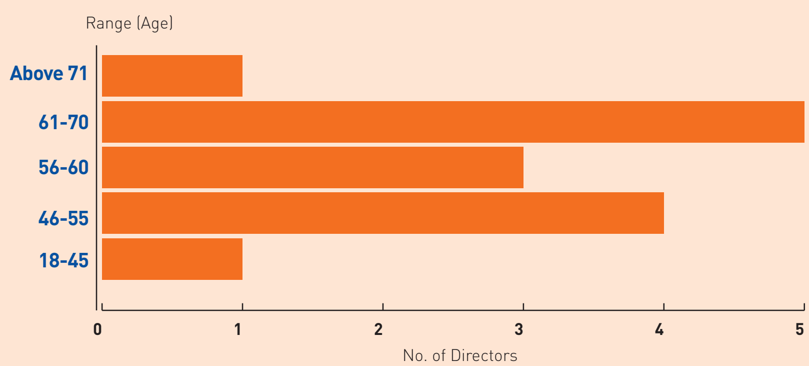
In support of the Government's target to achieve 30.0% women participation at the Board level in the country, TM has selected qualified women Senior Management to undergo training with the NAM Institute for the Empowerment of Women (NIEW) under the Ministry of Women, Family and Community Development. They are then appointed to serve as Directors on the Boards of TM's subsidiaries.

Tables 1 and 2 depict the age, ethnicity as well as tenure of the existing Directors as at the date of this report:

Table 1:

No.	Director's Name	Age	Ethnicity	Date of Appointment	Tenure (Years)
1.	Tan Sri Dato' Seri Dr Sulaiman Mahbob	66	Malay	12.01.2015	0.1
2.	Tan Sri Dato' Sri Zamzamzairani Md Isa	54	Malay	25.04.2008	6.8
3.	Datuk Bazlan Osman	50	Malay	25.04.2008	6.8
4.	Dato' Fauziah Yaacob	59	Malay	04.03.2013	1.9
5.	Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	56	Malay	25.04.2008	6.8
6.	Dato' Danapalan T.P Vinggrasalam	71	Indian	25.04.2008	6.8
7.	Datuk Zalekha Hassan	61	Malay	09.01.2008	7.2
8.	Dato' Ir. Abdul Rahim Abu Bakar	69	Malay	25.04.2008	6.8
9.	Dato' Ibrahim Marsidi	62	Malay	25.04.2008	6.8
10.	Datuk' Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	47	Malay	07.10.2013	1.3
11.	David Giacomo Federico Benello @ David Benello	60	Italian	21.11.2011	3.3
12.	Gee Siew Yoong	65	Chinese	13.03.2014	0.9
13.	Dato' Siti Zauyah Md Desa (Alternate Director)	55	Malay	05.11.2014	0.3
14.	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil (Alternate Director)	42	Malay	29.11.2012	2.3

Table 2:



The Board endeavours to attain diversification in terms of experience, skills, competencies, ethnicity, gender, culture and nationality to enable the Company to enhance its effectiveness and governance performance.

The Group's approach to ensure Board diversity is as follows:

(i) recruiting from a diverse pool of candidates for the position of Director;

(ii) reviewing succession plans to ensure an appropriate focus on diversity;

(iii) identifying specific factors for consideration in the recruitment and selection processes; and

(iv) developing programmes to develop a broader pool of skilled and experienced Board candidates.

The above approach does not impose on TM Group on its Directors any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to anti-discrimination or equal employment opportunity legislation or laws.

Board Appointment Process

The Company maintains a formal and transparent procedure for the appointment of new Directors. Appointment to the Board is made either by the Minister of Finance Incorporated (MoF Inc), being the Special Shareholder pursuant to Article 109 of the Company's Articles of Association (AA), or by the Board of Directors pursuant to Article 98(1) of the AA.

All nominees to the Board are first considered by the NRC, taking into account the mix of skills, competencies, experience and other qualities required to manage a highly regulated 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.

NRC evaluates the nominees' ability to discharge their duties and responsibilities before recommending their appointment as Directors to the Board for approval.

During the year, the NRC considered the skills, experience and respective backgrounds of Ms Gee Siew Yoong and Dato' Siti Zauyah as the Company's INED and NINE Alternate Director respectively, and recommended their nomination to TM Board. TM Board accepted both recommendations and Ms Gee and Dato' Siti Zauyah were duly appointed on 13 March 2014 and 5 November 2014, respectively.

On 12 January 2015, TM's Special Shareholder also nominated a new Chairman for the Company. Under Article 109 of the Company's AA, Tan Sri Dato' Seri Dr Sulaiman Mahbob was selected in place of Dato' Sri Dr Halim Shafie. Upon considering Tan Sri Dato' Seri Dr Sulaiman's qualifications and his extensive range of experience in varied disciplines, the NRC accepted and recommended his appointment to the Board.

Directors' Retirement, Re-Appointment and Re-Election

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

The Directors recommended to be re-appointed or re-elected at the AGM are subject to prior assessment by the NRC and are required to give their consent on their re-appointment and re-election prior to TM's Board meeting. In assessing the candidates, NRC takes into consideration their attributes, competencies, commitment, personality and qualities, as well as their contribution and performance based on the BEE. Assessment of the Board's structure and balance as well as the concerned Directors' independence is also made. NRC's recommendations are thereafter submitted to the Board and shareholders for approval.

Tan Sri Dato' Seri Dr Sulaiman Mahbob, the new NINE Chairman of TM, is recommended for re-election by the NRC and Board. He has extensive experience garnered from the Government sector and is well versed in dealings with regulators and government agencies. His directorship in a public listed Government-Linked Company as well as his participation in various Government agencies as well as several local universities, are evidence of his versatility, adaptability and commitment to serve various stakeholders. He is well suited to his role as TM Chairman and is able to provide sound leadership and valuable input at TM Board and subsidiaries meetings which he chairs.

Pursuant to Section 129(6) of the CA 1965, Dato' Danapalan T.P Vinggrasalam, TM's SID, who will attain the age of 72 years in March 2015, shall retire at the forthcoming 30th AGM and his re-appointment is subject to the approval of not less than three-fourths of the shareholders attending the AGM. If appointed, Dato' Danapalan shall hold office until the subsequent AGM and henceforth his re-appointment shall be decided at every AGM. His commitment to TM continues to be strong as evidenced by his full attendance at TM Board and Board Committee meetings during the year. He continues to provide insightful advice and comments, and makes invaluable contributions to the Board and respective Board Committees. He performed extremely well as Chairman of the Board Audit Committee (BAC) since taking over from the former BAC Chairman in September 2013. With his exemplary leadership and guidance, he helmed the BAC until 31 December 2014, and executed the task exceedingly well before the change in BAC chairmanship to Ms Gee Siew Yoong, a qualified accountant, on 1 January 2015. Dato' Danapalan remains a member of BAC and continues to be committed to his responsibility as a SID, a channel for stakeholders to air their concerns to the Company. Considering his continued commitment, support and guidance as well as his leadership and management skills, Dato' Danapalan is recommended by NRC and the Board for re-appointment as a Director of the Company.

Coming into her third year as a TM Director, Dato' Fauziah Yaacob has contributed well as a member of the Board. With her knowledge, experience, good judgement and sound advice, especially regarding Government policies, she has contributed to the Board's effectiveness and dynamics by being vocal and firm in her opinions. Committed to ensuring the Government's interest is articulated in her capacity as a Ministry of Finance (MoF) nominated Director, she is able to discharge her fiduciary duty and safeguard the Company's interest. The Board and NRC acknowledge Dato' Fauziah's continued commitment and her invaluable contributions to the Company, hence recommend her re-election as a Director of the Company.

Datuk Zalekha Hassan continues to be an indispensable member of TM Board. Her strong background in Government procurement during her service with MoF enables Datuk Zalekha to chair the Board Tender Committee (BTC) effectively. In spearheading the BTC, she is committed to ensuring integrity and governance in the Company specifically in procurement matters, it being an integral part of the Company's business strategy. She is inquisitive, vocal in her views and able to provide astute inputs to the Board. The Board was of the opinion that Datuk Zalekha's contribution to the Company is essential to the Board's mix and diversity, and thus recommended that she be re-elected as a Director at the forthcoming AGM.

Dato' Ibrahim Marsidi has vast experience in the management of companies having previously helmed a prominent local oil and gas company in a dynamic industry. With this experience, he has continuously imparted his knowledge and provided valuable advice and insight to the Management and the Board, in particular with regard to sales, marketing and branding. His membership in four out of five Board committees is testament of the Board's belief in his abilities, skills, knowledge and expertise. As Chairman of the Board Risk Committee, Dato' Ibrahim was able to analyse and highlight risk elements faced by the Company. The NRC and the Board were of the opinion that Dato' Ibrahim is essential to the Board dynamics and recommended him for re-election.

The five abovenamed Directors who are due for re-appointment and re-election at the forthcoming AGM, as evaluated by the NRC and approved by the Board, have met the Board's expectations and continue to perform in an exemplary manner as demonstrated by their contributions to the Board's deliberations. The Board is of the view that these Directors have brought independent and objective judgment in Board deliberations. The NINEDs, while representing the interests of their nominees, also comprehend their duties and responsibilities towards the Company and as such, are able to mitigate risks arising from possible conflicts of interest. Their independence assessment is conducted annually via the BEE and a report on this is tabled for the consideration of NRC in February. After considering the above factors, the Board has recommended the five Directors for re-appointment and re-election. The Directors have also consented to their proposed re-appointment and re-election.

Summary of NRC's Activities in the Financial Year

Members of the NRC have undertaken their responsibilities diligently and efficiently. During the year, the NRC performed a number of key activities, as listed below:

a) Nomination Function

Considered and made recommendations to the Board on the following matters:

- Re-appointment and re-election of Directors at the 29th AGM
- Extension of Service of the EDs
- Change of the Alternate Director to MoF Inc's nominee
- Appointment of INED on TM Board
- Appointment of Directors and Alternate Directors on the Board of major operating companies
- Annual assessment and review of composition of all TM Board Committees
- Annual assessment of independence status of the INEDs
- Analysis on the impact of the Minimum Retirement Age Act 2012 (MRA 2012) on TM Group employees

b) Remuneration Function

Considered and made recommendations to the Board on the following matters:

- Remuneration package for the EDs
- Review of the TM Subsidiaries Remuneration Framework, inclusive of Tier 1 companies on a case by case basis
- 2013 performance evaluation of the EDs, Senior Management in pivotal positions as well as the Company Secretary against pre-set KPIs
- Implementation of the Long-Term Incentive Plan for EDs and Senior Management members

Pursuant to the Board Charter, NRC ensures that the remuneration package is reviewed annually in order to attract competent and talented Directors to the Board.

The Company's remuneration and benefits policy has been periodically revised in ensuring its competitiveness as compared to the market. The Directors' fees were last reviewed, after a gap of five years, and approved by the shareholders at the 28th AGM in 2013. No revision is proposed to the subsisting Directors' fees at the forthcoming 30th AGM.

c) Board Matters

Considered and made recommendations or reported to the Board on the following matters:

- Implementation and scope of the BEE assessment for 2013
- Status of Directors' continuing education programme in compliance with the Board Training Programme
- Observance of governance requirements by the Directors including their attendance at Board and committee meetings held during the financial year
- Annual review of the Board Charter
- Establishment of succession planning for the Board

NRC has evaluated and confirmed that the minimum 50% attendance requirement at Board meetings imposed by the Main LR was met by all Directors. TM Directors have also complied with the minimum 50% attendance requirement at Committee meetings pursuant to the Board Charter.

Training

During the year, NRC members attended various conferences, seminars and training programmes to enable them to efficiently discharge their duties as Directors of the Company and further improve their technical competencies in their respective fields of expertise. Details of the training that they attended are included in the Statement of Corporate Governance on pages 123 to 124 of this annual report.

Results of the 2014 BEE indicate that the NRC members have been able to maintain a high level of technical competency and performance.

This NRC Report is made in accordance with the resolution of the Board of Directors duly passed on 26 February 2015.

Tunku Mahmood Fawzy

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN
Chairman of NRC

AUDIT COMMITTEE REPORT

Gee Siew Yoong
Chairman
Independent Non-Executive Director
[Appointed as Member on 27 March 2014 and re-designated as Chairman on 1 January 2015]

Dato' Danapalan T.P. Vinggrasalam
Member
Senior Independent Non-Executive Director
[Appointed as Chairman on 30 September 2013 and re-designated as Member on 1 January 2015]

Dato' Ibrahim Marsidi
Member
Independent Non-Executive Director

Datuk Zalekha Hassan
Member
Independent Non-Executive Director

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

Membership

TM's Board Audit Committee (BAC) consists of five members – four Independent Non-Executive Directors (INEDs) and a Non-Independent Non-Executive Director. The majority of members are Independent Directors and no alternate director is appointed as a member. This is in line with relevant provisions in the Board Charter with regard to the governance of BAC and the Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities).

During the year, membership of BAC underwent a few changes, and announcements on the same were made to Bursa Securities accordingly.

The Board Nomination and Remuneration Committee (NRC) and TM Board considered the Board composition in 2013 and agreed on the appointment of Ms Gee Siew Yoong as an INED on 13 March 2014. Ms Gee was later appointed as an additional BAC member on 27 March 2014. She is a member of the Malaysian Institute of Certified Public Accountants (CPA) and the Malaysian Institute of Accountants (MIA) thus has the required qualifications, experience and financial knowledge for the position. Her profile, qualifications and experience can be found on page 98 of this annual report.

The NRC and TM Board further agreed on the change of Chairmanship of BAC effective 1 January 2015. Accordingly, Ms Gee was re-designated as Chairman in place of Dato' Danapalan T.P Vinggrasalam, who remains as a member of the BAC.

With these changes, BAC now has two members fulfilling the requisite qualifications under paragraph 15.09(1)(c) of the Main LR of Bursa Securities. Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin is a member of the Institute of Public Accountants, Australia and fulfils the requirement of paragraphs 15.09(1)(c) (iii) and 7.1(a)(ii) of Practice Note 13. At the same time, Ms Gee, being a member of CPA and MIA, fulfils the requirement of paragraph 15.09(1)(c)(i).

The annual review of the composition and performance of BAC, including members' tenure, performance and effectiveness as well as their accountability and responsibilities, was duly assessed via the Board Effectiveness Evaluation (BEE).

Based on BEE 2014 findings, TM Board agreed that the BAC has continued to show strong performance over the years and the five BAC members, as indicated in their profiles illustrated on pages 95 to 98 inclusive, have sound judgement, objectivity, independent attitude, management experience, professionalism, integrity, knowledge of the industry and are financially literate. With balanced diversity of skills and experience, they have discharged their duties and responsibilities with excellence. TM Board further agreed to maintain the composition of BAC.

Meetings and Attendance

BAC meetings for 2014 were pre-arranged in October 2013 and communicated to the members early to ensure their time commitment. BAC meetings were segregated for discussion and consideration of quarterly results and other matters of internal and external audit issues. This segregation ensured organised planning that allowed the members to have sufficient time to thoroughly deliberate each audit issue.

Eight meetings were held during the financial year 2014, four to discuss the quarterly results and the remaining four for other management related matters including internal and external audit matters.

Details of the members' attendance are as follows:

BAC Members	Number of BAC Meetings	
	Attended/Held	%
Gee Siew Yoong *[Appointed as Member on 27 March 2014 and re-designated as Chairman on 1 January 2015]*	6/6	100.0
Dato' Danapalan T.P Vinggrasalam *[Chairman from 30 September 2013 to 31 December 2014 and re-designated as Member on 1 January 2015]*	8/8	100.0
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	8/8	100.0
Dato' Ibrahim Marsidi	7/8	87.5
Datuk Zalekha Hassan	7/8	87.5

During the financial year 2014, attendance at all BAC meetings met the requisite quorum whereby the majority of the members present were Independent Directors as stipulated in the BAC Terms of Reference (ToR). Majority of members present were Independent Directors.

The Company Secretaries act as the BAC Secretary in all BAC meetings. BAC meetings were also attended by the Group CEO, Group CFO, Chief Internal Auditor (CIA) together with other members of Senior Management and the external auditors, upon invitation, to brief BAC on pertinent issues.

BAC also had two private sessions with the external auditors without Management's presence.

Minutes of BAC meetings were circulated to all members and extracts of the decisions made were escalated to relevant process owners for action. Significant matters reserved for the Board's approval were tabled at TM Board meetings. The Chairman of BAC provides a report and highlights significant points on the decisions and recommendations of BAC to TM Board.

Summary of the Terms of Reference (ToR)

The ToR of the BAC is aligned with the Main LR, recommendations of the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and relevant best practices including those identified in the Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition), issued by Bursa Securities on 2 October 2013.

The ToR establishes the powers, duties and responsibilities of the BAC, and is incorporated in the Board Charter which is accessible on the Company's official website at www.tm.com.my. The Board Charter is reviewed on a regular basis to enhance its processes and procedures and ensure alignment with new requirements and regulations.

During the year, the ToR of BAC was reviewed to enhance the guidelines governing the engagement of external auditors for non-audit services in order to ensure independence of the external auditors.

The key duties and responsibilities of the BAC and their key functions can be summarised as follows:

1. Assessing the control environment within TM Group which includes ensuring the implementation of policies and adequacy of controls in place, and reviewing the integrity of internal control systems and management information systems.
2. Overseeing the financial reporting of TM Group to ensure that it presents a true and fair view of the Company's financial position and performance and complies with applicable financial reporting standards and regulatory requirements.

3. Discussing the Audit Plan vis-a-vis the Company's system of internal controls and monitoring the external auditor's non-audit work to ensure continuing independence and objectivity.
4. Reviewing and approving the Internal Audit Charter and Internal Audit Plan and ensuring independence and impartiality of Group Internal Audit (GIA).
5. Recommending the appointment, re-appointment and removal of external auditor.
6. Reviewing conflict of interest situations and related party transactions (RPTs) proposed to be entered into by TM Group.
7. Verifying the allocation of share options to eligible employees (if any). There was no new allocation of share options during the financial year under review.
8. Ensuring the availability of a whistle-blowing avenue and reviewing fraud detection procedures.
9. Reporting breaches and non-compliance of Main LR to Bursa Securities if such matters are not satisfactorily resolved by the Board.

Summary of BAC's Activities in the Financial Year

Throughout 2014, BAC executed various strategies and actions to discharge its duties and responsibilities effectively. Principal activities performed during the financial year were as follows:

1. Internal Control

a) Deliberated on the Directors' Statement on Risk Management and Internal Control (SORMIC), which was reviewed by the external auditor, in February 2014 for inclusion in the 2013 Annual Report. The statement was also jointly reviewed by the Board Risk Committee.

The SORMIC was supported by the 2013 Special Review on TM Internal Control Health Check, Internal Control Incidence for 2013 and Group CEO and Group CFO Assurance Statement on Effectiveness of Risk Management and Internal Control. Based on these documents, BAC concluded that the SORMIC presented a true and fair view of the Company's state of internal control.

b) Reviewed the quarterly 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. These issues were discussed at length to secure satisfactory conclusion on moving forward action.

c) Deliberated on the quarterly reports from the Audit and Business Assurance Committee (ABAC), a sub management committee headed by the Group CFO, on actions taken by Management to resolve significant internal control and accounting issues highlighted by the internal and external auditors.

d) Monitored issues or concerns that affect the Company's efficiency and performance.

e) Reviewed major policy updates and approved revisions to the Limits of Authority (LoA) matrix to streamline it with changes in the organisation while ensuring efficiency in business operations.

The changes and improvement were at all times aligned with business best practices and effective internal control processes and recommended for TM Board's approval.

f) Deliberated on the following reports from the Best Practices Committee (BPC):

- Updates and developments of Corporate Governance and best business practices, statutory and regulatory requirements, compliance with accounting standards and other business guidelines.
- Updates on any material litigations and their financial impact.
- Review of RPTs or recurrent related party transactions (RRPT) during each quarter.

2. Financial Reporting

The following matters were reviewed by the BAC before being recommended to TM Board for approval:

a) Quarterly audited and unaudited financial statements of TM Group in compliance with Malaysian Financial Reporting Standards (MFRS) 134 and the Main LR.

- BAC deliberated on the Company's quarterly financial statements on 25 February, 23 May, 22 August and 24 November 2014 for the financial quarters of 4Q2013, 1Q2014, 2Q2014 and 3Q2014 respectively. BAC concluded that the reports presented a true and fair view of the Company's financial performance.
- It conducted quarterly internal audit reviews to ensure compliance with MFRS 134.
- BAC also reviewed the draft announcements of the audited and unaudited financial statements to Bursa Securities, to ensure compliance with regulatory requirements.

b) Reviewed the audited financial statements of TM Group for the financial year ended 31 December 2013 in February 2014 and concluded that the financial reports presented a true and fair view of the Company's financial performance for the year and complied with regulatory requirements.

c) Proposed the dividend payout and dividend reinvestment scheme for the financial year.

3. External Audit

a) Reviewed the external auditor's report on the final audit report for the financial year ended 31 December 2013 and SORMIC in February 2014 before recommending to TM Board for approval.

b) Reviewed the Internal Control Memorandum, together with Management's response to the findings of the external auditor.

The interim findings were presented in November 2013 while the 2013 Internal Control Memorandum was tabled in April 2014.

c) Reviewed the 2014 external auditors' audit plan for TM Group, encompassing the proposed work blueprint, nature and scope for the year's audit and engagement strategy in August 2014 prior to its implementation. The review also included an audit on the IT systems that directly implicate the information in the financial statements.

d) Reviewed the terms of engagement of the external auditors for the 2014 statutory audit and SORMIC, upon confirmation of its independence and objectivity, in August 2014, prior to tabling for TM Board's approval. The engagement of the external auditors for TM Group was supervised and processed under the Group's umbrella to streamline their terms of engagement.

During the year, BAC also reviewed the terms of engagement for the audit of the Regulatory Financial Statement to ensure compliance with Accounting Separation Guidelines issued by the Malaysian Communications and Multimedia Commission (MCMC).

e) Reviewed the overall performance and, upon satisfactory assessment of the effectiveness of the external auditors for TM Group, recommended the re-appointment of the external auditors and fees payable in respect of the scope of work performed for TM Board's approval.

Assessments were conducted by relevant Management members and the BAC on the external auditors' qualifications and performance; quality of communication and interaction; and its independence, objectivity and professional skepticism. The findings of the 2013 assessment were presented to BAC in February 2014. Both BAC and Management were generally satisfied that the external auditors had fulfilled its duties and responsibilities during the engagement.

From the assessment, BAC is of the opinion that the engagement partner has been proactive and engages BAC on a regular basis. Furthermore, the external auditors have provided independent and professional service to the Company throughout the year of assessment.

As at the year of assessment, the external auditors have undergone a change of engagement partner and audit team due to rotation. The financial year ended 2014 marked year 2 of the engagement of the current audit partner and audit team.

f) Reviewed and approved the non-audit services provided by the external auditors while ensuring there was no impairment of independence or objectivity. This includes monitoring the fee of the total non-audit work carried out by the external auditors so as not to jeopardise the external auditors' independent status.

In the financial year 2014, the Company engaged the external auditors for several non-audit projects. These engagements underwent the relevant procurement processes and procedures and were reviewed thoroughly by BAC. Approvals were given only upon satisfaction with the Management's justification of the engagement and BAC's assurance of the continuous independence of the external auditors.

The amount of non-audit fee paid to the external auditors during the year and its justification are disclosed under Additional Compliance Information of this Annual Report on pages 156 and 157.

g) BAC also diligently exercised its right to hold biannual meetings with the external auditors without the Management's presence on two separate occasions, on 25 February 2014 and 22 August 2014. These sessions were held to enable an open discussion with the BAC and ensure the external auditors were not restricted in their scope of audit.

h) The BAC Chairman, CIA and external auditors also held private sessions without the Management's presence prior to the BAC meetings.

These private sessions helped to reinforce the independence of the internal and external audit functions of the Company.

4. Internal Audit

a) Reviewed and approved the GIA's Annual Audit Plan in January 2014 to ensure adequate scope and comprehensive coverage of the Group's activities.

b) Reviewed the Key Performance Indicators (KPIs), performance, competency and resources of the internal audit function to ensure that, collectively, GIA has the required expertise and professionalism to discharge its duties.

The Statement on Internal Audit is set out on pages 147 to 148 of the Annual Report.

c) Deliberated on the internal audit reports, audit recommendations and Management's response to these recommendations. Where appropriate, BAC instructed Management to rectify and improve the control procedures based on GIA's recommendations and suggestions for improvements. The detailed reports and findings of the GIA were delivered to BAC members as and when the audit was completed and analysis made. A summary of the major findings was presented and deliberated at BAC's interval meetings.

d) Kept updated on Management's implementation of the internal audit recommendations on outstanding issues on a quarterly basis to ensure that all key risks and control weaknesses were being properly addressed.

e) Held private meetings and discussions with CIA on key internal controls and internal audit related matters.

f) Reviewed reports on a subsidiary's audit committee meetings.

5. RPTs and Conflicts of Interest

a) Reviewed reports of RPT and possible conflict of interest transactions in ensuring they were in the best interest of TM, fair and reasonable, on normal commercial terms and not detrimental to the interest of the minority shareholders. BAC deliberated on the nature of the transactions and ensured that proper disclosures were made in accordance with the Main LR prior to its recommendation to the Board. Announcements were made based on the findings after the review from BAC.

b) Periodically reviewed the RRPT to ensure they were at arm's length and duly tracked against their mandated amount.

c) Reviewed the estimated RRPT Mandate for the ensuing year and Circular to Shareholders on the Renewal of Shareholders' Mandate for RRPT, and recommended the same for TM Board's approval.

6. Integrity and Ethics

a) Deliberated on reports in relation to internal control incidents, investigations and domestic inquiries and major cases of internal and external misconduct that breach the Group's Code of Business Ethics, Integrity Pact and whistleblower programme.

BAC provided input and/or directives on the next course of action on the issues highlighted and was updated on the progress of the cases from time to time by the Special Affairs Unit until conclusion of the issues.

b) Reviewed the Code of Business Ethics incorporating updates and relevant provisions from the Malaysian Anti-Corruption Act 2009, Competition Act 2010 and Personal Data Protection Act 2010 for implementation throughout TM Group and stakeholders' compliance.

7. Annual Reporting

a) Reviewed the disclosures on the BAC Report, SORMIC, statements on Internal Audit, Investor Relations, Additional Compliance and Corporate Integrity Report for the financial year ended 31 December 2014 for inclusion in the Annual Report 2014 and recommended their adoption by the Board.

8. Others

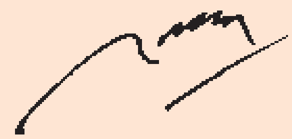
a) Monitored project review reports on issues such as the IT architecture assessment, annual procurement activities and processes, Progress Report from Trespass Task Force and Mass Market Contact Centre Transformation Plan, to ensure their progress as per agreed timelines.

Training

During the year, BAC members attended various conferences, seminars and training programmes to enhance their knowledge in order to efficiently discharge their duties as Directors of the Company as well as to primarily improve their technical competencies in their respective fields of expertise. Details of the training that they attended are included in the Statement of Corporate Governance on pages 123 to 124 inclusive of the annual report.

Results of the 2014 BEE show that the BAC members were able to maintain a high level of technical competencies and generally keep themselves abreast with the changes and updates on technical knowledge.

This BAC Report is made in accordance with the resolution of the Board of Directors duly passed on 26 February 2015.



GEE SIEW YOONG
Chairman of BAC

STATEMENT ON INTERNAL AUDIT

Group Internal Audit (GIA) strives to assist TM Group to accomplish its business objectives by implementing a systematic and disciplined approach to evaluate and improve the effectiveness of the risk management measures, controls, and governance processes. It is being performed by providing independent, objective assurance and consulting services designed to add value and improve TM's operations. GIA demonstrated its purpose, authority and responsibility as per the established Internal Audit Charter which was approved by the Board Audit Committee (BAC). The Internal Audit Charter also defined GIA's position within TM Group, namely to report to the BAC as well as to remain free from interference by any element in the organisation in ensuring its independence and objectivity are not impaired.

The Group Chief Internal Auditor also periodically reports on the activities performed and key strategic and control issues observed by GIA to the BAC in order to preserve its independence. The BAC reviews and approves GIA's annual budget, audit plan and human resources requirements to ensure the function maintains an adequate number of internal auditors with sufficient knowledge, skills and experience.

GIA adopts the International Standards For The Professional Practice Of Internal Auditing of The Institute of Internal Auditors (IIA), the definition of Internal Auditing and Code of Ethics.

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

Scope and Coverage

GIA continues to adopt the risk-based audit plan to ensure the programmes carried out are prioritised based on the Group's key risks and core/priority areas. Input from various sources inclusive of the Enterprise Risk Management Framework, Business Plan, past audit issues, external auditors, Management and Board are gathered, assessed and prioritised to derive the annual audit plan.

In 2014, reviews in various areas involving Network, Information Technology, Finance, Procurement, Human Capital and Management, Mass Market, Managed Accounts and Subsidiaries were conducted. Among the key coverage included:

- Governance
- Management
- Operations
- Sales and marketing
- Customer services
- Service fulfillment
- Network delivery
- IT security management
- Billing and revenue assurance
- Major projects
- Procurement
- Asset management
- Regulatory compliance
- Accounting/ financial activities

All reports from the internal audit reviews carried out were submitted and presented to the BAC with the feedback and agreed corrective actions to be undertaken by Management. Subsequently, the progress of these corrective actions were monitored and verified by GIA on a quarterly basis and submitted to the BAC.

Commitment to Competence

GIA committed to equip the internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities. In 2014, the internal auditors attended 4,400 hours of training and development programmes. GIA has developed and conducted an in-house Internal Audit Basic Training module for all internal auditors using a case study approach based on real-life business environment. In addition, the internal auditors attended various external and internal trainings, seminars and workshops in multiple technical disciplines as follows to enhance their job performance:

- Finance/ Accounting
- Network
- Information Technology
- Project Governance and Monitoring
- Compliance
- Fraudulent Activities
- Internal Quality Assurance Review Preparation
- Business Continuity Management
- Computer Assisted Auditing Techniques (CAATs)
- Respective Professional/ Certification Review

The internal auditors also attended internal soft skills training on leadership, communication, negotiation and presentation to enhance their organisational skills and career prospects.

Resources

A total of RM6.95 million was spent on internal audit activities in 2014. Summary of the internal audit activities costs are as follows:

Category	RM (million)	% of total cost
Manpower	5.05	73.0
Incidentals (incl. Travelling)	0.66	9.0
Internal Recharges (incl. Space Rental, IT charges, Training Costs etc.)	1.24	18.0
Total	**6.95**	**100.0**

All 2014 internal audit activities were performed in-house with strength of 36 internal auditors from various backgrounds and competencies as follows:

Discipline	Number of Internal Auditors	Percentage (%)
Accounting and Finance	8	22
Information Technology	8	22
Engineering/ Network	8	22
Marketing	8	22
Procurement/ Human Resource	4	11
Total	**36**	**100.0**

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 among Senior Auditors or the Management team are selected to provide professional advice and ensure that all risk areas are adequately covered before communicating the final engagement results to the appropriate parties.

HAZIMI KASSIM
Group Chief Internal Auditor

GEE SIEW YOONG
Chairman Audit Committee

RISK COMMITTEE REPORT

Membership

The Board Risk Committee (BRC) oversees the development and annual review of TM's risk management policy and plan, as well as the effectiveness of the risk management organisation structure, responsibilities and accountabilities. It also ensures that the risk management framework is implemented to increase the possibility of anticipating unpredictable risks.

The BRC consists of six members: five Independent Non-Executive Directors and one Non-Independent Executive Director. The majority of the members are Independent Directors.

TM Board may appoint any of its members or their alternates to be members of the BRC, which must consist of no fewer than three members including the Chairman, with majority being the Non-Executive Directors (at least one of whom shall preferably have relevant experience of risk management). Members of the BRC should possess sound judgment, objectivity, independent attitude, management experience, professionalism, integrity and knowledge of the industry. The BRC is in compliance with these provisions.

During the year, the following changes were made to the BRC's composition:

a) Resignation of Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin as a member on 12 June 2014; and
b) Appointment of Gee Siew Yoong as a new member effective 12 June 2014.

Dato' Ibrahim Marsidi
Chairman
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

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

Gee Siew Yoong
Member
Independent Non-Executive Director
(Appointed on 12 June 2014)

Datuk Bazlan Osman
Member
Non-Independent Executive Director/
Group Chief Financial Officer

Following Tunku Dato' Mahmood Fawzy's resignation as BRC member, his alternate director, Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil ceased as permanent invitee to BRC meetings.

The composition and performances of all the Board Committees, including the BRC are reviewed annually by the Board Nomination and Remuneration Committee (NRC) and TM Board. The BRC members' tenure, performance and the effectiveness of the BRC's structure and processes as well as the accountability and responsibilities were assessed by TM Board via the annual Board Effectiveness Evaluation (BEE).

Based on BEE 2014 findings, TM Board agreed that the BRC has fulfilled its obligations commendably and that the members were very active and added value to decision making at TM Board level. The BRC's performance has also remarkably improved over the years since it was established and the members, based on their distinguished profiles illustrated on pages 94 to 98 inclusive, of this annual report have successfully and fairly discharged their duties and responsibilities.

During the year, BRC has been proactive in deliberating on current issues that may potentially have risk impact on TM Group's business such as business continuity management in the event of disasters, cable theft and business investment risks. BRC has adequate support from the Board in carrying out its duties and reports its deliberations and decisions at every TM Board Meeting.

Meetings and Attendance

BRC held four meetings during the financial year.

The attendance of each member at BRC meetings held in 2014 is as follows:

BRC Member	Number of Meetings	
	Attended/Held	%
Dato' Ibrahim Marsidi	4/4	100.0
Dato' Danapalan T.P. Vinggrasalam	4/4	100.0
Dato' Ir Abdul Rahim Abu Bakar	3/4	75.0
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	4/4	100.0
Gee Siew Yoong *[Appointed on 12 June 2014]*	2/2	100.0
Datuk Bazlan Osman	4/4	100.0
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin *[Resigned on 12 June 2014]*	2/2	100.0

The Vice President of Group Business Assurance Division (GBA), who also acts in the capacity as Head of Risk Management Unit, attended the BRC meetings as permanent invitee. Other attendees, external or internal, were invited to attend all or part of meetings as and when appropriate and with the consent of the Chairman, to facilitate BRC business.

The Company Secretary is the BRC Secretary, while the GBA serves as Secretariat of the BRC meetings.

Terms of Reference (ToR)

The ToR establishing the powers, duties and responsibilities of the BRC has been incorporated in the Board Charter which is accessible to the public on the Company's official website at www.tm.com.my.

Risk Management Report

The Board recognises the importance of effective Enterprise Risk Management (ERM) in enhancing shareholder value while upholding a high standard of corporate governance. Combining a strong and sustained commitment from the Board and Senior Management with a clear direction and oversight from all levels of leadership, the Group embraces a holistic risk management approach to achieve its business targets with minimal surprises.

Risk management policies and practices form part of TM's overall strategies to chart positive growth in today's rapidly evolving telecommunications business environment. The Board continues to ensure that risk management is effectively institutionalised and its risk maturity level is elevated. This is achieved via a multitude of ERM initiatives clustered into five key strategic areas, as part of the Group's efforts to ensure smooth ERM practice on the ground coupled with continuous tracking and monitoring of risks and controls.

TM Risk Management Key Strategic Areas

Policy and Framework Review and Enhancement

TM has put in place a robust governance system comprising a unified policy and framework and operating procedures in accordance with the ISO 31000 ERM standard to achieve a common understanding and consistency in ERM practice across the Group. The Board continuously reviews the ERM policy and enhances it to keep up with changing business needs.

As TM encounters various risks in its business operations, it is crucial not only to have a clearly defined risk policy and strategy, but also to have a clearly articulated risk appetite framework. In conducting appropriate oversight, the Management and the Board must deal with the fundamental question of how much risk is acceptable in pursuing its objectives. As part of this process, TM established a standardised compliance risk appetite in 2014 under its risk governance. Moving forward, TM will strive to strengthen its risk culture and practice, harmonise its risks and risk appetites at the operational level wherever possible.

Risk Structure/Accountability and Responsibility

Further improving TM's risk governance, ERM structures have been established at each division (Central and Business Functions), line of business (LOB) and subsidiary. The aim is for a risk culture to be internalised through risk ownership and to drive ERM implementation at the functional level. ERM Resource Persons, also known as Risk Coordinators (RCs), are appointed at each business unit, and act as the single point of contact to liaise directly with Group Business Assurance in matters relating to ERM, including the submission of reports on a periodic basis. In addition, they are responsible for assisting their Heads of Division to manage and administer the business units' risk portfolios, which include arranging, organising and coordinating ERM programmes.

Risk Operation

TM continues to embed risk assessments into its core business processes and into the development and roll-out of its products and projects. The recognition and assessment of risks enable TM to undertake necessary control measures to maximise opportunities and to mitigate any adverse events that may impede the Group's business objectives.

As a Communication Service Provider, the Company leverage on TM Forum Risk Universe, introduced in 2013, which serves as a guide to identify, assess and mitigate all strategic and operational risks across the organisation. In 2014, in line with the brand promise of Life and "Business Made Easier", added emphasis was given to mitigate risks that affect the customer's experience.

2014 also saw more intense ERM implementation in TM's subsidiaries. Key risks are reported to and further deliberated by the BRC. In addition, due to increasing external legislation, the assessment of external non-compliance risk has been made compulsory Group-wide to inculcate awareness and to mitigate non-compliance upfront. Improvement was also introduced in the product and project risk assessments approach and process, whereby self-assessments were encouraged to further inculcate risk ownership, understanding and accountability. These initiatives exemplify TM's efforts to elevate its risk maturity level.

Risk Communication

To achieve the highest level of risk maturity, it is imperative to inculcate a risk management culture within the organisation. ERM communication and continuous training programmes, consultations and workshops have been and will continue to be organised during the year and beyond, not only for ERM Resource Persons but for all employees in the Group.

Risk Reporting and Monitoring

Critical to a well-executed ERM programme is a facilitative environment that allows for the seamless flow of risk-related information. Accordingly, TM is developing a system that would enable a more effective and disciplined identification, assessment, risk reporting and monitoring process. The management of

Enterprise Risk, Compliance, Insurance, Incident and Information Security System (MERCIS) sets risk profiles, including details of risk identification and assessment, the level of exposure and action plans. It is meant to provide a better risk-visibility via automated report and dashboard, enabling TM to monitor the reduced likelihood of adverse events as well as to mitigate their impacts.

Reaching a world-class level in risk maturity requires TM's community, irrespective of rank or business unit, to internalise the risk management discipline. The Group aspires for each employee to understand the primary risks of the Company and his or her role in managing them, hence creating a mindset that risk is a collective responsibility. TM will consistently review the effectiveness of its overall enterprise-wide risk management including its risk governance, execution and implementation with the ultimate aim of raising the Group's risk maturity level.

Managing Operational Risk

As TM aspires to become a convergence service provider, TM Group will continue to be exposed to increasingly complex business risks. Sound risk management practices will therefore continue to be put in place to provide stakeholders with reasonable assurance that the Group can achieve its business objectives with minimum surprises and maximise opportunities unhindered by unanticipated internal or external events. This section highlights the principal risk exposures experienced by TM, which are consistently reviewed and managed under the ERM programme.

Managing Competition and Revenue Erosion

TM recognises telecommunication industry as being very competitive. As such, the Group takes active measures to arrest potential risks that can erode market share and revenue. While TM embarks on retention and loyalty initiatives, it has also continued to uplift customer experience through enhanced service offerings and excellent after-sales service. New campaigns to boost broadband and HyppTV paid content uptake as well as to upgrade subscriptions are continuously introduced, demonstrating TM's commitment to maintaining its position as Malaysia's Broadband Champion.

Improving Credit Risk

The Group continues to intensify efforts to strengthen its credit management policy and procedures, and to beef up its collection management and treatment of delinquent accounts. These efforts include the application of credit limits, strengthening of collateral management and improvement in collection management. The Group also continuously engages with customers to encourage prompt payment. In addition, efforts to eliminate fraud are ongoing through tightening up the security access by reseller and installer. These controls are expected to enable TM to ensure acquisition of quality customer that facilitate better collection performance and reduce bad debts.

Managing Security Threat Risk

Managing security threat has become a growing focus for TM as the Internet becoming even more pervasive, hence exposure to cyber theft, information leakage, cyber-attacks, spamming, hacking, intrusion and fraud. These threats are managed through various initiatives including Data Governance Policy, Data Leakage Protection (DLP) system and Corporate Security Management which includes guidelines for managing both potential physical and logical security threats.

Cable Theft Risk

Cable theft has been a concern, which not only leads to direct losses due to heavy costs associated with the replacement of stolen cables, but also causes service disruption and hence a poor customer experience, loss of reputation and increased customer churn. Various preventive initiatives have been implemented and strengthened. These include an integrated public programme in collaboration with MERS 999, Malaysian Communications and Multimedia Commission (MCMC) and Polis Diraja Malaysia (PDRM), under which a documentary on cable theft *("Banteras Kecurian Logam")* was aired on TV1, TV2, TV3, TV9, HyppTV and YouTube. TM has also strengthened its system, processes and procedures to combat internal misconduct related to cable theft while adopting a tougher stance against the perpetrators.

Moving forward, TM will continue to implement robust cable theft prevention initiatives in collaboration with the police, Ministry of Communications and Multimedia Malaysia, MCMC, Non-Governmental Organisations (NGOs) and communities at large.

Managing Reputation Risk

TM continues to closely monitor and manage actions, events or circumstances that could adversely affect the Group's reputation. In 2014, risk factors such as unethical practices, failure to comply with regulatory or legal requirements or to deliver minimum standards of service to customers, and high profile legal suits were under control, as evidenced by the absence of any negative media report against the Group. The establishment of Anti-Corruption Guide is proof of TM's continuous efforts to combat all forms of corruptions. This supported by operational feedback via social media and the formation of a Service Management Council to deliberate and resolve customer experience issues, and monitor cross-functional controls.

Managing Telecommunications Fraud Risk

As technology becomes increasingly sophisticated, so do abuse and fraudulent activities committed by third parties, customers, resellers and employees. TM will continue to ensure that its fraud detection system is sufficiently robust to allow for early detection of fraud, thereby minimising the risk impact to TM. Much of the fraud activities can also be controlled with enhanced awareness by, and in collaboration with, process owners to review *the end-to-end process* in ensuring all loopholes are plugged at an early stage.

Managing Occupational Safety, Health and Environment (OSHE) Risk

TM is committed to creating a work environment that is safe and healthy for all its employees, contractors, customers and shareholders at all times. Striving for zero accidents, injuries or harm, it continues to ensure that safety principles and practices are constantly reinforced throughout the Group. Various awareness and education sessions on OSH are conducted for TM employees and contractors to equip them with the necessary knowledge on hazard identification and risk control. Additionally, TM aims for all employees, contractors and subsidiaries to comply fully with the OSHE Management System requirements. It also seeks to instill a culture of safety and health by placing emphasis on the OSH Management System (OSH MS), Hazard Implementation, Risk Assessment and Risk Control (HIRARC), internal audits, enforcement, worksite inspections, compliance audits and consequence management.

Managing Compliance Risk

TM places the highest priority on ensuring compliance with relevant regulatory directives and legislation as well as its own internal code of conduct, policies and procedures. Recognising the above challenges, Corporate Compliance Management (CCM) in TM has been designed to enable TM to meet its external compliance obligations. This includes providing a value-added and holistic visibility on corporate compliance issues and a centralised follow-through on remedial actions for management and operations. In addition, a Corporate Compliance Framework has been established covering the Group's compliance approach, monitoring, reporting, remedial actions, collaboration, training and education.

In order to further inculcate a compliance discipline, the accountability and ownership of compliance responsibilities are clearly determined, documented and communicated to the respective owners within the Group. Heads of Lines of Business (LOBs), Business Functions, Central Functions and Subsidiaries are accountable for ensuring that their key functions are carried out according to the prescribed obligations.

Conclusion

The success of ERM implementation in an organisation is dependent on acceptance of the risk management discipline. Acknowledging this, TM will continue to inculcate a good risk management culture throughout the Group to strengthen the discipline and to elevate its risk maturity to a world-class level. Moving on, TM fully understands that risk management is a dynamic process and will continuously review the effectiveness of its ERM programme to achieve its Life/"Business Made Easier" value proposition.

DATO' IBRAHIM MARSIDI
Chairman of BRC

BUSINESS CONTINUITY MANAGEMENT

In 2014, TM continued to strengthen our Business Continuity Management (BCM) programme across the organisation. BCM at TM forms part of a wider Enterprise Risk Management (ERM) effort to ensure business resiliency by mitigating the risk of major service outage involving critical business functions in the event of disasters. Guided by ISO 22301 methodology, our comprehensive BCM programme ensures the service assurance readiness of four main centralised areas that form the operational backbone of the Company, namely our Network, IT, Call Centres and Corporate Office.

Further strengthening our Group-wide BCM programme, we have put together a competent and certified BCM Programme Management Office (PMO) team, conducted intensive exercises and testing with our BCM and Management teams, and deployed BCM into customer-facing units focusing on Corporate Customers.

Figure: Corporate Customer Business Continuity Reviewed Framework

ISO 22301:2012 Business Continuity Management Certification

Given the criticality of BCM, it has become a well-established business discipline, with ISO 22301 certification serving as a global gold standard recognising the best management frameworks that ensure the consistency, credibility and viability of such programmes.

Reflecting our commitment to adhering to best BCM practices, TM is today seeking the ISO 22301:2012 certification. Towards this end, we have trained personnel within the organisation to become BCM professionals, and to establish, manage, exercise and maintain business continuity according to this new international standard. In 2014, we put together a fully certified BCM PMO team.

The certification would validate the efficacy of our BCM programme, hence our ability to provide continuous service to our esteemed customers.

Business Continuity Review for Corporate Customers

As part of our BCM roadmap for the year, we reviewed our Business Continuity Plan for Corporate Customers to incorporate recent business continuity requirements. This involved a Business Impact Analysis along the corporate customer value chain. Based on this analysis, we ensured optimal system dependencies, workaround processes and network diversity, taking into consideration current internal capabilities and ongoing improvement projects at the operational level.

BCM Change Management

TM's business continuity plans for each area are periodically reviewed and tested to ensure they employ the latest technological advances to suit the evolving business environment and changes in regulatory requirements. We also continuously promote business continuity awareness among all employees Company-wide, with an emphasis on capacity building. Via such efforts we have been able to form effective Operation Response and Crisis Management Teams at every level of the organisation.

The BCM PMO team is guided by the BCM Steering Committee, chaired by the Group CEO and attended by members of the Top Management. The committee reviews, deliberates and approves resolutions related to the development and execution of BCM programmes. In the event of a disaster, the recovery process is supervised by the Corporate Crisis Management Team (CCMT), chaired by the Group Chief Financial Officer in his capacity as the Recovery Director.

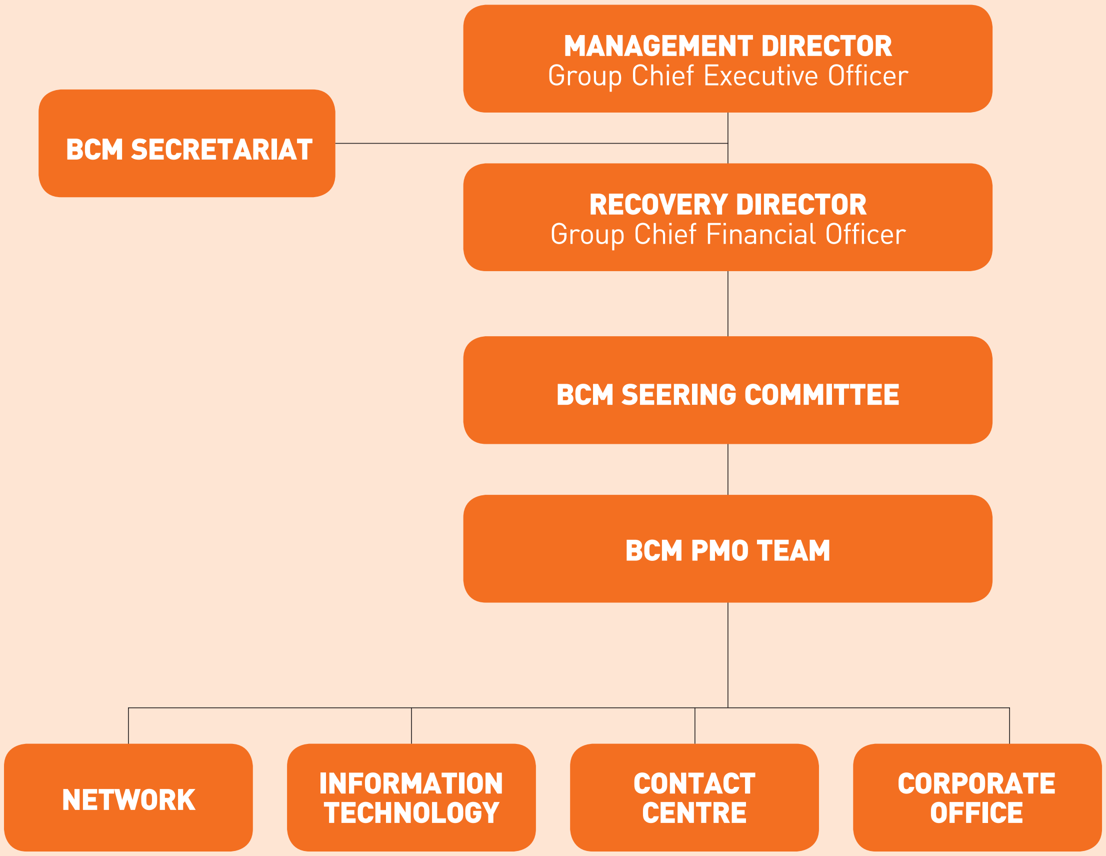


Figure: TM BCM PMO Structure

Throughout 2014, TM rolled out a number of critical business continuity initiatives involving numerous reviews of existing plans and documentation, followed by a series of Business Continuity Plan table-top exercises and drills. The exercises served as a litmus test to the plan's robustness and feasibility, and ensured that the Operation Recovery and Corporate Crisis Management Teams are familiar with the processes.

Moving Forward

Failure of TM to provide continuous service as a result of a prolonged system downtime or network outage would not only severely affect our customer experience, resulting in high subscriber churn, but would also mean non-compliance with regulatory requirements. To mitigate these risks, TM will continuously improve and upgrade our BCM plan and programme.

To further facilitate effective business continuity and to avoid disconnect in our business continuity capability, a thorough change management programme is in the pipeline. The integration of BCM into business planning is expected to reduce potential losses in the event of a disaster while saving lives and important infrastructure. In addition, robust and structured monitoring and maintenance plans have been established encompassing a series of tests and exercises throughout the year followed by a continuous improvement programme. As each business unit operates from multiple locations with diverse business functions, a "one-size-fits-all" business continuity plan (BCP) may not necessarily work. Our Business Recovery Plans will take such diversity into account, and be based on the findings of the Business Impact Analysis as well as the BCM ISO 22301:2012.

By becoming a frontrunner in offering technological solutions to disaster risk reduction, TM could play an important role in building resilient communities. We believe our commitment to ensuring our business continuity and survival will contribute on a larger scale towards a sustainable nation.

Throughout 2014, TM rolled out a number of critical business continuity initiatives involving numerous reviews of existing plans and documentation, followed by a series of Business Continuity Plan table-top exercises and drills. The exercises served as a litmus test to the plan's robustness and feasibility, and ensured that the Operation Recovery and Corporate Crisis Management Teams are familiar with the processes.

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

During the financial year, the Company issued several Islamic Medium Term Notes (IMTN) as part of the Islamic Commercial Papers (ICP)/IMTN programmes approved in 2013. The summary of the transactions and proceeds' utilisation is tabulated below:

Issuance Date	Type	Nominal Value (RM million)	Maturity Date	Proceeds Utilisation
21 March 2014	IMTN	300	21 March 2024	For capital expenditure and business operating requirements
27 June 2014	IMTN	300	27 June 2024	For capital expenditure and business operating requirements
7 October 2014	IMTN	300	7 October 2024	For capital expenditure and business operating requirements
22 December 2014	IMTN	300	20 December 2024	For capital expenditure and business operating requirements

[Disclosed in accordance with Appendix 9C, Part A, item 13 of the Main LR]

2.0 SHARE BUY-BACK

The Company did not propose any share buy-back during the financial year.

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

3.0 OPTIONS OR CONVERTIBLE SECURITIES

The Company did not issue any options or convertible securities during the financial year.

[Disclosed in accordance with Appendix 9C, Part A, item 15 of the Main LR]

4.0 DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt 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 payable by the Group to the external auditors, PricewaterhouseCoopers (PwC) and its affiliates during the financial year amounted to RM5,043,000.

Services rendered by PwC are not prohibited by regulatory or other professional requirements, and are based on globally practised guidelines on auditor independence. PwC was engaged for the services due to their expertise and experience, as well as their existing knowledge of TM Group businesses. Their appointment is consistent with the Group's governance and policy taking into consideration the process and requirements stipulated in the Board Charter in relation to the terms of reference of the BAC.

In addition, the appointment is made in the best interest of the Group's stakeholders in terms of quality, price and efficiency.

[Disclosed in accordance with Appendix 9C, Part A, item 18 of the Main LR]

7.0 VARIATION IN RESULTS

There were no profit estimates, 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 or 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 2014 or entered into since the end of the previous financial year ended 31 December 2013.

[Disclosed in accordance with Appendix 9C, Part A, items 21 and 22 of the Main LR]

10.0 LISTING OF PROPERTIES

The Company has on 3 May 2002, obtained a waiver from Bursa Securities from having to disclose detailed particulars of its properties for the Company's 2001 Annual Report and subsequent annual reports. The waiver is still subsisting to date.

The net book value of land and buildings, and usage of properties for the financial year ended 31 December 2014 is disclosed on pages 392 to 393 of this Annual Report.

[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 29th Annual General Meeting (AGM) held on 8 May 2014, the Company had obtained a general mandate from its shareholders on the RRPT entered into by the Company and/or its subsidiaries (RRPT Mandate). This RRPT Mandate is valid until the conclusion of the forthcoming 30th AGM of the Company to be held on 30 April 2015.

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main LR, details of the RRPT entered into during the financial year ended 31 December 2014 pursuant to the said RRPT Mandate are as follows:

Transacting companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of Relationship	Nature of RRPT	Value of Transactions (RM'000)
Our Company and/or our subsidiaries	Axiata Group Berhad (Axiata) and/or its subsidiaries (Axiata Group)	Minister of Finance Incorporated (MoF Inc.), Khazanah Nasional Berhad (Khazanah), Dato' Fauziah Yaacob, Dato' Siti Zauyah Md Desa, Eshah Meor Suleiman, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin and Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil	In addition to their shareholdings in our Company, MoF Inc. and Khazanah have direct and indirect shareholdings of 38.70% in Axiata. Dato' Fauziah is a representative of MoF Inc. on our Board. Dato' Siti Zauyah is her Alternate Director on our Board and was appointed on 5 November 2014. Puan Eshah was previously Dato' Fauziah's alternate director. She was appointed on 4 March 2013 and resigned on 31 October 2014.	<u>Revenue</u>	
				– Interconnect revenue from Axiata Group.	37,013
				– Provision of Voice Over Internet Protocol (VOIP) related services to Axiata Group.	66,311
				– Provision of leased-line services to Axiata Group.	26,224
				– Provision of data and bandwidth related services to Axiata Group.	52,330
				– Site rental for telecommunications infrastructure, equipment and related charges by TM Group to Celcom Axiata Berhad (Celcom).	49,111
				– Provision of Internet access and broadband services to Celcom.	75
				– Provision of contact centre and business process outsourcing services by VADS Berhad (VADS) to Axiata Group.	63,430
				– Provision of fibre optic core and bandwidth services by Fiberail Sdn Bhd to Celcom.	7,880

Transacting companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of Relationship	Nature of RRPT	Value of Transactions (RM'000)
Cont'd.			Tunku Dato' Mahmood Fawzy is a representative of Khazanah on our Board. Nik Rizal Kamil is his Alternate Director on our Board.	– Provision of dark fibre, bandwidth, space and facility by Fibrecomm Network (M) Sdn Bhd (Fibrecomm) to Celcom.	9,554
				– Rental of office premises to Axiata Group.	14,661
				Cost	
				– Interconnect charges by Axiata Group.	41,737
				– Leased-line charges by Axiata Group.	2,196
				– Dark fibre and leased-line charges by Celcom to Fibrecomm.	1,279
				– VOIP related services charges by Axiata Group.	48,568
				– Core rental and mobile services from Celcom to TM Group.	2,433
				TOTAL	**422,802**
Our Company and/or our subsidiaries	Astro Malaysia Holdings Berhad (AMH) and its subsidiaries (AMH Group)	Khazanah, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin and Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil	In addition to their shareholdings in our Company, Khazanah is a major shareholder of AMH with deemed interest of 20.72%. Tunku Dato' Mahmood Fawzy is a representative of Khazanah on our Board. Nik Rizal Kamil is his Alternate Director on our Board.	Revenue	
				– Provision of data centre services by VADS to AMH Group.	1,429
				– Provision of internet access, broadband and fibre circuit services to AMH Group.	3,728
				– Provision of ICT products, radio transmission and connectivity services to AMH Group.	11,717
				– Commission on collection of payment made by AMH Group customers.	831
				Cost	
				– Provision of content by AMH Group to TM Group.	63,273
				TOTAL	**80,978**

CORPORATE INTEGRITY

TM Integrity Fellows

TM remains firmly committed to combating corruption and reinforcing the integrity of our employees and business partners via best practices. We continuously organise programmes and initiatives that underline business ethics to enhance both awareness and understanding of corporate integrity. We have also embarked on efforts to strengthen our governance, policies and procedures aimed at increasing transparency, efficiency and accountability. At the same time, we continue to take action against unethical practices while encouraging the use of the TM Ethics Line.

In 2014, the following initiatives and programmes were organised to further develop our integrity practices:

1. TM Integrity @ Heart Day

We kick-started the year with our first ever TM Integrity Week, which was held from 13-16 January. It served as one of several initiatives to inculcate the Company's core values across the Group, and specifically that of Uncompromising Integrity. The event reflected TM's commitment to adhering to good corporate governance and fulfilling our responsibility towards investors and other stakeholders. It was also in line with the National Integrity Plan (NIP) introduced in 2004 which seeks to build a united, harmonious, moral and ethical society. During the week, we also held the TM Integrity Forum during which issues revolving around corporate integrity were discussed.

In conjunction with the International Anti-Corruption Day on 9 December 2014, we organised a TM Integrity @ Heart Day which encompassed a special forum entitled *Uncompromising Integrity: Speaking Difficult Truth*. At the forum, attended by the Management, issues related to corruption and individual governance were discussed. In addition, 150 TM Integrity Fellows were introduced to employees and copies of the newly produced TM Anti-Corruption Guide were disseminated. During the week, we also showcased TM's Integrity Journey and initiatives by the Government and Transparency International Malaysia to curb corruption.

2. TM Integrity Fellows

To further strengthen our corporate governance and business ethics, TM has embarked on a programme to train about 200 employees to become Integrity Fellows. These Fellows are defined by having in-depth knowledge of ethics and integrity which they will disseminate across the Group. The aim is to have TM Integrity Fellows from the different divisions, with each head of division nominating representatives from among his team. The Integrity Fellows will cut across all levels from the ground level to Top Management, including the level of State Vice Presidents and State General Managers.

They will not only serve as a resource centre or contact point on all matters related to corporate ethics and integrity, but will conduct their own programmes and events to cascade down initiatives carried out at the headquarters to their respective divisions. To strengthen their own knowledge, they will regularly attend sharing and enhancement sessions on ethics and integrity conducted by local and global external experts.

3. TM Anti-Corruption Guide

TM adopts zero tolerance to all forms of corruption and is committed to conducting our business in an open, honest and ethical manner. The publication of our Anti-Corruption Guide

(ACG) is a reflection of this commitment. It supplements our Code of Business Ethics which itself expressly prohibits all forms of bribery and corruption.

The ACG provides the following key guidelines for our employees and business partners:

a. Policy statements and guidelines in relation to improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.
b. Relevant laws in relation to corruption not limited to the Malaysian Anti-Corruption Commission Act 2009 and the Penal Code (Act 574).
c. Examples of situations and hypothetical questions for better understanding of the actions required in the event of any incident related to bribery or corruption.
d. Key give-away signs to watch out for in order to recognise, detect and avoid corrupt practices.

4. Ethics & Integrity Resource Portal

TM has developed an Ethics & Integrity Resource Portal (EIRP) to serve as a knowledge sharing platform, as well as for easy reference by employees of all documentation or information regarding ethics and integrity.

The portal will play an important role in broadening and enhancing internal communication and knowledge on ethics and integrity. It will also serve as a one-stop information gateway for users to provide information on ethics and integrity practices in TM, while broadcasting news and latest events in ethics and integrity dissemination. This portal will further be a platform for the Integrity Fellows to get to know each other, discuss and provide updates on relevant topics, and raise any concerns or questions pertaining to ethics and integrity.

Finally, the EIRP will provide a link to the e-Whistle-Blowing form and enable employees to declare any gifts they have received through the online Gift Declaration form.

5. TM Business Integrity Survey 2014

As part of TM's integrity initiative, the TM Business Integrity Survey 2014 was conducted in November with assistance from Transparency International. The objective was to appraise the strength, completeness and effectiveness of ethics and integrity practices in TM. In addition, the survey gauged whether current policies and procedures are adequately designed and aligned with TM's business operations and are effectively communicated to employees and business partners. Findings of the survey will enable TM to improve our ethics and integrity practices.

6. Project Giveaway 2

In 2013, TM had successfully implemented our inaugural Project Giveaway through which festive hampers and gifts delivered to the Board of Directors or employees during Hari Raya Aidilfitri were donated to deserving charity organisations and individuals including non-executive employees working shifts at our call centres and data centres.

In 2014, we notified all our business partners not to send hampers/gifts to our Board of Directors or employees nationwide. All hampers/gifts sent to TM premises were not accepted. In the few instances when senders insisted on leaving their hampers/gifts behind, these were donated to charitable organisations and letters of acknowledgement were subsequently forwarded to the original senders. This exercise exemplifies the Company's commitment to upholding our KRISTAL value of Uncompromising Integrity and, hopefully, will inculcate the highest standards of integrity and good governance Group-wide.

The practice not to accept any hampers/gifts from business partners will be observed during other festive celebrations in Malaysia too. A notice stating our stance against accepting gifts from business partners will be displayed at the receptionist counter at all TM buildings throughout these occasions.

In 2014, TM also continued with all the integrity programmes and initiatives that had been initiated in 2013. These included:

Communicate, Communicate, Communicate

Frequent and effective communication is crucial to serve as a reminder on acceptable and unacceptable business conduct in our day-to-day business. Accordingly, during the year there was constant communication through our internal communication channels on maintaining a high level of ethics and integrity, including snippets, scenarios, dialogues, guidelines, latest news and updates to keep awareness levels high.

Leaders Set the Tone – Management Messages

"Tone at the Top" defines Management's leadership and commitment towards openness, honesty, integrity and ethical behaviour. The tone at the top is set by all levels of Management and has a trickle-down effect on all employees. If the tone set by Management upholds honesty, integrity and ethics, employees are more likely to uphold these same values.

Throughout 2014, these values were continuously communicated through our Group Chief Executive Officer's Engagement Sessions and Jom Bersama. During festive seasons, messages were sent out reminding employees of TM's no gift policy. At Reaching-Out Sessions, leaders from the respective divisions shared their personal messages on ethics and integrity in relation to their nature of business.

Reaching Out Programmes

Throughout the year, TM conducted Reaching Out sessions on ethics and integrity covering more than 13,000 employees across our Lines of Business, state operations and subsidiaries.

During these sessions, we discussed matters related to internalising our Kristal Value of Uncompromising Integrity and shared the meaning and principles of ethics and integrity from TM's perspective. We also highlighted our Code of Business Ethics, TM's journey in the enhancement of integrity, integrity at the workplace (duties of good faith and fidelity), and brought these to life with stories that relate to ethical conduct and integrity in an organisation. Employees were also reminded of TM's Ethics Line which provides a safe channel for them to report illegal, unethical or improper business conduct affecting the Company.

These Reaching Out sessions were very well received and have contributed towards greater understanding of ethics and integrity. They also underlined our employees' duty towards maintaining a high standard of integrity and accountability in TM.

Inculcation of Integrity through Religious Platforms

Invoking religion has proven to be effective in the fight against corruption and for the enhancement of integrity. Under the tenets of Islam, any unethical, immoral or unlawful earnings is denigrated in very strong terms. Prophet Muhammad placed equal guilt on the giver and receiver of bribes as well as the intermediary. We believe that religious teachings and messages on integrity and the abhorrence of all forms of corruption should be strengthened at the workplace because employees are directly and indirectly responsible for the maintenance and enhancement of the Company's integrity.

During the year, a forum entitled *Mencari Keberkatan Rezeki* was organised, featuring prominent religious scholars who discussed what is meant by a blessed livelihood or income and how to achieve it. Messages on ethics and integrity were also disseminated through religious sermons at Surau Menara TM and religious lectures at the state level.

Declaration of Assets and Interest

In ensuring transparency and integrity in our daily business dealings and to prevent conflicts of interest, all Management and employees are required annually to declare their assets and interest including their family business(es) to the Chief Human Capital Officer of Group Human Capital Management. The declaration is undertaken via the Online Declaration of Assets and Interest System on our Sharepoint Portal, and is in line with Clause 12.12 of our Code of Business Ethics. In 2014, no less than 99.9% of employees within TM declared their assets and interest.

Knowledge Sharing

In 2014, TM continued with our tradition of organising and attending information sharing sessions on integrity in collaboration with relevant government departments, major government linked companies and government owned companies.

Our performances redefined

Delivering strong financial and business performance is always our goal to ensure continuous growth. Innovation in all aspects: technology, products, processess – big and small – will bring us to greater heights and expand our reach. By developing impactful strategies, we look forward to create a more successful and sustainable business.


SCAN FOR AURA CONTENT

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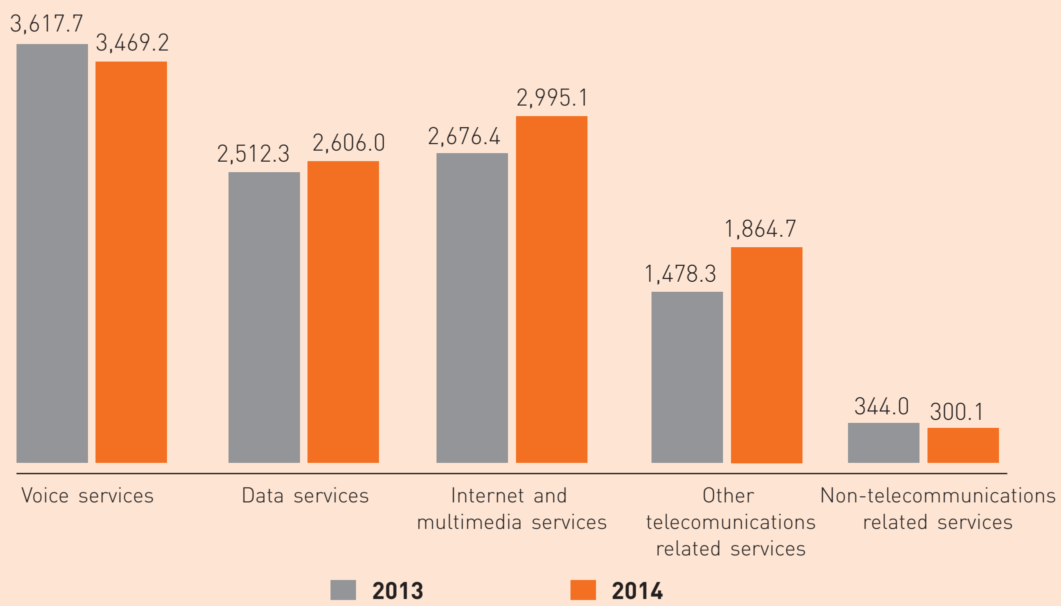
PERFORMANCE REVIEW

GROUP FINANCIAL REVIEW

Operating Revenue

For the financial year ended 31 December 2014, Group revenue grew by 5.7% to RM11,235.1 million from RM10,628.7 million recorded in 2013 despite an increasingly competitive landscape. Revenue growth was boosted by an increase in revenue for Internet and multimedia, data and other telecommunications related services, which collectively represent 66.4% of Group revenue.

Operating Revenue (RM Million)



Internet and multimedia services

Maintaining its position as Malaysia's broadband champion, the Group's broadband customer base grew to 2.23 million, led by UniFi which recorded a strong 14.8% rise in customer base to close the year with 729,048 customers from 634,809 at end of 2013. 2014 saw more upgrades to packages with higher speeds of 4Mbps and above, resulting in 48.0% of our customers being high speed broadband users. Continuing growth was also seen in the increase in number of buys for Premium Channels as well as Video-On-Demand leading to higher Average Revenue Per User (ARPU) for both UniFi and Streamyx. A combination of these factors have contributed to the healthy 11.9% growth in Internet and multimedia services to RM2,995.1 million in 2014 from RM2,676.4 million in 2013.

In line with the higher revenue, Internet and multimedia services contributed 26.6% to the Group's operating revenue, compared to 25.2% last financial year.

Data services

Data services which mainly comprise leased, Ethernet, IPVPN and IP services, increased by 3.7% in the current financial year to RM2,606.0 million compared to RM2,512.3 million in 2013. Growth was driven by a continuing increase in demand for bandwidth and number of subscriptions, both at wholesale as well as retail ends of the market spectrum. Significant long-term contracts further contributed to the revenue streams for the Group from this segment.

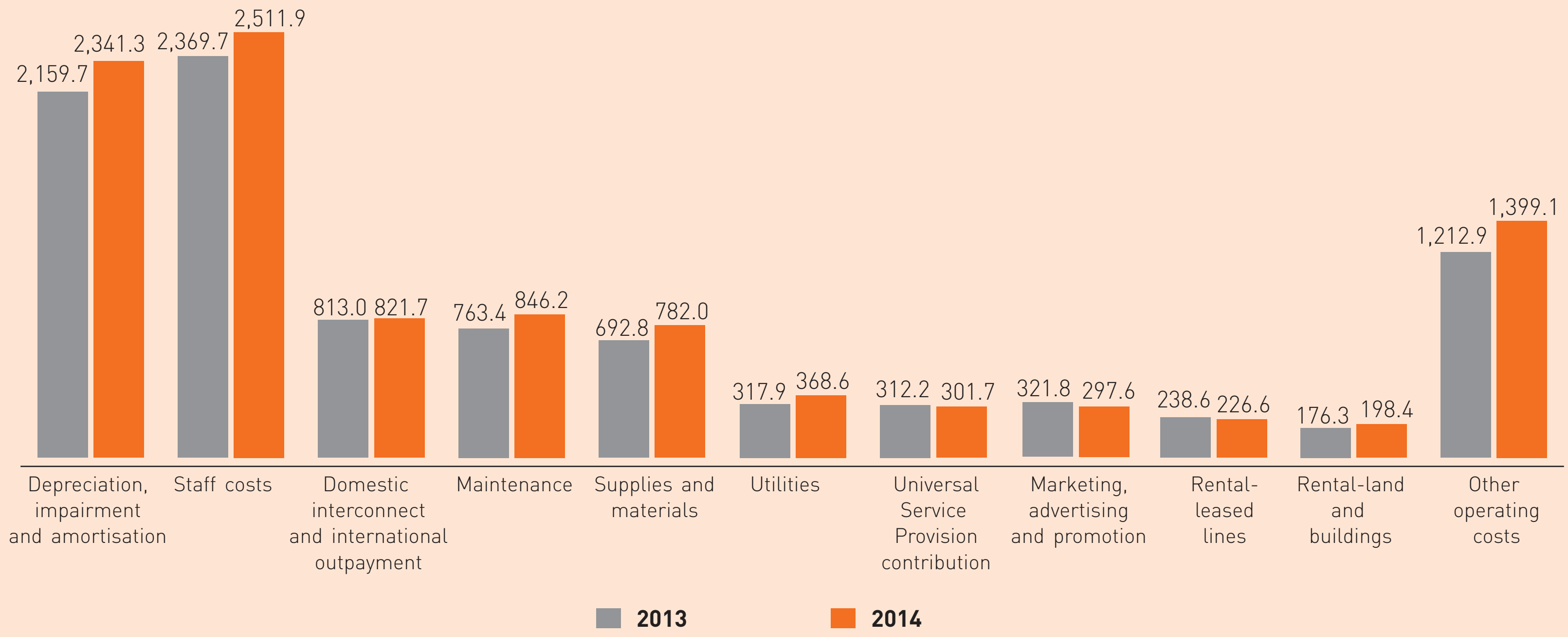
Data services contributed 23.2% of the Group's operating revenue in 2014, slightly lower as compared to 23.7% in 2013.

Other telecommunications related services

Trust in the Group's capability to deliver in telecommunications projects and related services remains evident through the continuing increase in reported revenue from this revenue segment by 26.1% to RM1,864.7 million this financial year as compared to RM1,478.3 million in 2013. Revenue from this segment is derived primarily from customer projects, maintenance, broadcasting, restoration of submarine cables, managed Information and Communications Technology (ICT), business process outsourcing and enhanced value-added telecommunications services. The acquisition of new subsidiaries namely GTC Global Sdn Bhd during the year further complimented the Group's existing service portfolio and offerings, primarily in surveillance project revenue and contributed further to the Group's revenue growth. Other existing subsidiaries such as VADS Berhad Group and GITN Sdn Berhad also reported continuing growth in revenue for this segment.

Consequent from the revenue growth, this revenue segment's contribution to the Group's operating revenue also increased to 16.6% from 13.9% in the last financial year.

Operating Costs (RM Million)



Non-telecommunications related services

Non-telecommunications related services registered lower revenue by 12.8% from RM344.0 million in 2013 to RM300.1 million in 2014. The reduction in this revenue segment comprising services from subsidiaries focusing on education, printing and publication of directories, property development and trading in customer premise equipment, was mainly due to lower revenue from disposal of land by a wholly-owned subsidiary despite an increase in revenue from the Group's subsidiaries servicing the education cluster through Universiti Telekom Sdn Bhd.

Contribution to the Group's operating revenue in 2014 was 2.6%, lower than 3.2% registered in 2013.

Voice services

Revenue from voice services stood at RM3,469.2 million, 4.1% lower than the RM3,617.7 million recorded in 2013. Comprising revenue from business telephony which includes ISDN, interconnect and international inpayment, as well as residential telephony, the reduction in voice services was contributed by reduction in overall minutes of voice usage in both international and domestic fronts as well as unfavourable adjustment for internal service lines. The lower revenue further reduced voice services' contribution to the Group's revenue mix from 34.0% in 2013 to 30.9% in 2014.

Operating Costs

The Group's operating costs increased by 7.6% from RM9,378.3 million in 2013 to RM10,095.1 million in 2014. Higher maintenance, staff costs, supplies and materials costs are among the contributors of the increase along with the tighter credit treatment policies implemented in 2014.

Depreciation, impairment and amortisation

This group of charges consisting of depreciation, impairment and write-off of property, plant and equipment (PPE) as well as amortisation of intangible assets, increased by 8.4% from RM2,159.7 million in 2013 to RM2,341.3 million in 2014 mainly due to higher depreciation charges from a bigger asset base and addition during the financial year which was necessary to support the expanding revenue and customer projects in particular. The acquisition of asset intensive Packet One Networks Sdn Bhd (P1) as a subsidiary during the financial year, also contributed to the increase. Other factors contributing to the increase include charges in relation to cable theft retirement and provisional write-off for assets damaged by the floods at the end of the financial year.

As a proportion of the Group's overall cost, depreciation, impairment and amortisation accounted for 23.2% of the overall operating costs, a marginal increase from 23.0% in 2013.

Staff costs

Staff costs for the Group increased by 6.0% from RM2,369.7 million in 2013 to RM2,511.9 million in 2014 mainly due to higher salaries from annual increments and one-off provision for Skim MESRA, an optional early retirement scheme for employees aged 55 and above as at 31 December 2014. Staff cost contributed 24.9% of the overall Group's operating costs in 2014 compared to 25.3% in 2013.

Maintenance

Maintenance costs grew by 10.8% to RM846.2 million from RM763.4 million in 2013 primarily arising from higher costs incurred for customer projects in line with higher revenue. Subsidiaries such as TM Net Sdn Bhd and VADS Berhad Group also registered higher maintenance costs to support business operations requirements.

Supplies and materials

Supplies and materials increased by 12.9% from RM692.8 million in 2013 to RM782.0 million in 2014 largely due to higher cost incurred for customer projects in line with increase in revenue and the consolidation of subsidiaries acquired during the financial year. This was partially offset by lower customer acquisition cost due to the expiry of the minimum contract period of certain low income broadband packages over which corresponding customer acquisition costs are amortised.

Other Operating Income

Other operating income increased by 27.0% from RM121.5 million in 2013 to RM154.3 million arising from negative goodwill on the acquisition of a subsidiary during the financial year as well as higher gains from the disposal of non-current assets held for sale, partially offset by lower dividend income from international equity investments.

Net Finance Cost

The Group's net finance cost decreased by 38.8% from RM331.5 million to RM202.9 million in the current financial year, despite unfavourable movements in the foreign currency exchange rate against the US Dollar, mainly due to lower borrowing costs following the redemption of certain debt securities as explained below.

Finance cost

Finance cost for the Group decreased by 21.4% from RM371.2 million in 2013 to RM291.6 million in 2014 following the absence of finance cost on the RM2,000.0 million TM Islamic Stapled Income Securities and USD465.1 million Guaranteed Notes which were fully redeemed at the end of the previous financial year and third quarter this year. The reduction was partially offset by new borrowing cost following the issuance of Islamic Medium Term Notes of RM1,200.0 million in nominal value during the financial year to fund capital expenditure and business operating requirements and consolidation of newly acquired subsidiaries during the financial year.

Finance income

Finance income decreased slightly by 5.7% from RM144.9 million in 2013 to RM136.6 million in 2014 mainly due to lower interest income from lower deposits arising from debt repayments during the financial year despite higher yields while the consolidation of results from subsidiaries acquired during the financial year offset the overall reduction.

Foreign exchange on translation of borrowings

Despite the appreciation of the US Dollar against Ringgit Malaysia in the fourth quarter 2014, the impact of the stronger US Dollar was mitigated by the full repayment of the USD465.1 million Guaranteed Notes in September 2014. As such, although the Group recorded a foreign exchange loss of RM31.8 million in 2014, it was a 78.3% favourable variance from the RM146.6 million loss recorded in 2013.

Fair value gain/(loss) on forward foreign currency contracts entered to hedge foreign currency denominated borrowings is presented within foreign exchange on translation of borrowings. 2014 recorded fair value loss of RM16.1 million being the fair value movements from the forward contracts entered into in previous financial years to hedge and minimise the foreign currency exposure of the Group with respect to the settlement of the Guaranteed Notes. These forward contracts fully expired in September 2014 with the Group's redemption of the Guaranteed Notes above.

Consequent from the above, the net foreign exchange loss registered this financial year of RM47.9 million was significantly lower than RM105.2 million recorded last year.

Taxation Expense

The current financial year recorded a tax charge of RM259.9 million as compared to a net tax income of RM6.1 million in 2013 due to the absence of tax incentives this year which brought the effective tax rate for 2014 to 23.5%, slightly below the statutory tax rate. Deferred tax asset on unutilised tax incentives recognised in 2013 amounted to RM161.8 million.

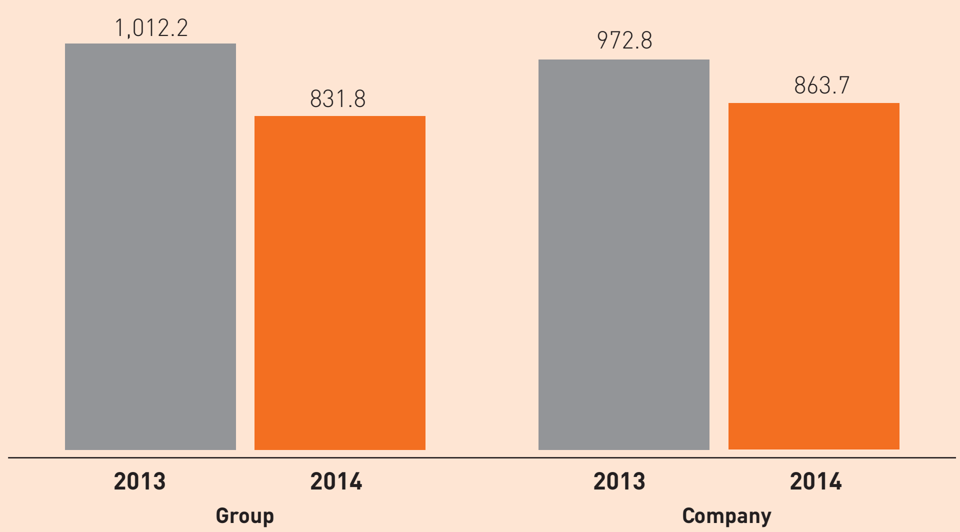
Profitability

The Group's profit before taxation and zakat increased by 5.7% from RM1,046.0 million to RM1,105.5 million this financial year due to lower net finance cost which mitigated the higher operating costs as explained above. Despite the higher profit before taxation and zakat, the profit attributable to equity holders reduced to RM831.8 million from RM1,012.2 million in 2013 due to the absence of tax incentives in 2014 to offset tax charges of the Group for the financial year.

Total Assets

The Group's total assets stood at RM22,623.2 million, a 7.0% increase from the RM21,146.5 million at the end of the previous financial year primarily contributed by the increase in trade and other receivables, cash and bank balances, property, plant and equipment (PPE) and

Profit Attributable to Equity Holders of the Company (RM Million)



intangible assets. The increase in intangible assets by RM261.9 million was attributed to the recognition of acquired identifiable intangible assets of RM211.1 million following the purchase price allocation in relation to the acquisition of Packet One Networks (Malaysia) Sdn Bhd (P1) as well as the goodwill recognised arising from P1's acquisition of RM52.1 million.

Trade and other receivables

Trade and other receivables increased by 23.5% to RM2,825.3 million primarily due to consolidation of GTC Global Sdn Bhd and P1 in the current financial year which accounted for 67.0% of the increase. Higher billings during the current financial year as compared to collection also contributed to the increase.

Cash and bank balances

The Group's cash and bank balances grew by 18.7% to RM2,985.8 million from RM2,514.9 million at the end of the previous financial year. The increase was mainly due to cash inflow from customers and proceeds from new borrowings as well as new issuance of shares under the Dividend Reinvestment Scheme which were collectively higher than the outflow for the redemption USD465.1 million (RM1,513.3 million) Guaranteed Notes in September 2014, purchase of PPE and payment to suppliers.

Property, plant and equipment (PPE)

The Group's PPE stood at RM14,785.1 million at end 2014, registering a 1.5% increase from RM14,572.0 million at end 2013. The increase was attributed to the consolidation of P1 which accounted for RM542.5 million, partially offset by decrease at the Company and other subsidiaries due to higher depreciation charges as compared to asset additions and capital expenditure during the financial year.

Total Liabilities

The Group's total liabilities increased by 5.9% from RM13,847.2 million at the end of the previous financial year to RM14,663.3 million, primarily due to higher trade and other payables and the recognition of put option liability over shares in a subsidiary held by non-controlling interest within non-current derivative financial instruments during the current financial year. The put option liability amounted to RM270.1 million at end 2014, representing the present value of the expected redemption amount of the option, when it is exercised.

Trade and other payables

Trade and other payables grew by 13.6% to RM3,605.2 million from RM3,172.8 million at end 2013 primarily due to the provision for the optional early retirement scheme for the Group totalling RM111.2 million and the consolidation of new subsidiaries, in particular P1 which accounted for RM222.8 million of the increase. In addition, there were also higher trade payables to fund business operations requirements, among others to sustain and maintain the existing network.

Shareholders' Equity

The Group's shareholders' equity remained strong at RM7,571.1 million, registering an increase of 6.1% from the previous financial year. The increase was supported by the current year profit attributable to equity holders of the Company of RM831.8 million and issuance of new ordinary shares pursuant to the Dividend Reinvestment Scheme, despite the payment of dividends totalling RM931.5 million and the initial recognition of the present value of the redemption amount of the put option liability over shares held by non-controlling interest of RM267.6 million.

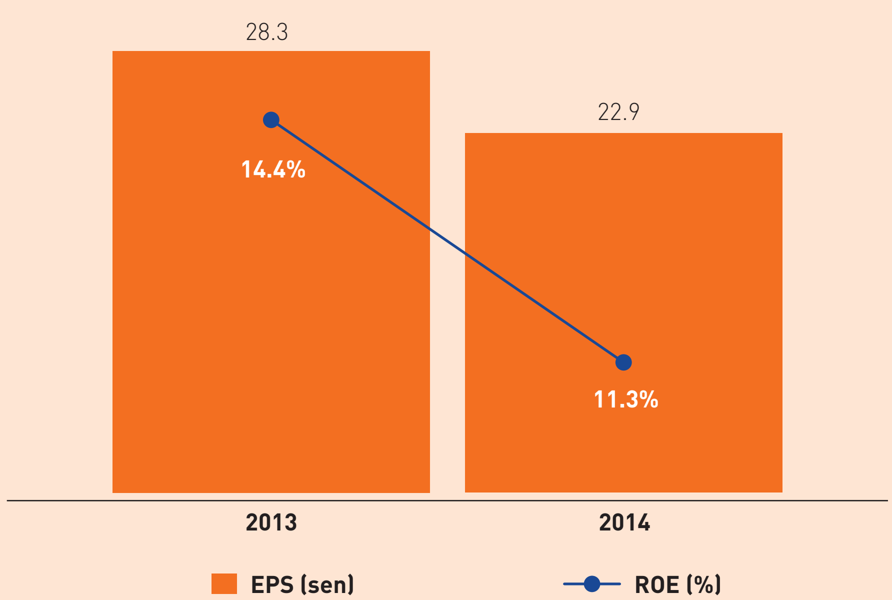
Earnings per share (EPS) and return on shareholders' equity (ROE)

In line with the lower profit attributable to the equity holders of the Company, the basic EPS for 2014 decreased to 22.9 sen compared to 28.3 sen in 2013. Consistently, ROE reduced from 14.4% in 2013 to 11.3% in 2014.

Dividends

True to its commitment to reward shareholders, the Board of Directors has, on 26 February 2015, proposed a final single-tier dividend of 13.4 sen per share amounting to RM498.4 million for shareholders' approval at the forthcoming 30th Annual General Meeting of the Company. Together with the interim single-tier dividend of 9.5 sen per share, the total dividend payout would be RM846.8 million or 22.9 sen per share, in line with the Company's dividend payout policy of RM700.0 million or up to 90.0% of normalised profit attributable to equity holders, whichever is higher.

EPS and ROE

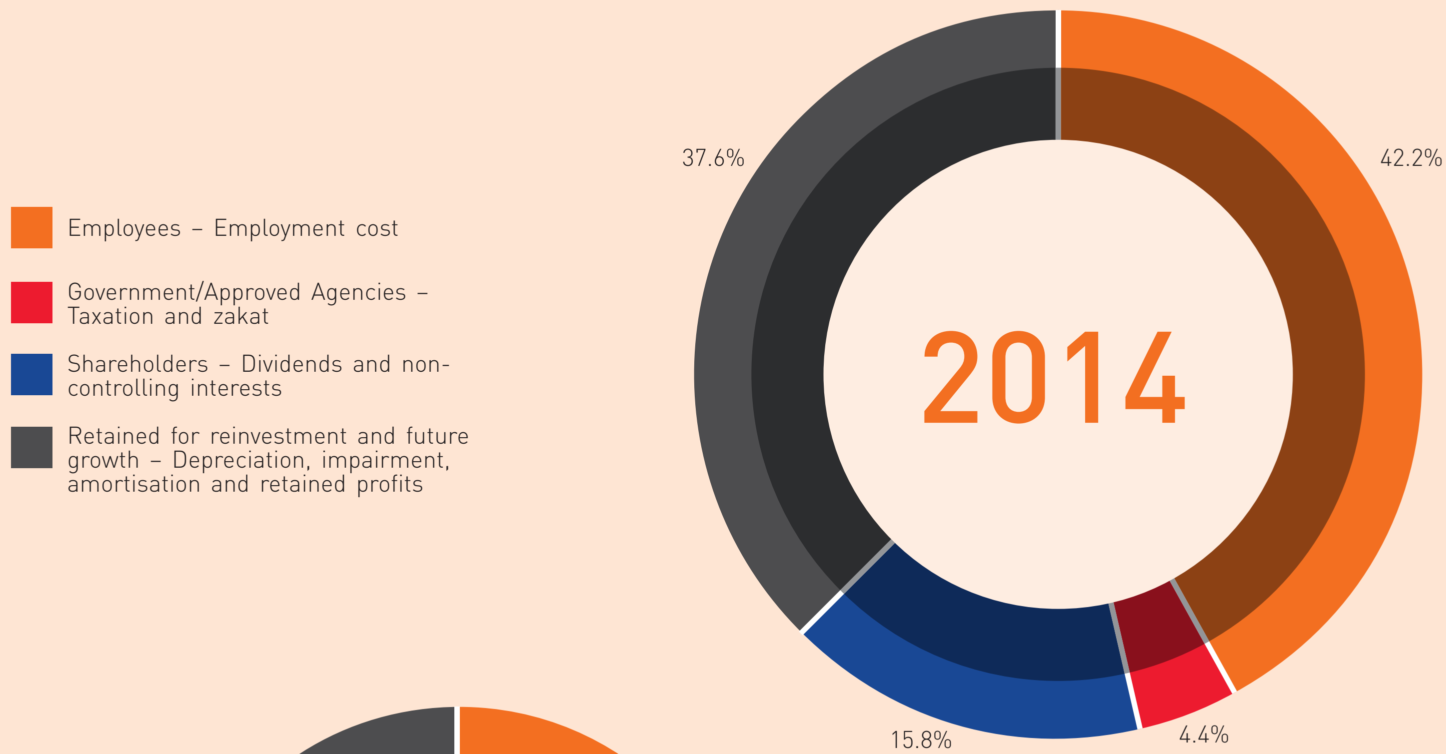


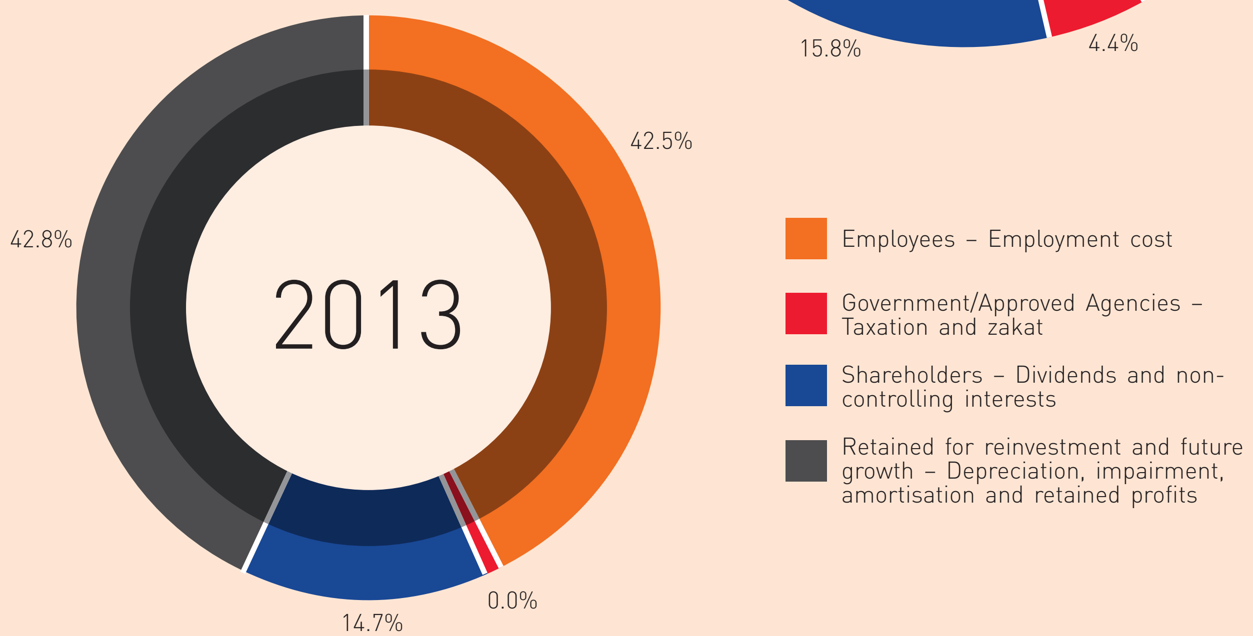
STATEMENT OF VALUE ADDED

Value added is a measure of wealth created. The following statement shows the Group's value added for 2013 and 2014 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.

	2013 RM Million	2014 RM Million
VALUE ADDED		
Revenue	10,628.7	**11,235.1**
Purchase of goods and services	(4,848.9)	**(5,241.9)**
Value added by the Group	5,779.8	**5,993.2**
Other operating income (net)	121.5	**154.3**
Other gains (net)	1.7	**4.8**
Finance income	144.9	**136.6**
Finance cost	(371.2)	**(291.6)**
Foreign exchange loss on borrowings	(105.2)	**(47.9)**
Share of results of associates	3.9	**9.3**
Value added available for distribution	5,575.4	**5,958.7**
DISTRIBUTION		
To Employees		
Employment cost	2,369.7	**2,511.9**
To Government/Approved Agencies		
Taxation and Zakat	(1.8)	**263.0**
To Shareholders		
Dividends	787.0	**931.5**
Non-controlling interests	35.6	**10.7**
Retained for reinvestment and future growth		
Depreciation, impairment and amortisation	2,159.7	**2,341.3**
Retained profits	225.2	**(99.7)**
Total distributed	5,575.4	**5,958.7**

DISTRIBUTION OF VALUE ADDED





TM GROUP PRODUCTS & SERVICES

MASS MARKET

Voice Service Access

- Homeline
- Businessline
- CDMA
- ISDN
- Centrex

Value-Added Services

- Infoblast
- Marketing Tools
- Voicemail
- TollFree 1300/1800
- BizApps Store

Prepaid Service

- iTalk

- Broadband (Consumer)
  - UniFi VIP
  - Streamyx
  - TM WiFi
  - Streamyx Wireless (CDMA/EVDO)
  - TMgo

- Broadband (Business)
  - UniFi Biz
  - Business Broadband
  - TM WiFi
  - Direct
  - In-Building Broadband Service (IBS)

Geomatics

- AVLS (Automatic Vehicle Location)
- SmartMap
- Navigation System

MANAGED ACCOUNTS

Internet Services

- Direct
- Direct V
- In-Building Broadband Solution (IBS)
- Hospitality Entertainment Solutions
- Hotzone

Internet VAS

- BOD & Burstable (Direct)
- Border Gateway Protocol (BGP)
- CPEPV (Direct)
- Expedite Request
- IPv4 for Direct
- IPv6 for Direct
- Service Level Guarantee (SLG)
- XDSL backup for Direct

Voice Services

- Access Multi-Line SIP
- ISDN
- ISDN Minutes Plan
- TMCentrex
- Hotline Package

Voice VAS

- Tollfree
- Tollfree Analytics
- TollFree Solutions for BPO
- Infoblast
- Infoblast Flat Rate Plan
- TollFree Disaster Recovery Manager
- Businessline SMS
- Infoblast Open API
- Call Plan
- Flexi Smart PIN
- Flexi Smart Call
- Flexi Destina
- Flexi Destina Value
- Smart Call/Smart Biz
- Flexi Destina Plus
- Privilege Plan
- SmartPIN
- Flexi Destina for Toll Free (TF)
- Data Services Managed Connectivity Services VSAT Ku-Band
- VSAT Starnet (C-Band)
- VSAT StarNet MESH
- Hyperband
- Domestic Leased Line – Wideband
- Domestic Leased Line – Digitaline I
- Domestic Leased Line – Broadband
- Managed Network Services
- IPVPN Backup 3G & IPLite 3G
- IPVPN Value
- Metro Ethernet
- IPVPN Premier
- IPVPN Lite
- IPVPN Wireless Off Premise ATM
- SmartBiz
- IPVPN Value EVO
- School Broadband

Integrated ICT Services

- Managed Data Centre & Cloud Services
  - Managed Data Centre Services
  - Managed Cloud Services
- Managed Communication & Collaboration Services
  - Managed Unified Communications
  - Managed TelePresence Services
- Managed Network & Network Integration Services
  - Managed Local Area Network (MLAN)
  - Managed Wide Area Network (MWAN)
  - Managed Network Visibility Services (MNVS)
- Managed Security Services
  - Managed Web Application Firewall (MWAF)
  - Managed Unified Threat Management (MUTM)
  - Cloud Based Web Security Service (CBWS)
- End User Computing Services
  - Managed Desktop Services
  - Managed Service Desk

Integrated BPO Services

- Customer Experience Management
  - Customer Service
  - Technical Support
  - Service Desk
- Revenue Generation & Protection
  - Tele Sales
  - Inside Sales
  - Inbound Sales
  - Tele Collection
  - Tele Reminder
  - Tele Save-A-Customer
  - Telemarketing
- Knowledge Process Outsourcing
  - Business Insights
  - Dashboard Reporting
  - Social Media Analytics
- Business Suites/Facilities Management
  - Facility Management
  - Disaster Recovery

NEW MEDIA

Content Services

- HyppTV
- HyppGames
- B-Smart
- My1Content
- TM Shop
- E-browse

Value-Add Services

- E-storage

Advertising Services

- Yellow Pages Publications (YP Big Book, YP4Home, Destination Malaysia & Halal Pages)
- Digital Yellow Pages (Internet & Mobile)
- TV Advertising via HyppTV

GLOBAL & WHOLESALE

Voice Services

- Interconnect Minutes
- Bilateral Voice Services
- Hubbing Voice Services
- International Value Added Service (VAS)
  - Global SMS Hub

Data Services

- Global Virtual Private Network (VPN) Services
- Media Delivery Services (MDS)
- IP Services

Bandwidth Services

- Next-Gen Backhaul (NGBH)
- Wholesale Metro Ethernet
- International Ethernet Private Line (IEPL)
- International Private Leased Circuit (IPLC)
- Bandwidth Transit
- Bandwidth Backhaul
- Bandwidth Interconnection
- Global VSAT

High Speed Broadband (HSBB) Service

Infrastructure Services

- Global Hosting Services
- Wholesale Infrastructure Services

Solutions Services

- My1Hub

Our approach realigned

Our approach realigned: We are taking the first steps towards becoming Malaysia's first truly converged digital organisation. This starts with our customers, across all our lines-of-business, getting them connected beyond the Internet in a scale that was once unimaginable, enabling innovation and making it thrive.

SCAN FOR AURA CONTENT

GA
CHAN

BUSINESS REVIEW & FUNCTIONS

Facts at a Glance

RM3,147.8 million
revenue generated by TM Consumer

2.8 million
phone customers

>1.8 million
broadband customers
(Streamyx and UniFi)

CONSUMER

2014 WAS ANOTHER MILESTONE YEAR FOR INNOVATION GROWTH

Overview

TM Consumer serves the communication and entertainment needs of Malaysian households and individuals, from the provision of telephone service to broadband connectivity including WiFi and HyppTV.

Financial Performance

Today, 67 out of 100 households in Malaysia have broadband connectivity, with TM contributing to 40.0% of the country's household broadband penetration via our UniFi and Streamyx package offerings which have attracted 604,228 and 1,241,679 customers, respectively.

In the financial year ending 31 December 2014, TM Consumer recorded revenue of RM3,147.8 million, marking a growth of 6.1% which has been contributed primarily by strong demand for broadband and HyppTV services.

Strategic and Key Initiatives

Being connected to the Internet today is a necessity rather than a luxury. Every individual wants to be connected anywhere, anytime using multiple devices from TV and desktop PCs to hand-carry devices such as notebooks, tablets and smart phones to satisfy communication, knowledge and entertainment needs.

Accordingly, content viewing is on the rise. On average, a household spends 15 hours a week on the Internet (primarily video streaming) and six hours a week watching TV. In short, content dominates with the only difference being whether it is viewed the conventional way (on TV) or the digital way (by seeking specific content and streaming it from the Internet).

TMgo Experiential at Kampung Ewa, Pulau Langkawi.

In line with our "Life Made Easier" proposition, in 2014, we launched two major campaigns revolving around today's digital lifestyle: the Hypp-normous Deal and Stream Champion. Customers who subscribed to HyppTV packages were given free broadband upgrades to enjoy the best of both content spaces – viewing the conventional way (HyppTV) and the digital way, with the latter over faster broadband connection.

Bridging the digital divide, we also launched our broadband-to-go service, TMgo, in several underserved areas; first in Kedah followed by Melaka, Perak, Selangor, Pahang, Terengganu, Kelantan, Sabah and Sarawak. In addition, a collaborative programme with the Government to provide devices and broadband services to low-income households nationwide was launched and is progressing well.

Broadband growth for TM drives shareholder value creation while fulfilling our nation-building agenda. According to the World Bank, every 10.0% growth in broadband penetration is accompanied by a 0.25%-1.38% increase in Gross Domestic Product (GDP).

Reaching Out to Households and Individuals in Malaysia

TM Consumer continued with its "Life Made Easier" nationwide roadshow to showcase offerings that meet the communication and entertainment needs of Malaysian households. 55 "Life Made Easier" events were held in shopping malls while four-day programmes were held at 19 community areas to help bridge the digital divide. Collaborating with community service centres and local community leaders, the programmes demonstrated how broadband connectivity can enrich the lives of the local residents.

Better Customer Experience

Embracing our "Life Made Easier" proposition, TM Consumer set up more payment kiosks at TMpoint outlets to bring the total to 149, enabling more customers to pay their bills at their convenience 24/7. It also expanded its outlet network to 169 nationwide to enhance its customer reach.

Valuing the voice of customers, in September 2014, TM Consumer introduced an SMS rating system for customers to provide feedback on their interaction with our sales agents and TMpoint frontliners. Similar feedback systems will be expanded to cover other touchpoints in 2015 such as our call centre as well as our installation and restoration teams.

TM "Life Made Easier" roadshow at Mid Valley Megamall, Kuala Lumpur.

Prospects

Broadband and HyppTV will continue to drive further growth of TM Consumer in 2015. The addition of mobile data to TM Consumer's portfolio of offerings (from TM's investment in P1) will elevate TM's market position from being Malaysia's Broadband Champion to Malaysia's Converged Champion.

ACCORDING TO THE WORLD BANK, EVERY 10.0% GROWTH IN BROADBAND PENETRATION IS ACCOMPANIED BY A 0.25%-1.38% INCREASE IN GROSS DOMESTIC PRODUCT (GDP).

Facts at a Glance

RM1,947.0 million
SME revenue

346,002 customers
SME Broadband

59 hotels
secured under Hospitality Entertainment Solution (HES)

SMALL AND MEDIUM ENTERPRISE

FORMING STRATEGIC PARTNERSHIPS WITH GOVERNANCE BODIES AND ASSOCIATIONS IS KEY TO REACHING OUT TO SMEs

Dato' Sri Dr Halim Shafie, former TM Chairman (left) together with Azizi A Hadi former Executive Vice President, TM SME, during the launch of Shop in a Box™ at Menara TM.

Overview

TM Small and Medium Enterprise (SME) serves the business communication needs of the country's diverse range of SME companies, offering telephone services, broadband/data connectivity and business tools right up to solutions for specific vertical markets such as the retail and hospitality sectors.

Financial Performance

Serving close to 73.0% of SMEs in Malaysia, in the financial year ending 31 December 2014, TM SME recorded revenue of RM1,947.0 million. This marked a less than 0.1% increase from the previous financial year, and was contributed primarily by strong demand for broadband services.

Strategic and Key Initiatives

SMEs form the backbone of Malaysia's economic growth, contributing to more than 32.0% of the country's Gross Domestic Product (GDP), providing approximately 59.0% of employment opportunities and producing about 19.0% of the nation's total exports.

TM SME leverages on this large market by creating a conducive ecosystem for Malaysian SMEs to grow. Integrating itself fully with its customer base, TM SME has formed strategic

ITS STRATEGIES ARE DRIVEN BY THE ULTIMATE OBJECTIVE OF BEING THE PREFERRED ICT PARTNER TO LOCAL SMEs WITH ITS PROPOSITION OF "BUSINESS MADE EASIER".

Dato' Sri Mohammad Najib bin Tun Haji Abdul Razak Prime Minister launching Agenda Lokalism, a Strategic Collaboration between TM & MTEM in conjunction with the launch of Gathering of Rising Entrepreneurs Act Together (GREAT 2014) at MAGiC, Cyberjaya.

80 SME BizFiesta™ events were held throughout 2014 at selected high business traffic TMpoint outlets. The main objective was to make business easier for our SME customers by leveraging on our comprehensive ICT solutions.

partnerships and alliances with various government bodies and associations such as SME Corporation Malaysia (SME Corp), Multimedia Development Corporation (MDeC), SME Association Malaysia (formerly SMI Association of Malaysia) and *Majlis Tindakan Ekonomi Melayu* (MTEM) while also maintaining a close relationship with the media.

TM SME strategies are driven by the ultimate objective of being the preferred ICT partner to local SMEs with its proposition of "Business Made Easier". Through its products and solutions, it enables SMEs to better connect with their customers, communicate with business partners and collaborate within the Malaysian SME ecosystem.

TM SME's services range from the basic business start-up offering of the Office in a Box™ (OIAB) with Microsoft Office 365 comprising telephone, broadband and cloud application services, to the Shop in a Box™ (SIAB) with SurePay™ which has add-on payment facilities via debit and credit card. For hospitality businesses requiring holistic communications and entertainment solutions, TM SME offers Hospitality Entertainment Solution (HES) a suite of telephone, broadband (including WiFi) and 73 HyppTV channels to choose from.

Improving the productivity level of Malaysia's SMEs is high on the agenda, and is fulfilled with primary business tools including productivity software (documentation, presentation, worksheets), finance and accounting software plus human resources management software. Through VADS partnership with Microsoft, TM SME is also able to offer Office 365 applications via TM's own cloud services. These include enterprise-grade email accounts, document sharing, as well as video and web conferencing.

TM SME will continue to partner with other software and application providers to offer a rich selection of business tools to SMEs to fuel sustainable growth of the economy.

Reaching Out to SMEs

During the year, TM SME organised three nationwide programmes to connect with SMEs – SME BizFest™, SME BizFiesta™ and SME BizNet™.

The annual SME BizFest™ focuses on accelerating ICT adoption among local SMEs by bringing together a diverse selection of exhibitors. Among its highlights are talks by well-known business icons and strategic partners along with other knowledge-sharing activities. Embracing the tagline "Innovate to Dominate", the SME BizFest™ in 2014 was held at four regional locations – Klang Valley, Johor, Penang and Sarawak. The events received an overwhelming response from SMEs eager to benefit from the programmes organised.

80 SME BizFiesta™ events were held throughout 2014 at selected high business traffic TMpoint outlets. The main objective was to make business easier for our SME customers by leveraging on our comprehensive ICT solutions. At each event, counters were available for product consultations and demonstrations as well as showcase of office devices by our SME solution partners which also offered their products and solutions at discounted prices.

SME BizNet™, also an annual event, was held at all states nationwide for SMEs in retail, services and manufacturing. At the seminar-based events, TM SME showcased its latest ICT solutions that have been developed specifically to enhance business productivity and help SMEs grow.

Better Customer Experience

Understanding that time is of the essence in running a business, TM SME continues to strengthen its customer touchpoints to better serve its customers. It now provides SME priority lanes at 32 selected TMpoint outlets nationwide.

SME customers also enjoy a priority call queue at the 100 call centre by keying in their telephone number when prompted.

In efforts to further improve its service delivery, TM SME introduced an SMS rating system in September 2014 for customers to provide feedback on their interaction with sales agents and TMpoint frontliners. In 2015, similar feedback systems will be set up for services provided by other touchpoints such as the call centre, as well as installation and restoration teams.

Prospects

TM SME will continue to drive ICT penetration and adoption based on vertical needs and operational scale via tailored and customised solutions. With the addition of mobile and convergence offerings, it will further realise our aspiration to become the preferred ICT partner to SMEs in Malaysia for years to come.

TM SME Management and participants of SME BizFest 2014 with Datuk Dr. Maznah Hamid, Executive Chairman Securiforce Group of Companies, one of business speakers at the event.

NEW MEDIA

DRIVING INNOVATION EXCHANGE TO BECOME MALAYSIA'S ONE AND ONLY TRUE CONVERGENCE CHAMPION

Overview

New Media plays a big role in supporting TM's ultimate aim to be the No. 1 Converged Player through its three strategic pillars of HyppTV, Integrated Advertising and Online Services. Leveraging on TM's large Streamyx user base and ever-growing number of UniFi subscribers, it drives TM's transformation into an Innovation Exchange by attracting greater Content, Application and Directory Services (CADS) use through seamless world-class offerings on multi-screen devices targeted at mass market and SMEs. These further enhance the customer experience, ensuring life and business are made easier.

HyppTV

HyppTV, Malaysia's fastest growing IPTV service with the tagline *Primetime, Anytime, Everytime,* remains a key component of TM's UniFi packages. The local pay TV has continued to grow its offerings with premium channels, on-demand content and interactive services which cut across local, Chinese and Indian programming to sports, news and entertainment on more than 120 channels.

Integrated Advertising

Yellow Pages has evolved beyond conventional directory advertising by entering the digital domain with a wider reaching media spectrum. Beyond directory listing, seamless offerings through all mediums provide integrated advertising services to customers.

Online Services

Online Services presents a hub for content, applications and solutions targeted at TM's business and consumer segments via cost-effective business propositions to suit today's lifestyle and work-style. Offering value added services online and via a mobile-equipped e-commerce engine, it enables users to maximise the potential of online avenues, realising TM's philosophy of "Life Made Easier".

IN MARCH 2014, HYPPTV WAS AWARDED THE BEST COMPONENT OR ENABLER AWARD AT THE TV CONNECT INDUSTRY AWARDS 2014 IN LONDON.

Facts at a Glance

125 channels
for HyppTV

43 High Definition (HD) channels

17 Video on Demand
(VOD) channels

Key Initiatives

HyppTV

From its debut in 2010, HyppTV now walks tall with a bounteous offering of high quality original programming and value packages that are driving greater take-up of the service. In addition, the superiority of IPTV technology which allows for an unparalleled HD viewing experience, unaffected by weather conditions, continues to sway consumers towards HyppTV in fulfilling their entertainment needs.

With the launch of *Dunia Sinema* and Al-Hijrah on Demand in March 2014; HyppFlicks Plus (Malaysia) to promote local telemovies exclusively on HyppTV in May 2014; HyppSensasi (HyppTV's first own Malay entertainment channel) in August 2014, and Playbox HD in September 2014, HyppTV further entrenched its presence in the local content space targeting the local mass market.

In October 2014, HyppTV introduced HyppTV Everywhere, a mobile app which enables everybody to enjoy a seamless entertainment experience over multiple devices while on the move. The app can be downloaded from Google Play Store for Android users, Apple App Store for iOS users, and HyppTV's website at http://hypptv.tm.com.my for the WebTV version.

As in previous years, HyppTV continued to widen its range of value packages with HyppTV Ruby Pack, HyppTV Mega Pack, HyppTV Sports Pack and HyppTV New Platinum Pack. These encompass sports, entertainment, lifestyle, news and education offerings to suit everyone.

Emily Wee, Vice President of Business & Media Operations, New Media TM (left), with Jeremy Kung Executive Vice President of New Media TM (right) during the HyppSensasi launch at Jump Street, Petaling Jaya on 13 September 2014.


Jeremy Kung, Executive Vice President of New Media, TM (right) receiving the "Best Component or Enabler Award" at the TV Connect Industry Awards 2014 in London.

2014 also saw the introduction of HyppTV for Business (UniFi Biz) which provides business customers the same viewing experience as UniFi customers, thus promoting the "Business Made Easier" experience. Additionally, the Hospitality Entertainment Solution is gaining traction in the market with its In-Building Broadband, HyppTV and Call Centre solutions.

Up to December 2014, more than 55 SMEs had signed up for HyppTV services, the list including Shangri-La Hotel Putrajaya, Everly Hotel Putrajaya, Copthorne Cameron Highlands and KPJ Hospitals nationwide.

HyppTV Achievements

In March 2014, HyppTV was awarded the Best Component or Enabler Award at the TV Connect Industry Awards 2014 in London. This is the second consecutive year HyppTV has been recognised internationally by TV Connect. In the last financial year, HyppTV created history by being the first Malaysian IPTV service to win an award at the prestigious event which celebrates innovation, excellence and achievement in the Connected Entertainment industry.

Integrated Advertising

In 2014, TM Info-Media Sdn Bhd (TMIM) embarked on a transformation of its product from print to broadcast media through the fast-growing HyppTV, and onto the online platform via Internet Yellow Pages (IYP) and the Yellow Pages-Google Premium Package. The move positions TM strategically in the more affluent advertising market that keeps evolving along with greater competition.

An in-house publication, Destination Malaysia, was revamped and has expanded its reach through TMIM's partnership with MPH Distributor, making the magazine available at more than 120 book stores nationwide.

Another in-house publication, the Yellow Pages for Home (YP4H), was revamped in 2014. Realising that the market for this product is dominated by women, YP4H has taken a more feminine route with content on home decor, family, household tips, gardening and landscape, recipes, beauty and health.

Online Services

SMART AP

In line with the tagline "Life Made Easier", TM's absolute portal (SmartAP) has been enhanced to improve the user experience through seamless user registration and ordering processes, simplified self-care functions and social media integration enriched via a Smart Profiling Engine.

SmartAP is fully equipped with an e-commerce module and is integrated with TM's shopping domain, TM Shop. The latter facilitates shopping beyond the SmartAP portal contributing to a whole new revenue stream for TM. Currently, TM Shop promotes local products – for Malaysians by Malaysians. These initiatives have been driven with the direct involvement of local artisans, contributing to the uniqueness of TM Shop.

HyppMe

Since HyppMe was introduced in June 2014 and made easily downloadable from Apple Appstore and Android Google Play, it has gained more than 25,000 activations. Compared to other Over-the-Top (OTT) products, HyppMe's key differentiator is its seamless offerings for voice and messaging service at very competitive flat rates across networks with enhanced functionalities. Customers get to enjoy cheaper call rates to any phone number on top of free calls and messaging to other HyppMe users and TM home numbers nationwide as well as easy access to TM Customer Support.

Emily Wee, Vice President of Business & Media Operations, New Media TM (fourth from left) and Mohamad Nizam Bin Mohd Radzi, Head of Portfolio Management Business Integration, New Media TM (far right) with the top three HyppMe contest winners. With them are local artistes Intan Ladyana, Yana Samsudin and Altimet at the HyppMe launch in KL Sentral on June 2014.

HyppMe's key differentiator is its seamless offerings for voice and messaging service at very competitive flat rates across networks with enhanced functionalities.

My1Content

My1Content aims to be the regional hub for Malaysia's creative industry and an effective sales channel globally. To date, My1Content has more than 1,300 digital content items on board with 47,000 new registered members.

In 2014, My1Content established a co-branded channel with renowned brands such as KRU Media Sdn Bhd and Al-Hijrah Media Co-operation, to offer local content streaming. New Media also collaborated with the Malaysian Communications and Multimedia Commission (MCMC) to organise the Filem Festival Pelajar Malaysia (FFPM) and Liga Remaja Kreatif contests via My1Content.

Prospects

New Media will continue to play a pivotal role in enabling a fresh and innovative digital lifestyle, supporting TM Group's progression towards becoming an Innovation Exchange. It plans to fulfil its role by creating cutting-edge content and applications as well as other media-related services layered on top of broadband access. Towards this end, New Media is continuously expanding its portfolio of content and applications – for the Consumer and SME markets – to enable users to access its services on any device, according to their needs.

THE GOVERNMENT ASPIRES TO POSITION MALAYSIA AS A CHOICE LOCATION FOR START-UPS IN THE REGION.

Establishing TM as an Innovation Exchange is the natural final phase of the Group's evolution from presenting the country's first high speed broadband (HSBB) in becoming an Information Exchange. It completes the overall strategy of Internet penetration and platform proliferation but also heightened data consumption via apps and services.

With the advent of the Internet and smart devices, demand for data and content has increased significantly over the years and is expected to grow exponentially in the near future. Accordingly, TM needs to move with speed to position itself as the platform of choice for content creators and developers in catering to this demand.

Objectives

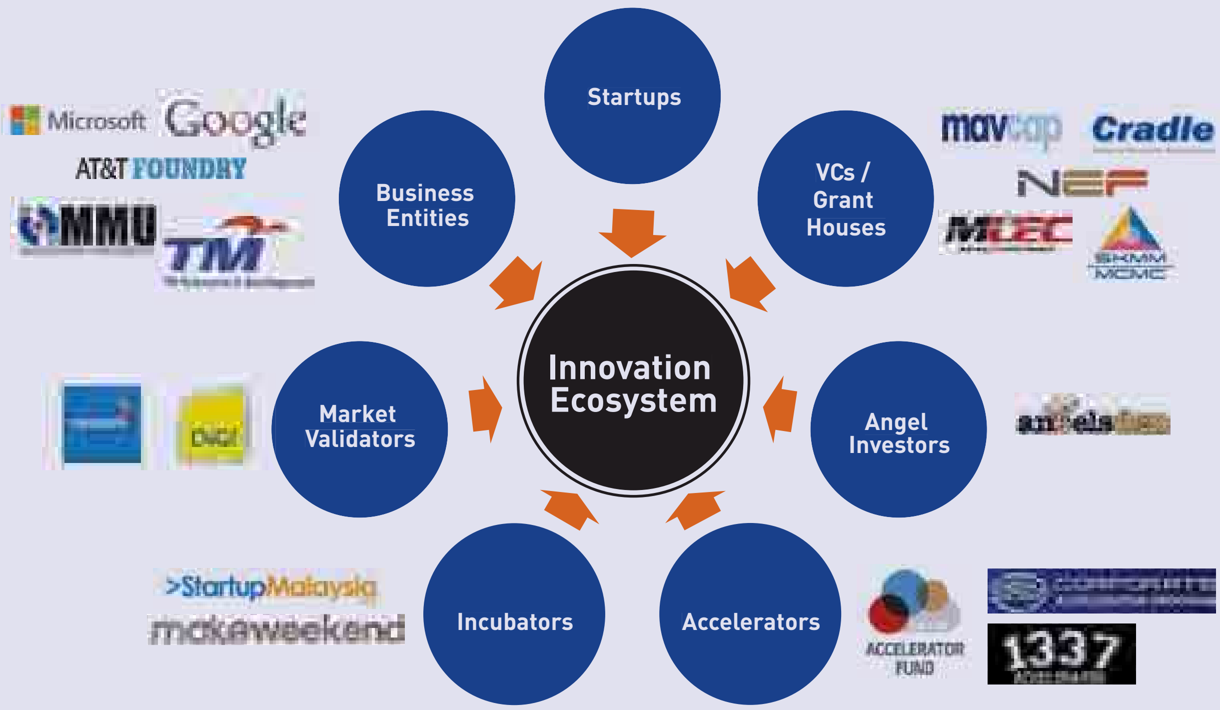
The Innovation Exchange follows two main trajectories:

1. To stimulate and inculcate innovation, creativity and entrepreneurship within TM
2. To capitalise on market opportunities

Research has shown that government-linked companies (GLCs) do not fare as well as multi-national companies (MNCs) and private limited companies (PLCs) in terms of nurturing an innovation culture, capacity and capability.

INNOVATION EXCHANGE

Total Addressable Market: RM6.0 billion*



Source: MDeC 2014

The concept is not new at TM, however, where innovation has served as the cornerstone in various transformation projects related to organisational, technological, products and services or process improvement initiatives. Examples of internal innovation include HSBB, the New-Generation Network (NGN) and IT&NT's Towards Operational Perfection (TOP).

While positive steps have been taken to inculcate an innovation culture, however, more can be done. According to the Multimedia Development Corporation (MDeC), the total addressable market for creative multimedia content will stand at RM16.0 billion by 2015. Most of this is expected to be driven by mobile apps and e-commerce on small and big screens. Recognising the potential of this as yet untapped market, TM is intent on positioning its platforms, products and services strategically to derive new revenue streams from the emerging green field.

Innovation Landscape

The concept of a corporate sponsored innovation platform is not entirely new. Regionally, service providers have long implemented programmes with similar objectives, however different their operations models may be. DTAC Thailand allocated USD3.0 million to invest and boost Thailand's startup scene, Telkom Indonesia recently announced a USD200.0 million startup investment fund via its own Indigo incubator, while Singtel's Innov8 also aims to position itself as another formidable player/investor in the startup market.

The question is: How should TM position itself in this ecosystem and internalise a culture of innovation?

Local Player

The Malaysian Government has been supporting the local innovation industry through various innovation and investments arms, providing financial and acceleration assistance via seed funds, start-up camps and market validation platforms. Entities such as MDeC, Cradle, MaGiC and a few others all have a common goal of nurturing potential start-ups in the hope of replicating success stories similar to those seen in Silicon Valley.

A number of corporate entities have also invested in entrepreneurship platforms. DiGi's Challenge for Change (CFC), Celcom's League of Extraordinary Developers (LED) and the Star Media Group's Accelerator Fund are just some examples of initiatives aimed at developing and reselling content through the organisations' channels.

Despite the abundance of cash circulating in the market and a solid support system, however, start-ups often find launching and commercialising their products challenging. These issues are generally attributed to lack of infrastructure support and go-to-market channels.

TM, being the No.1 Broadband Provider in Malaysia with a strong brand and infrastructure presence nationwide, may be able to provide a viable solution.

Collaboration Spaces

- TM Innovation Centre
- MMU
- TMCC

Innovation Leads

A team providing first level guidance to start-ups

Developer Tools

Open API management platform

Strategic Alliances

Partnerships with Government and business entities

Accelerator Programme

Through TM Innovation Exchange (TM IX), TM is in a unique position to leverage on our resources to set up an accelerator framework which not only drives innovation within the organisation, but will also benefit the innovation ecosystem at large. Although some might argue that another corporate-sponsored accelerator will cannibalise other market players, we believe it is in the best interest of all parties to complement the innovation value chain by providing market access to startups, independent software vendors (ISVs) and entrepreneurs seeking to launch and scale-up their products.

TM IX's main sector and categories of focus are solutions that cater to consumers up to government bodies and agencies. Solutions developed under the Accelerator Programme should be in line with our "Life Made Easier" and "Business Made Easier" taglines that have been carried through in all the latest TM products and services.

The Framework

The accelerator framework consists of four main support pillars, which are made available to participating start-ups in TM Innovation Exchange.

Collaboration Space

An open office space with complete facilities for start-ups to use during the accelerator programme.

Innovation Leads

A team within the organisation and/or strategic partners to provide first level guidance and mentorship to start-ups, from technical aspects to go-to-market strategies and more.

Developer Tools

Access to TM's technology assets such as the open Application Programming Interfare (API) platform for start-ups to use during the development phase in the accelerator programme.

Strategic Alliances

Strategic partnerships with government agencies and corporates from the innovation ecosystem.

Each component has been identified to interrelate with the others but may function autonomously, depending on the requirements of each project or initiative.

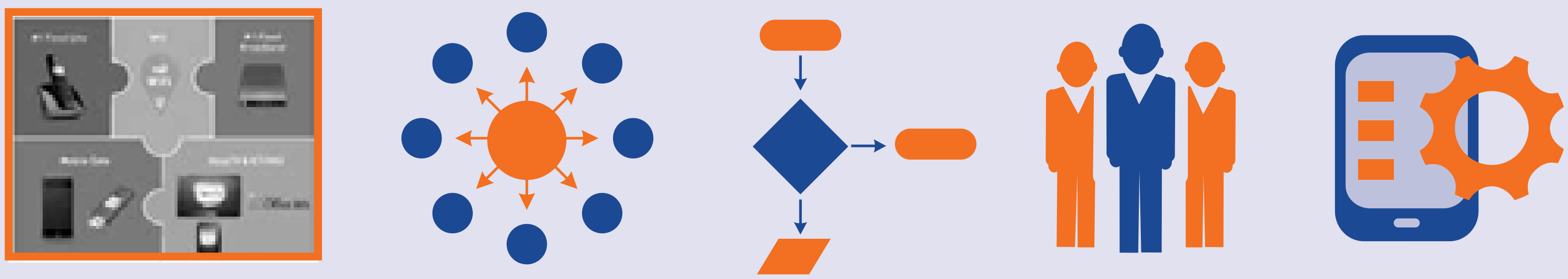
Established in April 2014, TM IX has made its name in the innovation ecosystem via participation in major events organised by other innovation players.

TM Innovation Exchange is the platform of choice for content creators and developers in catering for the significant increase in demand for data and content.

Moving Forward

From the time it was set up, TM Innovation Exchange has been working to become the No.1 Corporate Innovation Platform in Malaysia, providing only the best assets to aspiring entrepreneurs. In 2015, TM IX hopes to further mark its presence and become the top-of-mind brand within the innovation ecosystem with the following enhancements:

'No.1 Corporate Innovation Platform'



1st Converged Player in the market provides a holistic platform and content ecosystem

Best 'Go-To-Market' Channels provide market validation

Internalisation of lean IX process ensures speed to market and internal innovation

Strong internal and external mentor networks

ICT Workstream provides bespoke soft development to potential customers

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ideastoinvest SMART MONEY MEETS BRILLIANT IDEAS — 50 Startup pitches two startups received investment

SWELL — 150 Attendees, Industry Talks: AirAsia X, Axiata, IBM

Discover MY — 30 Apps developed in 48 hours, endorsed by Ministry of Tourism

Startup Grind Powered by Google for Entrepreneurs — Sharing Session by Cheryl Yeoh, CEO MaGiC

ImagineCup Malaysia — 20 Teams participated, winner gets to compete in Redmond, USA

Alpha Startups Demo Day — 20 Startup pitches, two selected for accelerator programs

angelhack Kuala Lumpur — 250 Participants, prize winner from MMU, will be flown to Silicon Valley

Malaysian Developers Conference 2014 — 1st Malaysian chapter of Bina 500 Attendees

Facts at a Glance

3.3% growth
in revenue

12.6% growth
in ICT/BPO revenue

RM1.096 billion
Digital Terrestrial Television Broadcasting contract secured for 15 years

ENTERPRISE

CHANGING THE VERTICAL MARKETS LANDSCAPE WITH INFORMED INSIGHTS, ADDED SKILLS AND FIRST-RATE EXPERTISE

Overview

The ICT market continued to be fragmented with existing and new global players, IT providers and system integrators. Yet, differentiating itself by living up to TM's tagline of "Business Made Easier", 2014 proved to be another inspirational and energising year for TM Enterprise. Using the Innovation Exchange as a Game Changer to integrate its telecommunications and ICT/BPO services, it continued to focus on vertical markets, providing its sales force with added insights, skills and expertise to engage more meaningfully with customers and provide consultative selling. This, combined with systematic account planning, improved its sales conversion rate and funnel building capabilities with positive results.

Financial Performance

Despite price pressures in a very competitive market, TM Enterprise had a successful financial year, partly as a result of the effective Sales Transformation programme launched in 2012. It recorded RM1,211.8 million in revenue, which represented 3.3% growth from the previous year. Connectivity remained the major revenue contributor, making up 91.0% of the total revenue with ICT/BPO posting a year-on-year growth of 12.6% [2013: 31.6%], in line with TM's aspiration to become a converged service provider.

Key Initiatives

Acknowledging specific industry requirements amid market dynamics, TM Enterprise has identified three sectors for which it has been formulating end-to-end converged solutions, namely oil and gas, retail and financial institutions. Its highly targeted service offerings enable the company to provide added value to customers in line with their business needs.

This vertical transformation plan requires TM Enterprise to build its vertical expertise internally and externally. Internally, its sales teams are continuously provided with structured ICT training and certification geared towards specific industries. In addition, resources have been aligned to support market needs and improve sales performance through improved focus and clarity of job functions.

Externally, TM Enterprise leverages on its close relationship with principal technology partners and actively participated in domestic and global industry events. Among the more notable industry events it took part in were the Malaysian Oil and Gas Services Exhibition and Conference (MOGSEC), BankTech Asia Conference (BankTech) and Sabah Oil and Gas Exhibition and Conference (SOGEC). TM Enterprise is now a proud member of the Malaysian Oil and Gas Services Council (MOGSC), a forum representing the interests of oil and gas service providers.

Additionally, TM Enterprise capitalised on regional opportunities, proactively responding to the requirements of local enterprises that are expanding beyond Malaysian shores. Singapore and Indonesia will continue to be its regional expansion focus, concurrent with initiatives to attract regional investment into Nusajaya, Malaysia. TM Enterprise also launched its Inbound Services to support new companies and investments towards their connectivity and ICT needs.

Products and Services

Voice

TM Enterprise initiated new voice initiatives in 2014 such as Smart Call and Flexi Destina to meet customer needs for quality services that are cost effective.

Data and Internet/Business Broadband

Connectivity services such as Internet and business broadband continued to be commoditised. This was further compounded by the overwhelming number of players with different strategies and strengths in the market. Despite these continuing market threats, TM Enterprise was able to leverage on value added service as a differentiation factor. Focused on arresting price competition in data and broadband services with value added services and improved network service quality; we have successfully curtailed pressure on price and registered growth for data and Internet revenue.

ICT/BPO

TM Enterprise reinforced its consultative selling as part of its strategy to offer seamless and integrated solutions. In 2014, it registered RM114.4 million in revenue, representing a significant 12.6% growth compared to the previous year [2013: RM101.6 million or 31.6% growth.

Prospects

To address anticipated future challenges, TM Enterprise has strengthened its pre-sales and post-sales capabilities and efficiency as well as funnel management with the adoption of Salesforce.com. The new system will empower it to fully optimise and mobilise its sales resources, focus more intently on its customer relationships, account planning and funnel development, and adopt an improved consultative approach to selling.

A systematic restructuring of its pre-sales, sales and post-sales mechanisms in Q4 2014 is expected to increase efficiencies throughout its value chain, hence increase customer satisfaction at every touchpoint. TM Enterprise's sales and pre-sales teams are especially structured to align strategically with vertical industries, allowing for the necessary focus and acceleration towards closer customer engagement and collaboration.

TM Enterprise has also rejuvenated its approach to partnerships, focusing on go-to-market and technology collaborations. It expects to create synergies with its partners to further boost revenue via stronger product and service differentiation coupled with increased sales coverage.

TM Enterprise's market landscape is expected to continue to be dynamic yet fragmented. Within this environment, it will drive sustainable growth for the Group as it focuses on connectivity, managed services and ICT. Data Center, Cloud, Security and Enterprise Mobility are expected to be key ICT drivers.

TM Enterprise will further build its industry specific capabilities and expand through converged solutions to meet the increasingly complex needs of enterprises domestically and regionally.

GOVERNMENT

Facts at a Glance

>12,000
Government agency sites connected

3 key shared services
1Gov*Net, 1GovUC, 1MOCC

3 key ICT products
Integrated 21st Century Learning Solution, Map Digitisation, Smart Maps

Overview

TM Government provides products and services targeted at meeting the Government of Malaysia's (GoM's) needs. Since 2009, the division has been offering connectivity in the form of data, Internet and voice to the GoM. Today, in line with the Group's mission to be a game changer with a focus on the Innovation Exchange, these core services are being integrated with ICT and business process outsourcing products.

Having laid a foundation to connect more than 12,000 Government agencies via Intranet and Internet – under the 1Gov*Net network – the division has proceeded to develop and expand the GoM Unified Communications Service (1GovUC). It has also provided for the GoM's call centre (1MOCC) and emergency response service MERS999, which continue to be extended nationwide.

During the year under review, TM Government began to build on the strong ICT foundations it has laid for the GoM to be able to offer a series of vertical services in the areas of education and mapping. The ultimate aim is to leverage on the Group's capabilities as an Innovation Exchange to enable the GoM to become "SMART". This entails building its **S**ocial, **M**obility and **A**nalytics functions while creating **R**adical openness and **T**rust. It involves the application of various cutting-edge innovations from Open Data and Big Data to cloud and the Internet of Things.

A SMART GoM would be beneficial not only to the Government – by increasing its operational and cost efficiencies – but would also benefit the people of Malaysia who will enjoy faster, more convenient service and instant access to a growing database of useful information.

Financial Performance

Sustained performance driven by effective execution of its business strategy led to strong financial results for TM Government in 2014. Growth in revenue from the previous year is contributed by other telecommunications services. Data and Internet revenue grew by 3.0% and 11.9% respectively, while Voice revenue dropped slightly along with the introduction of alternative communication technologies.

Products and Services

During the year, three new products were introduced while existing Voice, Data, Internet and ICT/BPO services continued to be enhanced and expanded. The three new products were: Integrated 21st Century Learning Solution, Map Digitisation and Smart Maps. Both map projects are being undertaken by TM Government and TM Geomatics, which leverages on geospatial technology to explore the commercial potential of digital maps within the country.

Integrated 21st Century Learning Solution

TM Government embarked on a project to deliver an integrated ICT solution comprising Learning Management System, Content Management System, e-Teaching and Microsoft 365. The system runs on high speed fibre connectivity integrated with 1Gov*Net, allowing for more bandwidth than previous ICT-based educational systems.

While the content for the programme is developed by individual teachers, it allows all teachers connected to the system to access each other's content, enabling access to classroom sessions and other support learning materials to students.

Map Digitisation

TM was involved in the creation of a 3D map of Malaysia, which would provide layers of information not available from conventional two-dimensional maps, such as the built-up and population densities of particular areas. With such information, Government agencies could plan land development activities more effectively.

TM Government is to produce the nation's first 3D maps – of Putrajaya and Kuala Lumpur – incorporating five buildings in each as a pilot project. Once the pilot maps are completed by December 2015, TM Government will proceed to develop more comprehensive maps for the whole of Malaysia. For this project, TM Government uses internal expertise from TM Geomatics and also collaborates with specialist partners in geospatial technology.

Smart Maps

In an effort to improve GoM revenue, Government Agencies use TM Smart Maps to provide information and the location of commercial enterprises.

The system can be accessed via desktop and tablet browser, thus is user-friendly even if the users do not have any Geographic Information System (GIS) background. The project scope includes application development, system security, data integration and geocoding.

Prospects

TM Government is confident of expanding its business as it continues to support the GoM achieve its mission to present a single window to the *rakyat* (citizenry) to access multiple Government applications. As the GoM prepares for the 11th Malaysia Plan, outlining the nation's development roadmap from 2016 to 2020, TM Government expects an acceleration in terms of investment in integrated ICT programmes to meet various goals that form part of the country's Vision 2020.

While reinforcing the networks and systems it has already put in place for GoM, TM Government will expand the range of vertical services it will be able to offer, enabling greater efficiencies across the board in government services from healthcare to public safety and finance. These will be packaged along with relevant platforms, from Big Data and Big Content to Mobility.

Members of Parliament visit to MERS999 response centre.

VADS

Overview

VADS Berhad (VADS), established in 1991, is Malaysia's leading Integrated Managed Information and Communications Technology (ICT)/Business Process Outsourcing (BPO) service provider. The wholly-owned subsidiary of TM brings together people, processes and technologies to enable more effective and dynamic use of information technology and communication. Its team comes from diverse backgrounds and cultures, collaboratively presenting the right mix of skills and experience to drive VADS' operations from research to architecture development, solutions and project management. The team is committed to empowering businesses by offering its expertise to deliver value-based innovative solutions and services, enabling customers to focus on their core business.

Financial Performance

VADS Group posted RM921.9 million in revenue, with BPO contributing RM327.8 million, ICT bringing in RM364.9 million, PT VADS contributing RM64.1 million and RM165.0 million coming from Managed GSP and others.

VADS Group launched two new core products – VADS Virtual Private Cloud (VPC) and VADS Contact Centre Lite (CC Lite). With VADS VPC, the Group aims to cement its position as the country's leading cloud provider. VADS CC Lite, meanwhile, opens up new revenue streams for the company.

Service Offerings

The evolution of technology continues to change the Malaysian business landscape. In order to meet business needs as they emerge, VADS works closely with its technology partners to anticipate and develop solutions that create real value for customers. With an enhanced portfolio of Managed Connectivity, ICT and BPO services, it intends to stay true to the Group's philosophy of "Business Made Easier".

Integrated ICT Services

VADS is Malaysia's leading Integrated Managed ICT Provider, offering integrated ICT solutions that are stable yet flexible and scalable to enable corporate entities to be more agile and react more quickly to changing business conditions. In driving operational excellence, VADS spearheaded an initiative to obtain ISO 20000 certification for one of its ICT Help Desks supporting a very large organisation in the country. It also continued to maintain the ISMS 27001 for its Data Centre (DC), Cloud Computing and Security Operation Centre (SOC). It is a leader in the Cisco Channel Partner Programme that consists of Cisco Gold Partnership and Managed Services certification.

Working closely with technology partners in anticipating and developing real value solutions for customers.

In ensuring further growth of its Integrated Managed ICT business, VADS continues to invest in its people and facilities to ensure it has sufficient technical expertise and certifications that span across key ICT domains including Network, Security, Collaboration, IT Technical Services, Server and Storage, DC, Cloud Computing and Project Management. It will be expanding these towers of competencies to cover Software, Database and End User Computing with Mobility.

VADS has over 200 certified professionals and is a certified partner of over 15 global ICT players and leaders such as Cisco, VMware, IBM, HP, Juniper, Oracle, Avaya, Microsoft, Hitachi, Riverbed, Fortinet, Blue Coat and Radware.

VADS continued to invest in the development of its cloud platform to support an emerging service delivery model. In June 2014, it launched the country's first Virtual Private Cloud (VPC). Hosted in Malaysia, the enterprise grade private cloud solution fulfills the need of large enterprises for flexible cloud computing solutions without making any high upfront investments or having skilled resources. VADS VPC is a robust cloud infrastructure and able to create a superior service experience for clients. This offering complements VADS' existing cloud offering and

VADS IS COMMITTED TO EMPOWERING BUSINESSES BY DELIVERING VALUE-BASED INNOVATIVE SOLUTIONS

Facts at a Glance

> 5,000 BPO SEATS

at 13 delivery sites in two countries

> 500 SMEs

Enterprises and Government customers across various verticals

> 200 certified

ICT/BPO professionals and growing

TM SUPPORTS VADS' ASPIRATION TO BECOME MALAYSIA'S LEADING INTEGRATED MANAGED ICT AND BPO SERVICE PROVIDER.

A visit by POS Laju management to VADS

as an Integrated Managed Services provider, the VPC will enable VADS to provide value added services which in turn will enhance the customer experience. VPC enables local enterprises to enjoy the full benefits of enterprise cloud platforms ranging from Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS) and Software-as-a-Service (SaaS) in a highly secured environment. It serves as a key differentiator that creates higher value to customers at lower operations cost. Within six months, VADS VPC had secured more than five major clients with more to come making it a significant and relevant VPC player in the country. VADS' highly secured premium IaaS and SaaS offerings each observed over 30% growth in 2014. Both VADS DCs and Cloud Services are ISO 27001 certified while its network is powered by TM's extensive high speed IP network with domestic and global coverage.

In 2014, VADS became one of Microsoft's Licensing Solution Partners, enabling it to provide volume licensing solutions to businesses in Malaysia. The strategic partnership complements its current array of ICT products and solutions, creating the opportunity to serve as a one-stop-centre for Email Exchange, Unified Communications Services and Managed Desktop Services with Microsoft Client Licensing and Applications.

VADS' relationship with Microsoft (MS) began in 2011 when it became a Microsoft Syndication Partner for O365, the only entity in Malaysia to serve the local market as well as certain selected regions in Asia. In 2014, an aggressive joint Go-To-Market with TM SME and Microsoft saw it triple the number of MS O365 seats compared to 2013. The effort led to TM being named MS Global Syndication Partner of The Year 2014.

VADS itself received a number of awards and recognition from its partners and the industry. In February, it was awarded the Managed Services Partner of the Year by Cisco and received the Enterprise Solution Provider Partner of the Year from VMware for both the Global and Asia Pacific regions. At the Computerworld Malaysia Readers Choice Awards 2014, it was awarded Best Managed Connectivity Provider and the Best Hybrid and Private Cloud Provider. In addition, VADS was named Malaysia's Managed Service Provider of the Year and the BPO Service Provider of the Year at the Frost & Sullivan Malaysia Excellence Award 2014.

Integrated BPO Services

VADS Business Process Sdn Bhd's (VADS BPO) main focus is to grow its contact centre operations via five key pillars, namely Customer Experience Management, Revenue Generation, Knowledge Process Outsourcing, Business Analytics and Insights and Human Capital Management. This has enabled the company to strengthen its foothold in the domestic market while expanding its presence regionally.

Although the outsourcing industry has been closely linked to larger enterprises, the SME market – comprising more than 700,000 small and medium-sized enterprises – has been forecasted to be the driving force of the country's outsourcing business growth. To cater to SMEs, which represent 99.2% of total active business establishments in Malaysia, VADS in 2014 launched the Contact Centre Lite (CC Lite) – a new and revolutionary way to extend professional contact centre services offering a multitude of products and service features on a highly scalable environment, enabling SMEs to better manage their cost.

VADS BPO HAS BEGUN INVESTING IN TOOLS AND PLATFORMS WHICH WILL ENABLE CLIENTS TO ENGAGE WITH THEIR CUSTOMERS VIA SOCIAL MEDIA. IT IS ALSO OFFERING BUSINESS ANALYTICS TO HELP CLIENTS IMPROVE THEIR CUSTOMER LOYALTY

At the same time, acknowledging that customer requirements have evolved, VADS BPO is complementing its voice-based services with more value-added services. It has begun investing in tools and platforms which will enable clients to engage with their customers via social media. It is also offering Business Analytics to help clients improve their customer loyalty and drive higher revenue by giving them greater insight into their customers' needs and behaviours.

To grow its non-voice based segment, it is offering more effective and efficient back-office processing services in areas such as document management and digitisation to enhance its Knowledge Process Outsourcing (KPO).

Meanwhile, people development remains a key priority and continuous training is provided to equip its Customer Service Professionals (CSP) with the right blend of technical and soft skills to serve clients better. VADS signed a Memorandum of Understanding (MoU) with INTI International College Kuala Lumpur to offer special rebates on tuition fees on selected programmes for its staff, enabling them to gain a formal education in order to advance their careers. At the same time, VADS provides valuable feedback to INTI on how it can further enhance its curriculum to better suit the industry.

Among its key achievements during the year was assisting one of its clients to gain ISO 9001:2008 certification from SIRIM, making it the third contact centre managed by VADS to be ISO certified.

VADS BPO itself garnered 11 awards in 2014, the most notable being two Gold medals – for Mega Contact Centre and Best Sales Manager – and one Bronze medal for the Best Use of Social Media in Contact Centre at the Contact Centre World Awards 2014, in Las Vegas, USA.

The best outing for the team was the 15th National Customer Experience Industry Awards where VADS BPO picked up one Gold and six Bronze medals. In addition, it won a Gold medal in the Mega Contact Centre category and a Silver for Best Customer Loyalty Programme at the 2014 Contact Centre World Asia Pacific Awards; and a Silver medal for Best Outsourced Contact Centre at the 14th Annual Contact Centre Association of Singapore Awards.

VADS BPO's subsidiary, PT VADS, which began operations in 2008, registered steady growth in Indonesia, cementing its place as one of the fastest growing BPO service providers in the country. PT VADS recorded a commendable revenue growth in 2014 by acquiring 1.5 times of its targeted revenue. This achievement was made possible via the acquisition of several clients from various industry sectors – telecommunications, mobile operator, logistics, and others.

PT VADS' core services lie in Contact Centre Solutions, Customer Service Learning Centre, Human Capital Management and Data Centre Co-location. It has two operations centres, namely Puri VADS, Jakarta and Puri VADS, Yogyakarta. PT VADS is constantly looking at ways to grow via sustained performance and excellent service delivery. Together, VADS and PT VADS are expanding their reach across the region by providing services across the borders where they can lend their expertise to new emerging markets.

Prospects

With innovative products and new market segments, VADS will continue to develop and manage the Group's Connectivity, ICT and BPO services, positioning itself as a trusted partner of choice by empowering businesses to grow with its products and solutions. Customers will see greater integration with Connectivity and ICT components delivered from cloud offerings focused on eight vertical sectors: oil and gas, healthcare, education, retail, financial services, real estate, the public sector and public safety. As part of its expansion plans, VADS also aims to leverage on shrinking global boundaries to grow its regional presence.

BOX ARTICLE:

"BUSINESS MADE EASIER" WITH MANAGED ACCOUNTS PRODUCT MANAGEMENT

MANAGED ACCOUNTS (MA) WAS FORMED IN 2014 TO PROVIDE A BETTER PLATFORM FOR OUR CUSTOMERS, INTEGRATING OUR CORE PRODUCTS AND ENABLING GROWTH BY DEVELOPING TECHNOLOGY-CENTRIC SOLUTIONS TO MEET VERTICAL MARKET NEEDS. KEY INITIATIVES HAVE BEEN CRAFTED TO FURTHER SERVE OUR CUSTOMERS BETTER.

Strategy and Key Initiatives

The landscape for business-to-business (B2B) solutions is continuously changing with cloud being the biggest game changer. In this fragmented yet dynamic marketplace, technology has lowered the barrier to compete and consolidate. Within this environment, traditional silo products do not create much value to customers. Instead, MA aims to provide an enhanced product portfolio with cloud as a new service delivery model. Its Virtual Private Cloud (VPC) differentiates MA by creating higher value to customers at lower cost, exemplifying TM's philosophy of "Business Made Easier".

Connectivity

MA is committed to continuously enhancing its business and operational efficiencies to reduce costs while improving the customer experience. New products and services will be simpler, more cost-effective and enjoy faster deployment, enabling customers to enjoy greater value with faster connectivity.

Integrated Managed Services

MA is enhancing its product portfolio via greater integration of connectivity and ICT components delivered on its cloud on a subscription basis, simplifying delivery for services anywhere, anytime and on any device. It will be launching four key product portfolios to bring greater value to customers, namely: Enterprise Software-as-a Service (SaaS), Unified Communication and Collaboration (UCC), End User Computing with Enterprise Mobility Management, and Managed Security Services. Based on a pay-per-use model, customers will benefit from the flexibility of the fee structure.

Our Play in Vertical Solutions

MA differentiates itself by addressing the needs of specific industries. It strives to understand the individual needs of each vertical market and simplify their business processes and operations for the best business-to-business-to-consumer (B2B2C) outcomes. To date, it has highlighted eight vertical markets to focus on: oil and gas, healthcare, education, retail, financial services, real estate, the public sector and public safety. It is committed to developing unique solutions for each sector as it demonstrates its capability to deliver end-to-end services.

Business Process Outsourcing (BPO) Growth

BPO has steadily charted strong growth in the local market. As global boundaries get smaller and companies look at cross-border delivery to take advantage of affordable labour costs and tax incentives, BPO will focus on strengthening its regional value proposition with location-based models for clients that have a presence in and out of Malaysia. Accordingly, BPO will be establishing a Regional Delivery Centre of Excellence for Inbound, Outbound and Social Media to deliver further value to customers.

New Service Creation in Mobility

With the inclusion of P1 in the TM stable, MA will be looking at mobility as a new offering to complement its fixed and nomadic services. The Long-Term Evolution (LTE) spectrum will be positioned as a primary backup for IPVPN and Internet offerings, creating an additional service offering for mobiles as well as customers in remote places, and generating a new revenue stream from machine-to-machine (M2M) devices and applications connections.

Data Centre – Building a New Platform for Growth

MA's next step in delivering service excellence is to invest in next-generation data centres that are carrier-neutral and operate certified green processes in certified green buildings. Such premium data centres will serve as the base infrastructure and key component for MA's cloud service delivery model to ensure the highest availability, reliability and the most secured facilities. MA's aim is to be the content and communications hub for the region with state-of-the-art data centres.

Smart Services

A new subsidiary, Intelsec, was formed in 2014 to offer mainly cloud services and software that provide cost effective support to both the private and public sectors. Most of its solutions will provide the technological backbone for smart cities, from security and public safety to energy and facilities management.

Summary

As traditional borders delineating the business landscape shrink, creating greater complexity, MA is ensuring it brings to market more dynamic and flexible service offerings to create greater stability and growth potential to its customers. Placing the utmost importance on the customer experience, it aims to keep enhancing its portfolio of integrated products, and complementing these with more efficient service delivery, faster deployment with a flexible payment model. Converging various technologies onto an integrated product portfolio, MA is living up to TM's "Business Made Easier" value proposition.

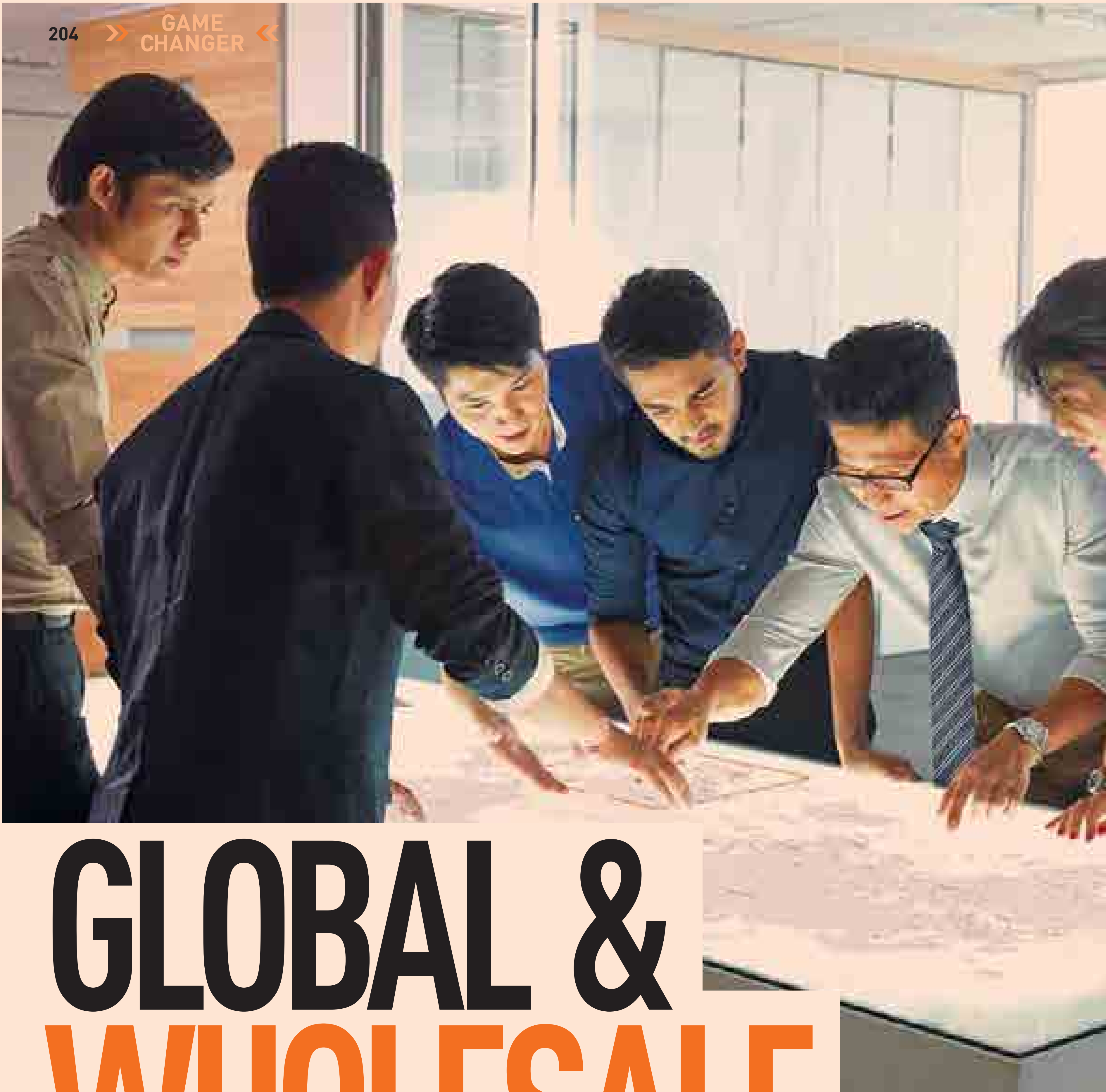
Launched the
1st virtual private cloud
in Malaysia, enabling cloud service delivery

Launched
6 new cloud-based
integrated managed services

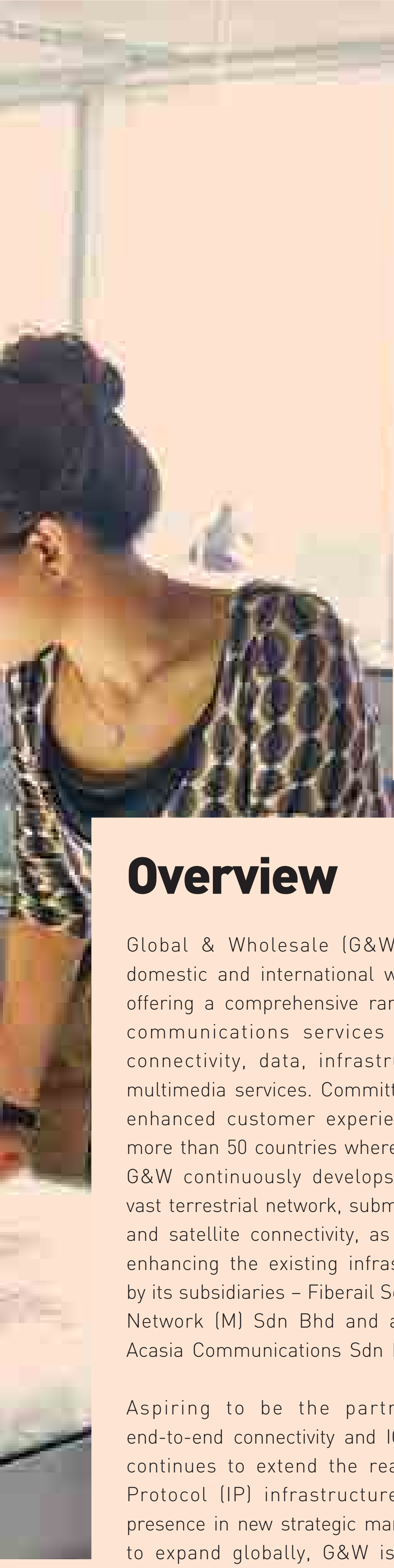
Rationalised
3 cost saving initiatives

Launched
14 enhancements
to simplify offerings

RM1.096 billion
Digital Terrestrial Television Broadcasting contract secured for 15 years



GLOBAL & WHOLESALE



Facts at a Glance

Presence in more than

50 countries globally

>120Gbps

next-generation backhaul circuits provisioned nationwide

Submarine cable systems spanning more than

100,000

fibre-route miles

around the world

Overview

Global & Wholesale (G&W) focuses on the domestic and international wholesale business, offering a comprehensive range of cutting-edge communications services and solutions in connectivity, data, infrastructure, voice and multimedia services. Committed to delivering an enhanced customer experience to carriers in more than 50 countries where it has a presence, G&W continuously develops and improves its vast terrestrial network, submarine cable system and satellite connectivity, as well as constantly enhancing the existing infrastructure managed by its subsidiaries – Fiberail Sdn Bhd, Fibercomm Network (M) Sdn Bhd and associate company Acasia Communications Sdn Bhd.

Aspiring to be the partner of choice in end-to-end connectivity and ICT requirements, it continues to extend the reach of its Internet Protocol (IP) infrastructure and establish a presence in new strategic markets. While looking to expand globally, G&W is also focusing on adjacent markets and especially ASEAN where it believes it can support the vision of a dynamic economic block. Through its Singaporean associate BlueTel Networks Pte Ltd (BTN), it is further diversifying its suite of cost-effective solutions to connect Malaysia and ASEAN to the world.

Within Malaysia, G&W is responsible for existing ICT infrastructure that supports the Government's vision of developing a value-based knowledge economy. It is also supporting the nation in advancing the infrastructure for future telecommunications to make our customers' businesses and lives easier.

Aligning itself to TM Group's Information and Innovation Exchange vision, G&W is primed to provide the network and services to enable aggregation, distribution and the exchange of information through enhanced connectivity solutions as well as fostering innovation via comprehensive media, content and application ecosystems.

Financial Performance

The year-end financial performance result as of December 2014 for Global & Wholesale reported consolidated total revenue of RM2,106.3 million or 4.6% growth from RM2,013.2 million reported last year. This is mainly contributed by Data services from High Speed Broadband Access (HSBA), international capacity and domestic long term leased services, coupled with Infra services such as site rental and national submarine cable despite the drop in both domestic and international minutes of usage for voice services.

The operating cost of RM1,698.9 million is slightly lower by 0.6% as at December 2014 as compared to December 2013 of RM1,708.9 million mainly due to lower domestic and international outpayment cost coupled with lower leased circuit charges incurred by Fibrecomm due to rate adjustment.

The above said higher revenue and lower operating cost have resulted in higher Global & Wholesale EBIT performance as at December 2014 of RM409.4 million, an improvement of 33.9% as compared to December 2013 of RM305.7 million.

Business Operations

From its headquarters in Menara TM, Kuala Lumpur, G&W oversees a network of regional and offshoot offices around the globe. It has five regional offices in Singapore, Hong Kong, the United Kingdom (UK), United States (US) and Australia; and offshoot offices in Prague, Dubai and Taiwan that support the emerging Eastern Europe, Middle East and China markets.

TM inks partnership with Etisalat for Smarthub Facility.

TM together with 14 global telecommunications companies formed in alliance for the establishment of SEA-ME-WE-5 submarine cable system connecting three continents – Asia, Africa and Europe.

Products and services

G&W offers a full range of ICT connectivity products from Voice to Data, Bandwidth and Infrastructure services and solutions.

Voice Services

Having migrated onto a Next Generation Network (NGN), G&W is able to offer interconnection through Voice over Internet Protocol (VoIP) and Time-Division Multiplexing (TDM) within a single platform. In addition to the home network, carriers around the world have the flexibility to enjoy near-end reachability to the rest of the world via G&W's Points-of-Presence (PoPs) in Singapore, Hong Kong, the UK and US, enabling them to operate phone-to-phone voice and fax services, as well as create value-added applications.

Interconnect Minutes

Interconnect Minutes, be it fixed or mobile, is provided through connectivity between Other Licensed Network Operators' (OLNOS') and G&W's Points of Interconnect (POIs). The arrangement enables end users from our network to communicate with OLNOs' end users, and vice-versa. On top of normal voice calls, G&W also offers emergency, operator assisted and free phone services at competitive rates.

Bilateral Voice

G&W provides direct voice connectivity to over 67 countries with more than 110 operators including all Malaysian operators. Riding on bilateral arrangements, it is also able to support International Toll Free Service (ITFS), Home Country Direct (HCD), Universal International Freephone Number (UIFN) and Operator Assisted Calls (OAC).

Hubbing Voice

G&W acts as a transit hub for voice termination to over 1,000 fixed and mobile destinations, both domestic and international. It offers Standard and Premium hubbing service options, with different routing and pricing to ensure the best combination of quality and price ratio.

International Value-Added Service (VAS)

VAS is a supplementary service offering subscribers access to hundreds of mobile networks around the world via one connection and one contract. G&W is able to handle all the technical and commercial aspects of the operation, thus minimising the resources required at the customer's end.

Data Services

Global Internet Protocol Virtual Private Network (IPVPN) Services

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.

This service is made available throughout 18 of TM's global Points-of-Presence (POP), namely Malaysia, Sri Lanka, Indonesia, Singapore, Hong Kong, Taiwan, Japan, South Korea, Los Angeles, New York, Ashburn, Palo Alto, San Jose, Miami, London, Amsterdam, Frankfurt and the latest POP in Fujairah.

Media Delivery Services (MDS)

MDS is a revolutionary cloud-based streaming media technology that enables the delivery of high-definition live and on-demand streaming over the Internet without buffering. This technology currently provides smooth live Internet streaming to millions of concurrent users in more than 200 countries with unparalleled scale and profitable business models.

Internet Protocol (IP) Services

G&W offers extensive connectivity with other Tier 1 providers and regional carriers to ensure optimum service performance. Its Global IP Services are delivered over an extensive international network infrastructure with 18 PoPs located worldwide. TM's IP Network Capacity (AS4788) already stands at more than 1Tbps.

Bandwidth Services

Next-Gen Backhaul™ (NGBH) Services

NGBH™ is a comprehensive mobile backhaul solution over Ethernet developed to fulfil backhaul requirements from existing 2G/3G/LTE operators as well as new Mobile Network Operators (MNOs) wanting to connect their cell sites to their regional main sites. It provides higher bandwidth capacity of 150Mbps for Access Sites and Minimum of 500Mbps for Aggregation Sites with better Quality of Service (QoS) which is flexible and scalable to meet the dynamic requirement of MNOs.

Since launching NGBH in 2013, UMobile, Celcom and DiGi have subscribed to the service for LTE backhaul to connect their respective access and aggregation sites to regional main sites.

To date, more than 120Gbps next-generation backhaul circuits have been provisioned nationwide, with 382 more circuits expected to be deployed in phases until 2017.

Wholesale Metro Ethernet

Wholesale Metro Ethernet provides secure point-to-point or multiple point-to-point Ethernet bandwidth connectivity over G&W's private MPLS-IP network. It allows service providers to set up secure, private and scalable bandwidth connectivity to business partners or other service providers.

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 customer premises. The service uses a reliable and secured Synchronous Digital Hierarchy (SDH)/ Dense Wavelength Division Multiplexing (DWDM) platform at scalable high speeds up to 10Gbps.

International Private Leased Circuit (IPLC)

International Private Leased Circuit (IPLC) is a dedicated point-to-point connectivity via worldwide submarine cables, terrestrial links or satellite systems between any two sites in the world.

Bandwidth Transit

Bandwidth Transit is a dedicated country-to-country connectivity originating and terminating in a foreign country but transiting via Malaysia.

Bandwidth Backhaul

Bandwidth Backhaul is 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

Bandwidth Interconnection links two submarine cable systems owned by a customer or TM itself at TM's cable landing station.

Global VSAT

Global VSAT is a one-stop satellite solution that offers secured global connectivity for high-speed Internet access, voice and data. Global VSAT technology provides a high mobility and cost-effective solution for users seeking an independent network connecting a number of remote areas.

High Speed Broadband (HSBB) Service

HSBB enables service providers to accommodate the growing demand of mobile and broadband customers for integrated IP-based solutions and bandwidth-hungry applications. Currently, TM's HSBB network covers over 1.50 million premises including the Consumer and SME segments. In 2014, the HSBB service grew by 45.0%. Service providers currently subscribing to HSBB are Maxis Berhad, Celcom Axiata Berhad, Packet One Networks (Malaysia) Sdn Bhd, REDtone Marketing Sdn Bhd and Formis Development Sdn Bhd (Formis).

Infrastructure Services

Global Hosting Services

Equipped with state-of-the-art facilities, the centre operates at the highest level of service reliability and infrastructure security, meeting the most demanding business operations needs with Tier III+ capabilities.

Wholesale Infrastructure Services

The evolution of mobile networks to 3G, and now LTE, requires significant upgrade and re-dimensioning of mobile operators' networks. Wholesale Infra provides space rental to these service providers to station their equipment at TM's network buildings.

Solutions Services

My1Hub

My1Hub offers a neutral platform for service providers and data centre players to enhance their offerings by leveraging on G&W's domestic and international extensive infrastructure. It provides holistic Internet, bandwidth and hosting services via nodes that are pre-wired domestically to cable landing stations at very high capacity bandwidth, ensuring shorter service delivery. Customers residing at any My1Hub node will be able to link to all submarine cable systems to which G&W is connected via its landing stations in Cherating, Terengganu; Mersing, Johor; Kuala Muda, Kedah; and Pengkalan Balak in Melaka.

Global Reach and Presence

G&W has 18 POPs throughout the globe, while owning or leasing capacity in 13 submarine cable systems spanning more than 100,000 fibre-route miles around the world. In March 2014, catering to growing demand for HSBB, TM formed an alliance with 15 leading global telcos to set up a new state-of-the-art submarine cable system, the South East Asia – Middle East – Western Europe 5 (SEA-ME-WE 5), which is expected to start carrying commercial traffic by 2016.

TM also collaborated with the Vodafone (UK) Group Limited to spearhead the Bay of Bengal (BBG) cable system, which will link Malaysia and Singapore to the Middle East with connections to India and Sri Lanka. The cable system is designed to provide upgradable and high capacity transmission facilities by adopting "on day one" state-of-the-art 100Gbps long-distance submarine cable technology. BBG is expected to carry commercial traffic by the third quarter of 2015.

Prospects

G&W aims to increase its portfolio of cutting-edge communications products and solutions to reinforce its position as a single point of contact for domestic and global service providers while further extending its global reach via global partnerships and collaborations. There are plans to establish new POPs and regional offices, particularly focusing on ASEAN countries which will promote TM as the partner of choice domestically and on the international front. G&W is positioning itself to address growing demand for Beyond Connectivity solutions focusing on the network platform for hosting, caching and delivering data, content and applications as well as Project Management and Consultancy.

P1

COMMITTED TO CONNECTING CUSTOMERS BEYOND BROADBAND, OFFERING ONE-STOP COST-EFFECTIVE DATA, VOICE, VIDEO AND OTHER VALUE-ADDED SERVICES TO CONSUMERS AT BETTER VALUE.

Overview

Packet One Networks (Malaysia) Sdn Bhd (P1), launched on 18 August 2008 as a greenfield operator founded by Green Packet Berhad, is Malaysia's first and leading 4G telecommunications company. It also represents the first large-scale commercial 4G WiMAX deployment in Southeast Asia, and first large-scale deployment of an 802.16e 2.3GHz WiMAX network outside Korea. It is laying the foundation for the nation's 4G Long-Term Evolution (LTE) transition through strong strategic partnerships with the world's largest LTE proponents namely Qualcomm International, China Mobile Limited and the elite Global TD-LTE Initiative (GTI).

Facts at a Glance

1st 4G WiMAX
telco in Malaysia & Southeast Asia

65.0% population
coverage nationwide

467,000 subscribers

Red Herring Asia 2008
Winner of Red Herring Asia 2008 as Most Innovative Private Technology Company

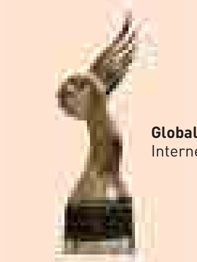
Malaysia Book of Records 2008
Written in Malaysia Book of Records 2008 as Malaysia's First WiMAX Telco

MSC Malaysia APICTA's 2009
Winner of MSC Malaysia APICTA's Best of Start-Up Companies 2009

Frost&Sullivan Malaysia Telecom Awards 2010
Voted by Frost&Sullivan Telecom Awards 2010 as Most Promising Service Provider of the year

Malaysia Effie Awards 2010
"Sudah Potong?" Campaign (Gold)

Best Enterprise Brand 2011
by Global Golden Brand Awards



Global Leadership Awards 2011
Internet Category

On 30 September 2014, TM Group acquired a 55.3% stake in P1. Via a strategic investment and partnership agreement with Green Packet and SK Telecom, South Korea's largest mobile carrier, TM aims to transition P1 into a formidable mobile 4G LTE telco.

Financial Performance

For the financial quarter ended 31 December 2014, P1 Networks recorded RM67.1 million in revenue. Driven by network improvements to deliver a minimum of 99.7% uptime, the Service Level Improvement (SLA) at Contact Centre and increased sales and marketing activities, the total number of wireless broadband customers grew to approximately 384,000.

Key Initiatives

P1 is committed to connecting customers beyond broadband, offering one-stop cost-effective data, voice, video and other value-added services to consumers at better value. By identifying trends and opportunities that address challenges facing wireless service providers, it is able to provide rapid deployment of last mile connectivity via efficient backhaul infrastructure to meet consumer needs.

In 2014, P1 launched the Keep Playing campaign to encourage Malaysians to use more data. For a time-limited discount of up to 50.0%, consumers could subscribe to ForHome™, OnePlan™ and ToGo™ packages with increased speeds and higher quota. Service packages started from as low as RM49, giving price-conscious users instant access to the Internet to start their online discovery journey on any device, anywhere.

P1's Keep Playing campaign, Broadband from as low as RM29.

P1's Internet Nation campaign, simplifying broadband for the nation.

Knowing that every consumer is unique, P1 followed through with the launch of the P1 Internet Nation™ campaign, enabling light, heavy and power users to pick and choose their speed and quota mix on any device of their choice, from USB dongle to Mifi to home modems. Users who want both fixed and nomadic flexibility from a single account could also opt for purchase-with-purchase at only RM14.50 per month to get an additional nomadic device.

Another significant launch during the year was P1 e-Social – a corporate blog for like-minded, tech-savvy and digitally-conscious types focusing on the latest tech news to lifestyle, inspiring tips for budding entrepreneurs to tips for students. This blog was recognised by corporate blogging experts and joint authors of Corporate Blogging for Dummies, Douglas Karr and Chantelle Flannery, as one of the Great Exemplary Corporate Blogs in the world, pinning P1 e-Social alongside blogs by Amazon, Google and Vanity Fair.

Catering specifically to Malaysian businesses, P1 in collaboration with NEC is enabling SIP voice trunking for broadband customers. Through this collaboration, NEC will offer exclusive bundled packages of NEC SIP systems with P1 ForBiz™ 4G, ForBiz™ Fiber and BizVoice™ to businesses, eliminating the need for expensive local connections to PSTN such as PRI lines by connecting SIP phones directly to the internet. Aside from cost savings, businesses will realise additional value through the convenience of managing calls and the transfer of data and video on the same network.

Products & Services

P1 offers a simple, value-for-money range of broadband packages bundled with attractive fixed voice services targeted at both consumer and businesses.

OnePlan™ – enables subscribers to enjoy all-in-one home and on-the-go broadband with voice service in one package. It comes with a powerful portable WiFi modem for sharing at home, a super high-performance USB modem for outdoor use and a sleek wireless phone for voice service. The quota allocated to the all-in-one 4G plan can also be shared between the home and on-the-go services. The OnePlan™ is further powered by wireline high-speed fibre broadband technology for those who need higher stability and speed.

ForHome™ – is designed for home usage, with a portable WiFi modem and built-in voice service. Since P1's inception in 2008, ForHome™ has been its hero product providing the best alternative to those who do not want their homes to be hacked for wiring or who use broadband in more than one indoor location.

P1 e-Social blog, voted as one of the Great Exemplary Corporate Blogs in the world.

ToGo™ – enables users to stay connected on the go. The plan comes with uncapped 4G speed and high usage quota. Customers get to choose a USB dongle or the more popular Mifi which powers up to six devices concurrently.

Quota Top-Up – offers subscribers affordable quota top-up plans which they can easily purchase online in the comfort of their homes.

ForBiz™ 4G – is ideal for businesses looking for an affordable wireless plug-and-play broadband solution with instant service activation.

ForBiz™ Fiber – is the most affordable high-speed business fibre Internet plan in the market, allowing SOHOs and SMEs to stay competitive while keeping costs down.

ForBiz™ Leased-Line – is for businesses that need broadband to power up critical applications, offering assurance with guaranteed speed and service uptime. It comes with a service level agreement of 99.70% for incredible performance and reliability. It is also customisable and designed to present long-term cost-savings.

BizVoice™ – offers businesses the flexibility to customise their voice plan and scale according to future needs with competitive call rates for nationwide fixed and mobile, as well as IDD calls. Service installation is also fast and hassle-free with no service interruptions.

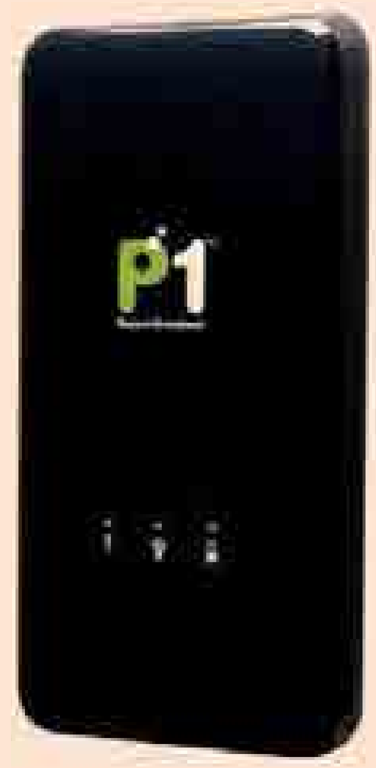
BizSMS™ – is a bulk SMS broadcast service that allows businesses to reach a large pool of prospects instantly and cost-effectively. The service comes with an interactive feature that enables two-way SMS, round-the-clock technical support and multiple-person login.

Prospects

While the wireless market will continue to be challenging, vast opportunities abound for mobile data along with the proliferation of smart devices, new content and applications. There is strong pent-up demand for mobile data in urban regions, with strong growth potential in less developed regions spurred by Malaysia's relatively young and vibrant population, and rapid economic development. Data demand can only grow and accelerate with the emergence of LTE and the Internet of Things.

OnePlan™: 3 services, 2 modems, 1 low price. Editor's Pick of year's best TOP 25 in TECHNOLOGY for 2014 by klweekly

ForHome™: Portable, instant and fast fixed broadband for your home, now with voice. Voted the Best Wireless Home Broadband in 2012.



On-the-go broadband with uncapped 4G speed and high usage quota.

P1 aims to capitalise on the current mobile wave when it goes to market towards 2015-2016 with new mobile service offerings. At the same time, as a TM Group company, it will leverage on the significant opportunity to cater for the mobile services needs of TM's 2.3 million customers. TM sees its entry into mobile via P1 as a natural progression in line with true convergence, not just from a technology or device perspective but from a consumer experience point of view.

At the same time, the fixed wireless and nomadic segments still present attractive opportunities as these solutions cater to specific consumer needs such as portability and fast installation. While household broadband penetration today stands at 65.0%, there continues to be a wide digital divide between urban and rural geographies. P1 will carve out new market opportunities for its fixed wireless and nomadic business to bridge this gap.

P1 Chief Sales & Service Officer (left) Kelvin Lee receiving the partnership certificate from NEC's Assistant General Manager, Network Solution Division, Francis Wong.

EVOLUTION TO CONVERGENCE CHAMPION

TM STARTED OUR JOURNEY FROM HUMBLE BEGINNINGS, EVOLVING FROM A GOVERNMENT DEPARTMENT – THE TELECOMMUNICATIONS DEPARTMENT OF MALAYA IN 1946 – TO WHERE WE ARE TODAY: MALAYSIA'S BROADBAND CHAMPION AND INFORMATION EXCHANGE, ASPIRING TO BECOME THE NATION'S NO. 1 CONVERGED COMMUNICATIONS SERVICE PROVIDER.

Back then, our core offering was fixed analogue dedicated telephony (voice), connected by copper wires and telephone exchanges. A "single play (1P)" as we would refer to it now, our offering was simple yet effective. Our first turning point came in 1983-1984 with the arrival of data communications and packet switch technology, which led TM to develop Malaysia's own public data network, enabling us to provide services such as analogue leased lines.

Almost a decade later, the life of Malaysians changed forever when we were introduced to the World Wide Web. TM started providing dial-up analogue Internet services soon after, in 1995, and established our wholly-owned subsidiary TM Net in 2001 which quickly became the largest Internet Service Provider in Southeast Asia. TM was now able to provide "dual-play (2P)" offerings, namely fixed voice and fixed Internet. The original Streamyx broadband Internet service was launched in April 2001 offering speeds of 384 kbps. This was followed by the 4 Mbps service introduced at selected locations in June 2007, the fastest speed available at the time.

In 2008, we reached another key milestone when we signed the High Speed Broadband (HSBB) Public-Private Partnership with the Government. Under this initiative, we were tasked with rolling out last mile access to homes and businesses to facilitate HSBB services, a process that is still ongoing. In 2010, we successfully launched our first "triple-play (3P)" service, UniFi, offering fixed voice, fixed broadband and our own Internet Protocol Television (IPTV) service, HyppTV. From attracting nearly 50,000 subscribers to UniFi in its maiden year, we now have 729,000 subscribers as at 31 December 2014. We have indeed come a long way from a mere analogue-based Telephone Exchange into a leading provider of digital services.

Towards Becoming a True Convergence Champion

Always putting our customers first, we are naturally keen to further expand our capabilities to be able to provide wireless broadband services to complete our suite of fixed offerings, hence our move into Long-Term Evolution (LTE) by acquiring P1 in 2014. With this acquisition, we are in a position to become a truly converged service provider delivering fully integrated high-quality Internet, data and application services

across all segments of the community, wherever they may be.

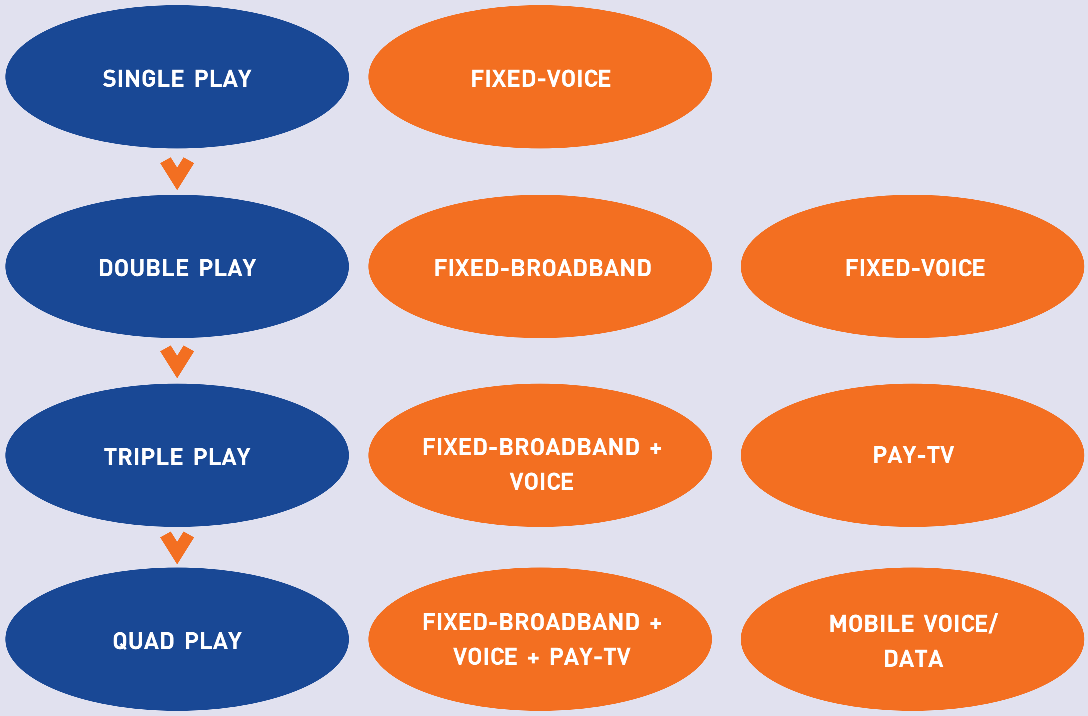
LTE represents the latest technology for high-speed data transmission for phones and other mobile devices. It allows for download speeds four to five times faster than 3G networks, rivaling some fixed home broadband connections. Its unique proposition is to enable consumers to enjoy these speeds out of their homes or offices. Consumers can access the Internet wherever there is coverage with any 4G-enabled device, including smartphones, tablets and mobile hotspots. 4G LTE offers a quad-play solution of voice, Internet, video and pay-TV.

Defining Convergence

Consumer expectations of convergence are high along with ever-growing sophistication of needs and demands. From a technological point of view, convergence is about bringing together devices, software, applications and connectivity into product offerings designed to fulfil consumer demand. From the point of view of the consumer, convergence is about attractive, relevant service which they can use and enjoy regardless of device or location, and without concerning themselves with the technologies behind those services. The goal of convergence is to enable an enhanced digital lifestyle and all its benefits, namely greater connectivity, mobility, flexibility and efficiency. Only when these two visions come together can we achieve true convergence.

TM aspires to become Malaysia's No. 1 Converged Communications Service Provider in delivering our customer promise of "Life and Business Made Easier". We believe in offering the best connectivity, coverage and speed regardless of the technology, device or location.

Figure 1: Multiplay Evolution



Source: Reproduced with reference from Ericsson's "Welcome, Let's See the Road Ahead" presentation on LTE

Figure 2: LTE Compared Against 3G and WiFi

Practical advantages of 4G LTE over other wireless technologies	
Compared with 3G	**Compared with WiFi**
• More applications to be used on mobile devices, out of the home or office	• Fully-mobile use of applications requiring true broadband speeds
• Faster or real-time sharing of large files and streaming media	• Improved convenience ('ownership' of the mobile connection)
• Near-immediate delivery of time-sensitive data, such as for real-time interaction or transactions	• Security (no need authenticate onto another, possibly public, network)

TM SUPPORT BUSINESS UNDERSTANDS THE IMPORTANCE OF ENHANCING SHAREHOLDER VALUE THROUGH TRANSFORMATION THAT EMPHASISES ON SERVICES AND IMPROVING PRODUCTIVITY

Overview

Support Business, comprising TM's properties, facilities, security, fleet and hospitality management, underwent a transformation with more focus on service excellence and improved productivity. Its principal role is to enhance shareholder value in the businesses under its purview, and to ensure greater efficiency within the Group.

Financial Performance

Support Business recorded total revenue of RM734.0 million in 2014 with an outstanding EBITDA of 34.0% higher than previous year. Operating cost decreased marginally to RM625.8 million from RM649.1 million due to greater efficiencies in cost management.

Capital expenditure was reduced to RM78.2 million from RM79.1 million in 2013 of which RM50.7 million was channelled towards providing facilities management solutions relating to Civil, Mechanical and Electrical works; RM23.4 million was allocated to replace ageing vehicles; and RM3.9 million went towards upgrading facilities at Menara Kuala Lumpur.

Menara Kuala Lumpur Sdn Bhd

Menara Kuala Lumpur Sdn Bhd (MKLSB) manages Menara Kuala Lumpur (MKL), Menara Alor Setar (MAS) and Muzium Telekom (MT) with a vision to turn these venues into leading tourism destinations. Towards this end, the ISO 9001: 2008 certified company is a member of the Malaysian Association of Tour and Travel Agents (MATTA), Malaysian Association of Hotels (MAH) and other organisations in Malaysia's travel and hospitality industry.

At the height of 421 metres MKL is the seventh tallest telecommunications tower in the world and the tallest in Southeast Asia. A member of The World Federation of Great Towers (WFGT), it has the distinction of being perhaps the only tower in the world to be built within a forest reserve. Over the years, MKL has developed signature events such as the KL Tower International Towerthon Challenge and KL Tower International Jump. These have contributed to its total of 14.0 million visitors since its official opening in 1996.

1Malaysia Kuala Lumpur Heritage Xplorace.

Facts at a Glance

14.0 million
visitors to Menara Kuala Lumpur

RM78.2 million
including facilities management solutions

34.0%
increase in EBITDA

In 2014 Menara Kuala Lumpur received 834,000 visitors with foreign tourist mainly from India, China, Australia, Japan, Indonesia and Europe. For the financial year ended 31 December 2014, the company recorded RM51.0 million in revenue largely contributed by sales of tickets amounting to RM23.5 million; and registered profit after tax of RM14.1 million.

MKL was awarded the Best Tourist Attraction (Man-Made) by Tourism Malaysia, and the Excellence Award for Best Attraction or Tourism Experience 2014 by the Expatriate Lifestyle magazine.

The neo-classical Muzium Telekom (MT) building, built in 1928, is home to a collection of early telecommunications devices depicting the evolution of Malaysia's telecommunications industry. MT collaborates with other museums and tourist attractions nationwide in marketing initiatives. As part of a more aggressive tourism drive, it plans to enrich its artefacts collection and provide an interactive experience to visitors via two new thematic galleries. It will also participate in more external events and organise thematic events internally.

Menara Alor Setar (MAS), at 165.5m, is the world's 22nd tallest telecommunications tower. It attracted around 400,000 visitors in 2014, mainly Malaysians, Thais, Indonesians and Singaporeans. In order to increase its tourist arrivals, MAS is undergoing major beautification. It has also put together unique packages to attract more tourists from Thailand.

SUPPORT BUSINESS

Dato' Zuraidah Mohd Said, Vice President Support Business (3rd from left) with the winners of 1Malaysia Kuala Lumpur Heritage Xplorace.

Property Operations

Property Operations (PO) provides total facilities management services to TM's buildings. During the year, a unit restructuring exercise saw the Project Management & Consultancy unit (PMC) that was previously under Property Management join the Civil, Mechanical & Electrical (CME) Work Team of PO to provide effective total facilities solutions in operations, maintenance and project implementation.

The CME Work Team itself was directly involved in the development of a data centre in Iskandar Region for VADS and MMU's hostel refurbishment. This was in addition to business as usual projects for TM's sales and network arms Global Wholesale, Customer Service Management and IT&NT such as office renovation and site preparation for network rooms.

The division has been undergoing a "Transforming Perception, Exceeding Expectation" initiative to elevate its customer delivery as part of a Transformation Plan 1.0 focusing on people, processes and systems. The objective is to create a vibrant environment to motivate the workforce to achieve operational excellence, high productivity and customer satisfaction. A key initiative has been to introduce a Customer Complaint Management system which has contributed to a better ICSI rating.

Operationally, during the year PO upgraded the power systems in six critical buildings – JRC, BRF, Menara TM, KLJ, CBJ1 and CBJ2 – at a cost of about RM31.0 million, while continuing with an ongoing programme to replace ageing air conditioning units nationwide at a cost of about RM5.2 million. This resulted in savings from maintenance costs and electricity bills. Besides power and cooling, PO embarked on an aggressive housekeeping initiative to enhance the image of TM's buildings.

Through its Facilities Improvement Programme (FIPRO), the team has implemented a "Kaizen" Facilities Management (KFM) system to ensure business continuity, which has reduced the number of major plant breakdowns by more than the targeted 10.0% as compared to 2013. Under a Green Initiative, meanwhile, PO introduced effective energy consumption mechanisms which saved RM8.6 million in TM's electricity bills. Further cost efficiency measures have allowed the division to record about RM113.0 million in revenue against an operating cost of RM126.0 million.

To support its transformation, PO conducted a training needs analysis to provide the right training to the right people. Various Civil, Mechanical, Electrical and other training programmes related to facilities management were carried out.

Property Management

Property Management (PM) acts as TM's in-house land and property adviser, and contributes to TM's performance by unlocking idle land as well as renting office spaces to internal and external tenants. It continuously looks at cost-saving measures, especially in property taxes and lease rental. PM also manages the TM Convention Centre, Menara TM, TM Annexes 1 & 2, Menara Celcom and Wisma TM Taman Desa.

In 2014, PM managed to recognise a gain of RM28.8 million, contributed by property commercialisation which included the disposal of non-core land banks and joint land development activities. TMCC meanwhile contributed RM5.3 million in revenue.

A major achievement was to complete and legalise the Gunung Serapi Skyline project, under which telecommunications operations and maintenance services were mobilised from the lower to the upper peak of Gunung Serapi in Sarawak.

TMF Autolease Sdn Bhd

TMF Autolease Sdn Bhd (TMFA) manages TM Group's fleet of vehicles. As at 31 December 2014, the fleet stood at 5,048 vehicles, most of which were utility vans and four-wheel drives (4WDs). TMFA also manages seven regional offices and 27 service outlets nationwide with 175 staff to support TM's operations. TMFA's biggest customer over the years has been Group IT&NT, i.e. Network Development and Regional Network Operation which together lease some 3,790 vehicles, or 75.4% of the total.

In 2014, TMFA registered revenue of RM49.7 million with operating costs of RM35.1 million and profit after tax of RM11.8 million. Most of the revenue (77.0%) was from Management and Maintenance Package (MMP) fees for the TM vehicles.

TMFA continued with its vehicle right-sizing programme, which led to 21 vehicles being deployed to other users, 23 vehicles being pooled and 34 vehicles being disposed of. At the same time, 123 of 4WDs, vans and other vehicles were refurbished, deferring RM8.0 million in capital outlay for new vehicles for at least two years. Most of the new vehicles (76.6%) have been assigned to IT&NT. In addition, 468 ageing vehicles have been disposed through public auctions with a capital recovery of RM6.0 million.

Wedding ceremony HELD at Kristal Hall TM Convention Centre.

Savings of RM0.1 million each were also gained from the recycling of parts from vehicles to be disposed of and a reduced number of scheduled maintenance servicing for low-mileage vehicles respectively. At the same time, it saved RM1.0 million by carrying out service maintenance on 3,880 vehicles at the customers' premises, and obtained RM0.9 million in discounts for the purchase of vehicles.

During the year, TMFA conducted 89 quality programmes for its customers including 51 safe and defensive driving courses, 13 programmes on 4WD vehicle handling as well as 25 technical vehicle clinics.

Internally, TMFA achieved 99.3% vehicle availability for customers, 100.0% vehicle service achievement, 100.0% compliance with TMFA processes and procedures and 92.5% in the Customer Satisfaction Index (CSI), all bearing testimony to its customer-centric culture.

Security Management

Security Management (SM) Unit's core business is to provide reliable and effective security services to safeguard TM's (assets and personnel) and minimise disruption or losses to business operations.

SM reduced the number of theft cases within TM's premises from 13 in 2013 to six in 2014. Cable theft has been managed via a multi-pronged approach that includes increasing public awareness, night patrols at designated areas, and immediate reporting of any suspicious activity. 82 community programmes were conducted nationwide throughout the year.

SM maintained a Customer Satisfaction Index (CSI) of 98.2% and Security Service Availability Index (SSAI) of 99.5% in 2014.

Sector Focused Career Fair at TM Convention Centre.

EDUCATION CLUSTER

MULTIMEDIA UNIVERSITY (MMU) AND ITS SUBSIDIARY MULTIMEDIA COLLEGE (MMC) TOGETHER WITH YAYASAN TM (YTM) FORM TM'S EDUCATIONAL HUB WHICH SERVES TO SUPPORT THE MALAYSIAN GOVERNMENT IN DEVELOPING THE COUNTRY'S HUMAN CAPITAL. THE ULTIMATE OBJECTIVE IS TO NURTURE A KNOWLEDGEABLE AND SKILLED WORKFORCE THAT IS ABLE TO STEER THE COUNTRY TOWARDS HIGH-INCOME STATUS.

MMU STANDS OUT AS A PREMIER PRIVATE UNIVERSITY, AT THE HEART OF THE ICT AND CREATIVE MULTIMEDIA INNOVATION ECOSYSTEM IN MALAYSIA

Multimedia University

Multimedia University (MMU), set up through TM's wholly-owned subsidiary Universiti Telekom Sdn Bhd (UTSB), is Malaysia's first private university. Since its establishment in Melaka 18 years ago, it has expanded to include two new campuses in Cyberjaya and Nusajaya. Today, the three campuses host a total of 18,130 students, 1,352 of whom are from 68 foreign countries. In 2014, the university also hosted 53 international students who came via student exchange programmes.

The university enjoys a good reputation within the industry, with 96.0% of its graduates gaining employment within six months of completing their studies.

The Cyberjaya campus offers 73 programmes at the foundation, diploma, undergraduate and postgraduate levels, 64 of which are accredited by the Malaysian Qualifications Agency (MQA); while the Melaka campus offers 47 programmes, 45 of which are MQA accredited. Meanwhile, the university is seeking approval for a new Bachelor of Strategic Communications (Honours) programme.

Unique to MMU is the Cinematic Arts Programme (CAP), which has been developed in the University of Southern California. The first batch of students is now undergoing the programme at Educity™, Iskandar Malaysia campus.

Certain courses at MMU have also been licensed by other institutions. In 2014, the International College of Automotive (ICAM) ran MMU's Bachelor of Administration Management (Honours) Marketing Management, while the Melaka International College of Science and Technology (MiCoST) signed an agreement for the Bachelor of Administration Management (Honours) in Human Resources Management. Licensing from abroad, such as the MBA programme at Kish University in Iran is still ongoing, while efforts are being made to pursue educational collaborations with other universities across the globe.

MMU is listed by QS.com's World University Rankings as a Top 200 world university for Computer Science and Information systems. It is also one of Asia's Best Private Education Institutes, according to the World Consulting and Research Corporation (WCRC). In terms of R&D, MMU's leadership has been validated by its winning six gold and six silver awards for 12 products showcased at the 25th International Invention, Innovation and Technology Exhibition (ITEX) 2014.

The university enhances its revenue by monetising its assets and skills. Towards this end, in 2014, its commercialisation arm Cnergy marketed the Fibre Optic Research Centre's fibre optics to the University of Malaya and Universiti Putra Malaysia.

To further improve its standing as a premier educational institution, MMU is undergoing a transformation plan "MMU 2.0", which in 2014 was themed "Growth and Execution". This theme rests on four drivers, namely Market Perception Enhancement, Operational Excellence, Enhancement of Quality of Academic Programme & Teaching Delivery, and Innovation Excellence and Post Graduate.

Under the Enhancement of Quality of Academic Programme and Teaching Delivery, greater focus will be placed on the development of entrepreneurship and soft skills among students, while delivery will be enhanced with more digital content as part of MMU's long-term i-Teaching and Learning initiatives. Four faculties have already been identified to build intelligent teaching labs while the mobile-friendly Multimedia Learning System was developed in 2014.

Towards Innovation Excellence and Post Graduate, MMU seeks to improve the quantity and quality of its R&D. MMU's Graduate School of Management is playing a significant role in this regard by entering into international collaborations with parties including the Groupe Speciale Mobile Association (GSMA), Cranfield University and the Canadian University of Dubai.

Operational Excellence is to be achieved by focusing on six facets: staff; international student management; the improvement and rental of facilities to increase revenue; enhancing the Faculty of Creative Multimedia; boosting revenue from Cnergy; and improving operational efficiencies at subsidiary, Multimedia College (MMC). All six facets are underlined by an enterprise-wide management system and more efficient billing system. A Student Management Integrated Learning Solution (SMILES) platform has also been rolled out towards achieving Operational Excellence.

Market Perception Enhancement involves strengthening the UTSB brand via more efficient marketing to increase its student intake, complemented by better communication with internal and external stakeholders.

Yayasan Telekom Malaysia

Yayasan Telekom Malaysia (YTM) was incorporated on 27 January 2007 to provide higher secondary and tertiary education opportunities by granting scholarships and financial assistance to deserving students. The scholarship programme not only enables underprivileged students to pursue their academic dreams but also contributes towards TM's leadership bench as returning scholars are absorbed into TM's workplace.

To date, YTM has disbursed a total of RM462.0 million in scholarships and financial assistance benefiting 13,557 students. In 2014, RM12.4 million worth of scholarships

THE SCHOLARSHIP PROGRAMME NOT ONLY ENABLES UNDERPRIVILEGED STUDENTS TO PURSUE THEIR ACADEMIC DREAMS AND CONTRIBUTES TM'S LEADERSHIP POSITION

were paid out to 1,207 students including 850 upper secondary school students, 315 in local institutions and another 42 at educational institutions abroad. 156 TM Group employee also enjoyed educational assistance through scholarships and educational loans to pursue higher degree or professional courses.

In addition to financial assistance, YTM has embarked on a Scholars' Development Programme to nurture leadership skills among TM scholars. Via the programme, the scholars undergo workshops and take part in TM's corporate responsibility initiatives to promote broadband usage among rural communities.

IT&NT – TRANSFORMATION TOWARDS AGILITY

iGrid.

Overview

IT&NT is TM's infrastructure provider for both Network and IT. It is responsible for planning, building, delivering, operating and maintaining the Group's communications infrastructure, serving more than four million telephony customers and over 2.23 million broadband customers.

In 2014, IT&NT focused on further enhancing the customer experience, stepping up efforts to improve its service delivery. The replacement of legacy network elements gained traction while the entire migration of PSTN exchanges to the Internet Protocol (IP) network is on track for completion in 2015. With an IPv6-compliant all-IP Next Generation Network (NGN) based on an IP Multimedia Service (IMS), IT&NT is on course to deliver a truly exceptional customer experience.

Facts at a Glance

Full NGN
network in 2014

2.23 million
broadband subscribers

iGrid – the largest
virtual cloud in ASEAN

Performance

To promote the creation and delivery of new services by third-party application developers, a Communication-as-a-Service (CaaS) platform supporting TM's Innovation Exchange Programme has been built to integrate and open up the network capabilities. With CaaS, existing network resources are optimised to accelerate service innovation and collaboration for a more enriched service experience.

On the Information Technology (IT) front, IT&NT has completed a total of five transformations over the past five years, the major transformation being the migration from the 27-year-old mainframe system into two separate stacks.

IT&NT targets to transform existing computing infrastructure into private Infrastructure-as-a-Service (IaaS) cloud with key capabilities such as on-demand service provisioning, rapid and automated service provisioning, and, utility-based or subscription-based service via standard catalogue. With this in mind, TM launched the private cloud infrastructure iGrid in June 2014, which is currently the largest virtual cloud in ASEAN. Key achievements include agility and faster time to market through automated provisioning; server core capacity optimisation by 60.0%; and fully redundant data centres.

Operationally, IT&NT continues to improve its service delivery by increasing the accuracy and efficiency of its systems. The Work Force Management System (WFMS) has improved the installation cycle time by 13.0% and boosted the first fix right restoration by more than 80.0%. Meanwhile, field force productivity has increased by 25.0%.

IT&NT WANTS TO MAKE GOOD ON TM'S ASPIRATION TO BECOME MALAYSIA'S CONVERGENCE CHAMPION

In terms of research and development (R&D), TM R&D won several prestigious ICT awards. The innovative Advanced Internet Lighting Application developed by TM R&D, which enables data to be transmitted using LED light, was crowned with the Chairman's Award at the World Information Technology Services Alliance (WITSA) Global ICT Excellence Awards, held concurrently with the 2014 World Congress on Information Technology (WCIT) in Guadalajara, Mexico. This award recognises ICT products that have demonstrated exceptional benefits to society. TM R&D's research demonstrates that 10Mbps is achievable using LED bulbs for distances up to 3m.

TM R&D was also honoured with the Prime Ministers Award during the 26th MSC Malaysia Implementation Council Meeting in Putrajaya in recognition of winning the WITSA Chairman's Award.

In addition, TM R&D won the Broadband InfoVision Award under the Best Broadband Partnership category for its Green Collaboration on Optical Radio (G-CORN) project. G-CORN is a point to multipoint 16GHz (downlink) and 14GHz (uplink) Radio over Fibre (RoF) Wavelength-Division Multiplexing (WDM) Passive Optical Network (PON) for access networks.

Strategy

IT&NT's game changers are anchored on five strategic themes, namely:

Professional Leadership and Workforce (PLW)

PLW encompasses the development of a competent and efficient workforce that is able to make sound judgments to produce quality work. Focus is directed on the skills and professionalism of contractors and employees. Success of the PLW is measured in terms of productivity of the field force and the contractors.

Proactive Quality Improvements (PQI)

PQI targets four clusters:

- reduction of fault rates through preventive measures;
- enhancement of predictive ability through network performance optimisation and Big Data solutions;
- Increase of Disaster Recovery (DR) capability, improvement of security readiness and reduction of network fallouts through "proofing" mechanisms; and
- Improvement of network inventory data integrity as an underlaying enabler. Disaster

A technician completes Malaysia's first FTH installation, powered by TM's UniFi.

recovery equipment are being deployed in identified critical areas. Network security is being enhanced by fencing. IT&NT is on track for network information data integrity improvement while strengthening its network and information security.

Lean and Fit Operations

The objective is to deploy an IT-enabled lean operating model and methodology within and beyond IT&NT. To ensure widespread adoption of lean and fit operations, key talents from various divisions in TM will be appointed as catalysts of change. In terms of operational excellence, preventive measures are being deployed to minimise service disruption. These include the implementation of diverse systems and infrastructure, and introduction of more rigorous business continuity processes.

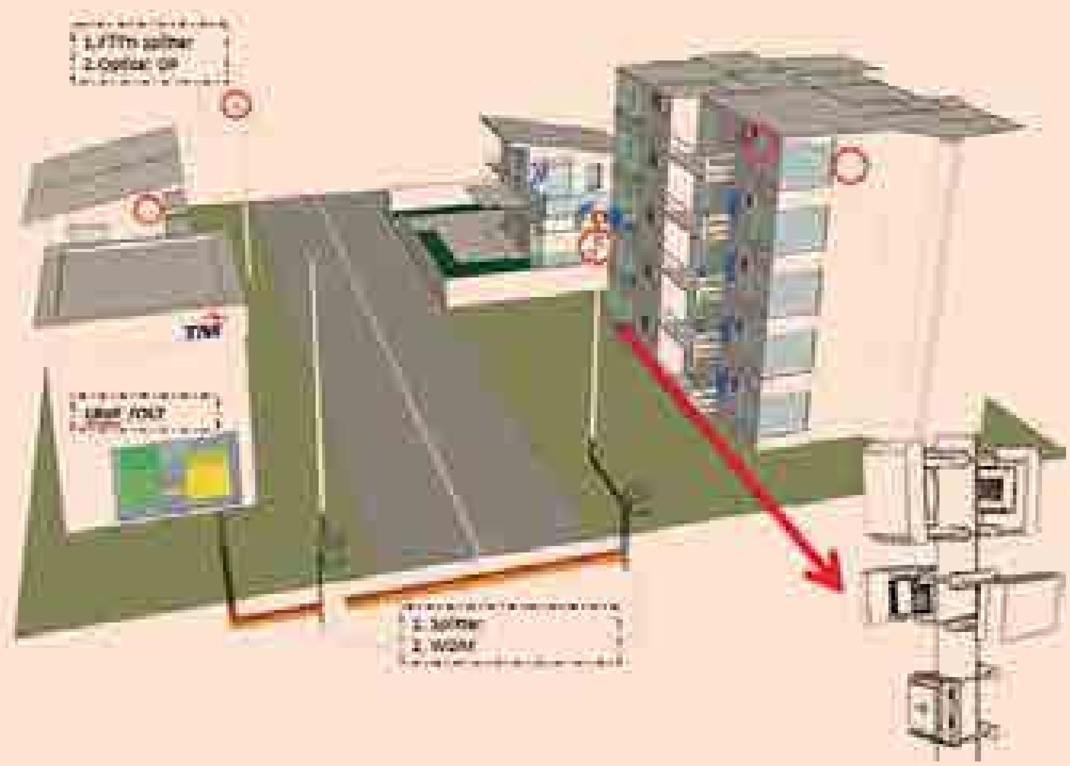
Distinctiveness Innovation (DI)

IT&NT aspires to create a strong innovation environment to encourage new ideas and solutions especially for products and services and process and quality. Via DI, it aims to formalise the ideation process and engagement channel in order to collect innovative and impactful ideas, analyse and filter these proposals prior to implementation. As at June 2014, more than 35.0% of ideas received were in the implementation or completion stages.

E^3 Infrastructure

E^3 is an acronym for Effective, Efficient and Elastic. E^3 is the philosophy of an Effective infrastructure for a lean and fit for purpose network and system, operating Efficiently at a very compelling cost while being Elastic to scale when the need arises. The E^3 infrastructure will allow the right investment to be made at the right time ensuring optimised ROI.

Among the initiatives that have been identified are cloud-based infrastructure, network/IT platform migration, network/system infrastructure optimisation and security. Mainframe decommissioning for Global and Wholesale was completed in July while data centre consolidation and transport network optimisation are on track. IT&NT plans to complete the current transformation to strengthen the E^3 infrastructure and move towards service-centric operations.



Radio over Fiber: G-CORN Point-to-multipoint

The principles of continuous improvement, quality in everything we do, cost discipline and smart customer centricity underlie all the initiatives identified under each strategic theme. Some of the measures of success include improved performance, first time right in everything we do, standard unit cost across states and contractors, and more effective customer management.

Prospects

IT&NT is on track towards achieving its three-year (2013-2015) transformation plan. The first wave of transformation, focusing on the delivery of High Speed Broadband (HSBB) and operational excellence, brought about significant improvements. IT&NT is now on the second wave of its transformation, guided by TM's Performance Improvement Programme (PIP) 3.0. HSBB coverage is to be expanded to areas of high economic impact, including state capitals and selected major towns nationwide. Under HSBB 2.0, 95 exchanges will be HSBB-ready with 390,000 premises passed by end 2017 with speeds up to 100Mbps.

To accelerate the time-to-market of enhanced products and services, TM will adopt agile IT methodology for both application development and deployment. This will promote more effective engagement between IT and business users and allow the latter to closely follow the progress of application development.

Moving forward, IT&NT's focus on the customer experience will be supported by two main visions, namely service-centric operations and E^3 infrastructure. Although IT&NT has set itself ambitious targets, given the smooth implementation of various high-impact initiatives to date, it is confident of achieving its goals.

Our ideas redesigned

The lives that we touch continue to give us the inspiration to constantly innovate ideas, redesigning them to better serve our key stakeholders and the communities we serve.

GA
CHAN

ME
NGER

KEY INITIATIVES

Facts at a Glance

85.0% Customer
Service Charter Compliance

>88.0% of Customers
satisfied with TM's Voice of Customer's Initiative

>72 TRI*M
Customer Satisfaction Index (CSI)

CEMT: STRENGTHENING THE ECOSYSTEM TO HUMANISE OUR CUSTOMER SERVICE

CHANGING THE GAME IN CUSTOMER EXPERIENCE CULTURE

Overview

Customer Experience Management and Transformation (CEMT) is TM's one-stop customer service unit overlooking our customer interactions and service improvements. It is responsible for the day-to-day operations of our call centres, complaint handling as well as service and quality assurance to our Mass Market and Managed Account customers. In addition, it oversees TM's long-term Customer Experience Transformation programmes that seek to embed a customer-centric culture in the organisation.

In 2014, CEMT focused on further enhancing the customer experience support eco-system, accelerating efforts to humanise TM's customer service. Key milestones achieved include enhanced Customer Service Charter (CSC) measures to introduce a more customer- centric gauge of our operational performance, especially in the Mass Market and Managed Account segments.

FOCUSED ON ENHANCING THE CUSTOMER EXPERIENCE SUPPORT ECO-SYSTEM, ACCELERATING EFFORTS TO HUMANISE TM'S CUSTOMER SERVICE AND INCREASE EFFICIEY.

COMMITTED TO CONNECTING CUSTOMERS BEYOND BROADBAND, OFFERING ONE-STOP COST-EFFECTIVE DATA, VOICE, VIDEO AND OTHER VALUE-ADDED SERVICES TO CONSUMERS AT BETTER VALUE.

Performance

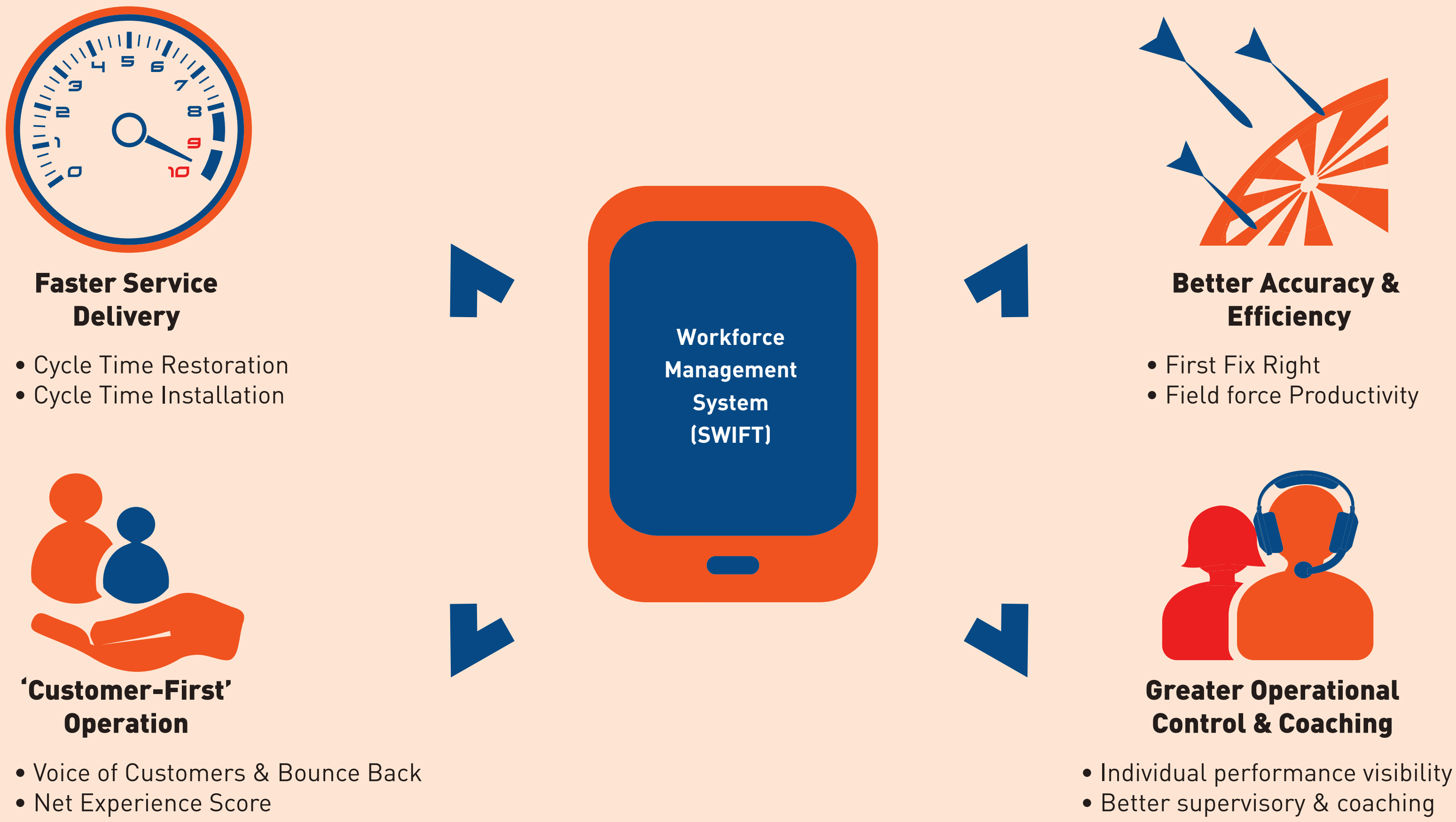
The new CSC was launched by Group CEO, Tan Sri Dato' Sri Zamzamzairani Mohd Isa, who is also Chairman of the Customer Centricity Steering Committee. It outlines TM's commitment towards continuous improvement in customer complaint handling, service fulfilment, service assurance, billing and service quality to deliver "Service with Heart".

All customer service operational improvement initiatives in 2014 were anchored around CSC to maximise their impact in customer experience.

A key CSC enhancement was the introduction of differentiated service levels for business customers to ensure faster restoration in the event of service interruptions. In addition, the concept of Right First Time was reinforced with the introduction of First Fix Right and First Installation Right. These measures place strong emphasis on ensuring that every restoration and fulfilment is delivered with the highest quality. As a result of renewed focus and efforts, overall CSC compliance for the second half of 2014 improved by more than 35.0% from the first half of the year.

To ensure continuous alignment of service with customer needs, TM has piloted a new mechanism of incorporating customer feedback into our service design. An initiative called Voice of Customers (VoC) has been rolled out in the Multimedia Super Corridor (MSC) for the restoration of Mass Market services. Feedback is captured through Text Messages that are analysed, triggering automated "correction work orders" which are sent to the relevant supervisors and area managers. Initial results have been encouraging with more than 88.0% of customers indicating that the service interaction either met or exceeded their expectations.

In further efforts to improve the efficiency and effectiveness of TM's field force, a new Workforce Management System called SWIFT was deployed.



The system provides automation of lean service delivery processes, and better control of work order distribution among field force teams. It also ensures better tracking of work progress to deliver faster service restoration. SWIFT has improved the restoration cycle time by 32.0% and increased the field force's productivity by 25.0%. In 2014, it will be deployed in service fulfilment operations.

Another important initiative implemented in 2014 was enhancement of the service experience at customer interaction touchpoints, covering TM's call centres and self-serve portal. To cater to Chinese-speaking customers, a Mandarin option was piloted at the TM100 call centre and will be expanded to more touchpoints in 2015. In addition, a service portal was introduced to provide customers with Self Troubleshooting Tools to test line quality and subsequently log their complaints online.

Prospects

CEMT is well on track to humanise TM's customer service. While the improvement in CSC is a strong manifestation of TM's commitment to becoming a customer-centric organisation, the journey has only begun and will be accelerated through several strategies that have been outlined for execution in 2015.

Among the main focus areas will be expansion of TM's digital channel to provide customers choice and convenience. At the same time, customer touchpoints will continue to be transformed to drive further operational efficiency and effectiveness. These efforts will be supported by back-end processes such as the Workforce Management System as well as other OSS and BSS which will enable TM to provide seamless and consistent service delivery and quality to our customers.

Key to the success of all these strategic plans is having the right mindset. Towards this end, continued emphasis will be placed on instilling a customer-centric culture among our employees, contractors and partners.

Among the main focus areas will be expansion of TM's digital channel to provide customers choice and convenience.

BECOMING A CU CONVERGENCE

In 2014, TM launched a long-term Customer Experience Transformation programme to further elevate the customer-centric culture in the organisation. Focusing on the end-to-end customer journey, the idea is to ensure quality interaction at all touchpoints, from our sales channels to our customer service, network operations and even our authorised partners. The programme requires everyone at TM to re-think the way the organisation works, and to re-engineer our processes to drive greater operational productivity, efficiency and effectiveness and hence deliver the best value to customers.

In essence, the Customer Experience Transformation programme aspires to bring about a mindset shift among TM staff to put the customer at the centre of everything the organisation does. Staff are encouraged to identify potential improvement opportunities and generate solutions to capture them. These solutions are tested in mini-pilots and refined as needed, before being implemented to enhance the customer experience.

STOMER-CENTRIC CHAMPION

CUSTOMER EXPERIENCE TRANSFORMATION PROGRAMME FURTHER ELEVATES TM'S FOCUS ON OUR CUSTOMERS. THE IDEA IS TO ENSURE QUALITY CUSTOMER ENGAGEMENT AT ALL TOUCH POINTS.

The programme has four main objectives:

1. To improve the end-to-end customer journey in interactions with TM across multiple touchpoints, through embracing the Life and "Business Made Easier" philosophy
2. To fuel revenue growth through customer advocacy and loyalty, driven by value-add offerings and consistent service delivery and quality
3. To drive operational efficiency and effectiveness
4. To inculcate a Customer-First mindset and culture among TM's citizens and business partners

Innovative Methodology for Sustainability

The methodology adopted for this transformation programme is based on five guiding principles:

Strategy Driven

It is fully supported by the leadership, with the Top Management setting targets

Holistic

It focuses on technical solutions, mindset, behaviours and management infrastructure

Across End-to-End Customer Journey

It seeks to improve processes, ecosystems and organisational units along the entire customer journey rather than focus on individual improvement initiatives in isolation

Replicable

It will move on to a new customer journey and value stream every six to eight months applying consistent improvement methodology

People focused

It seeks the commitment of the front line to create an impact together

The transformation approach is anchored to the following "three lenses":

Management Infrastructure

The formal structures, processes and systems through which resources are managed to support the operating system. This includes the organisational setting, performance metrics, end-to-end feedback loops, capacity planning, etc.

Operating System

The way assets and resources are optimised to create value through operational efficiency. This includes processes, tools, standards and systems.

Mindset and Behaviour

The way people think, feel and conduct themselves at the workplace, individually and collectively. This includes roles and responsibilities, leadership, capability building, rewards and incentives, communication and motivation.

Putting the Customer at the Centre

One of TM's key challenges has been to increase quality and efficiency while optimising our cost to serve. This requires a lean customer-centric approach which utilises existing resources in new and better ways to enhance the customer experience.

Throughout 2014, TM achieved significant gains in terms of faster end-to-end service delivery, higher operational efficiencies, better service experience and greater organisational productivity. Together, these helped to elevate our performance as well as build the momentum of our transformation journey.

Faster End-to-End Service Delivery

Building on the success of the lean project launched in 2010, the Customer Experience Transformation programme has taken the next step-change to increase operational efficiencies through automation and optimisation. A workforce management system (WFMS) codenamed SWIFT has been introduced to automate most of our service delivery processes to respond more quickly to requests for installation or restoration, as well as to achieve "first-time-right" in various tasks. The system was developed internally by TM R&D as part of our continuous quest to drive business innovation.

The following are among some quick wins of the Customer Experience Transformation programme:

Assurance

Mean Time to Restore (MTTR)

The mean time to restore faults in Voice and Broadband services improved to be at par with top quartile telcos globally. Specifically for SME customers, the cycle time to repair faults improved by 30.0% after the implementation of SWIFT.

First-Fix Right (FFR)

Overall "first-time-right" for assurance, as measured by FFR, has improved to above 80.0%.

Fulfillment

Mean Time to Install (MTTI)

The mean time to install Voice and Broadband services has reduced by 13.0%, placing TM among the top quartile of telcos globally.

Field Workforce Productivity

In addition to faster service delivery, automation of assurance operations through SWIFT has improved the productivity of field staff by 25.0%. This has allowed TM to channel resources into areas that create more value to the business, hence uplifting our customer service delivery.

Higher Operational Efficiency

The introduction of an improved Operating Model and Operation Support System (OSS) such as SPANMS, CPE Configuration System (CCS) and project TOP+ has unlocked the true potential of TM's operations to enhance the customer service experience. Our First-Contact-Resolution rate improved by 20.0% in 2014, as more customer complaints can now be diagnosed and resolved remotely using capabilities provided by SPANMS and CCS. The combination of a lean end-to-end customer journey process, enhanced system capabilities and personal accountability has resulted in high efficiency gains, enhancing our ability to deliver business targets and, more importantly, to exceed our customers' expectations.

To further enhance the customer experience, the Mass Market Contact Centre is being consolidated while agents are being trained to provide more effective customer support. Our ongoing improvement initiatives have been validated, with TM VADS' Call Centre being named the Best Mega-Contact Center by the Contact Center World Association (CCWA), the most renowned global body for best practices in contact centres, at an annual event held in Las Vegas, US, in November 2014.

Quicker Action through Customer Feedback

Valuing the Voice of Customers (VoC), we treat feedback as a gift that allows us to continuously improve the way we operate hence deliver the best experience and value to our customers and other stakeholders.

In 2014, we embarked on a systematic VoC mechanism for customers to provide feedback on their interactions with TM. This initiative is being piloted in the Multimedia Super Corridor (MSC) with customers rating our performance in service restoration. Feedback below the satisfaction level automatically activates a "bounce back" mechanism that sees TM immediately reaching out to the customer to resolve the situation as quickly as possible.

DRIVING AN INNOVATION CULTURE: WORK-LIFE MADE EASIER

We realise that to become Malaysia's No. 1 Converged Communications Services Provider, it is imperative for us to embed a culture of innovation at the workplace. Various game-changing initiatives have thus been established to promote innovative work behaviours that integrate the expectations of both the business and employees. These encompass our philosophy of "Work-Life Made Easier" to improve productivity and business sustainability while also supporting Group Human Capital Management achieve its three Key Focused Deliverables: to build a leadership bench; to increase workforce productivity; and to ensure TM is an Employer of Choice.

Building Leadership Bench

- Executive Development & Leadership Programme
- Expertise Acquisition on Business & Network

Workforce Productivity

- Institutionalising of Lean Academy
- Organisational Alignment & Upward Mobility Scheme

Becoming an Employer of Choice

- Diversity & Inclusion
- Innovation-Driven Culture
- Customer Service Excellence

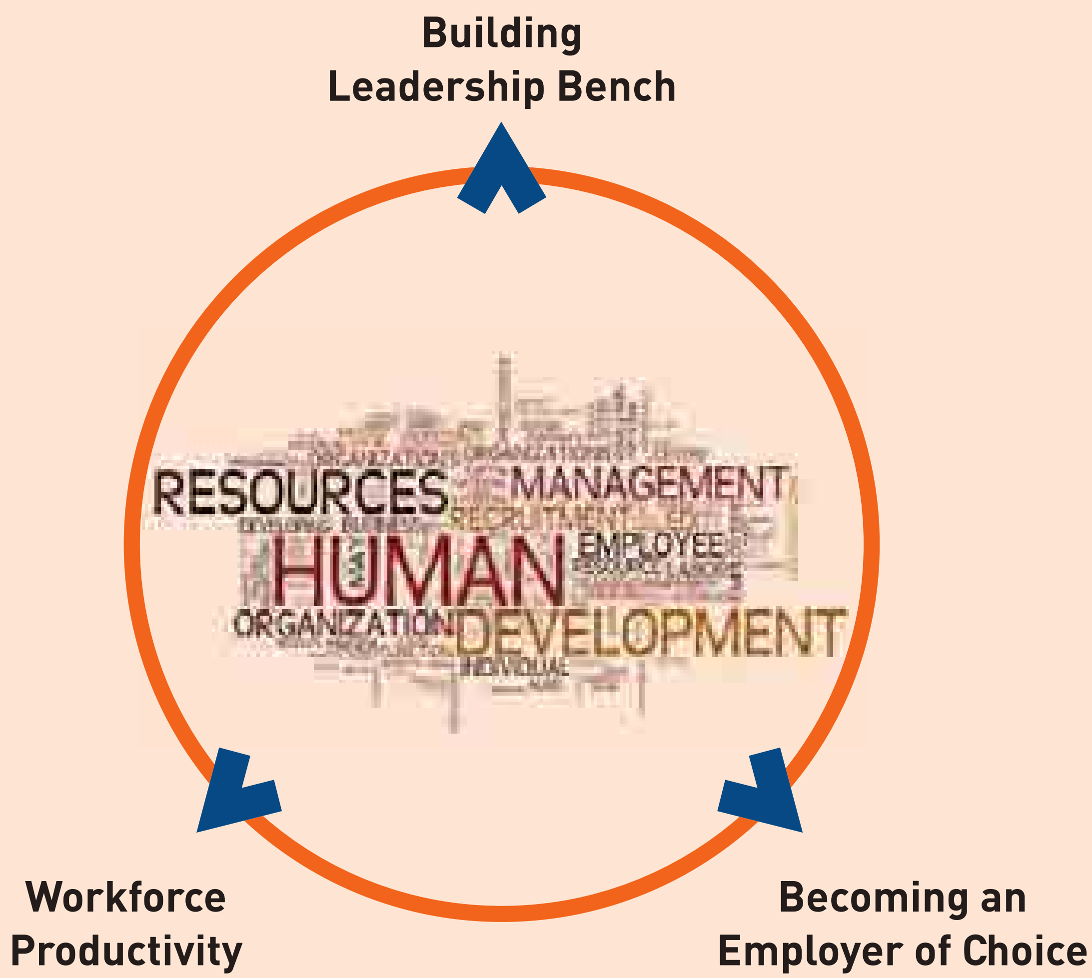


Figure 1: The 3 Focused Deliverables of Human Capital Strategies

Building a Leadership Bench

– Innovate the Mindset & Behaviour

TM has outlined a development roadmap which identifies, builds and sustains leaders at all levels.

High achieving young executives are placed on a rigorous Fast Track Programme (FTP) that grooms future leaders via mentoring, engagement with the leaders, and training. Participants undergo several job rotations and assignments within the Group over a period of three years to develop their functional skills, enhance their customer mindset, and develop their people skills as well as strategic thinking.

In 2014, talents across the organisation were involved in a "needle moving" project which served as a platform for them to play more active and significant roles in the business to reveal their leadership potential. They were put through highly facilitative development programmes to enhance their mobility and agility to take on roles in different divisions, and prepare them to become versatile leaders.

To facilitate the transition of high-potential middle management to senior management, the Lead, Excel & Deliver (L.E.A.D) Programme was introduced. The programme is facilitated by the Cranfield School of Management which ranks among the top 10 business schools worldwide for customised executive development.

In addition, more than 200 senior management attended the TM Business Leadership Programme, while a selected few attended executive programmes at top business schools as well as those organised by TalentCorp Malaysia. For further enhancement of their performance, executive business coaches were assigned to key leaders. We also seconded some employees to government agencies such as the Malaysian Communications & Multimedia Commission and TalentCorp.

Our top and senior management collaborate closely with Group Human Capital Management in the entire leadership development programme, from identifying to mentoring and developing potential leaders. In this manner, leadership development has become institutionalised at TM. The programmes in the development roadmap, are based on TM's SUCCESS Leadership Competency Model which places emphasis on seven essential leadership factors, as depicted in the visual below:

Success

TM LEADERSHIP COMPETENCIES

- **S** Service Excellence
- **U** Unity & Teamwork
- **C** Cultivates Stakeholder Collaboration
- **C** Catalyses Change
- **E** Embraces and Nurtures Talent Mindset
- **S** Strives for Results
- **S** Strategic & Entrepreneurial Mindset

Figure 2: SUCCESS – TM Leadership Competency Model

HIGH ACHIEVING YOUNG EXECUTIVES ARE PLACED ON A RIGOROUS FAST TRACK PROGRAMME (FTP) THAT GROOMS FUTURE LEADERS VIA MENTORING, ENGAGEMENT WITH THE LEADERS AND TRAINING

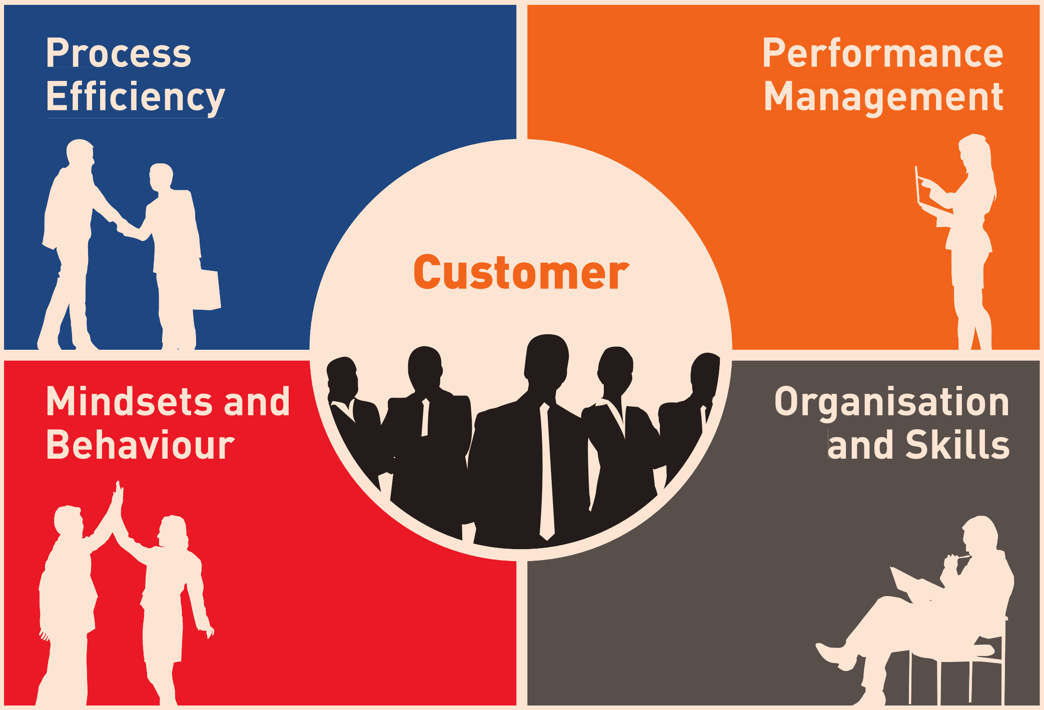


Figure 3: Five Dimensions of Lean Management

Institutionalising a Lean Management to Drive Productivity

TM has embarked on the concept of a lean management to increase the productivity and efficiency of our workforce. The objective is to focus on employees' productivity through the five dimensions of performance management, organisation and skills, mindsets and behaviours, process efficiency, and the customer.

Several key initiatives have been implemented such as cross-skilling and up-skilling of staff; performance management through WoW (Way of Working) initiative, key process simplification, standardisation and automation; and the realignment of functions across divisions. This lean methodology has been customised to the different business functions to promote innovation, creativity and solution-driven mindset among employees. To entrench this transformation into TM's ecosystem, Lean Champions have been identified to spearhead and maintain the momentum of change across the organisation.

Accelerating Employees' Development to Face Technology Changes

To ensure our employees are up to speed with the latest technologies, our Technical Academy (TA) provides structured training in Access Networks, Internet Protocol/Information Technology and Corporate Application System. During the year it organised a Fixed Mobile Convergence (FMC) seminar and collaborated with Network Management & Operation and TOP Division to develop and implement an External Plant Up-skilling Programme which focused on:

- establishing a Lean Operating Model that standardises all incoming work orders via a centralised monitoring and tracking system
- aligning the processes to assist Zone Field Teams improve their fault rate/restoration cycle time
- increasing the productivity of External Plant teams
- managing deficiencies in tools and test gear via enhanced field team competency

Intensifying Customer Service Capabilities – A New Experience

In an industry as competitive as telecommunications, ensuring a good customer experience is essential to survival. Our Customer Service Academy (CSA) continues to drive a customer-centric culture and harmonise the customer experience across all touchpoints in the Company. The Superb and Meaningful Interaction Leading to Excellence (SMILE) programme has been further intensified to cover all TMpoint outlets nationwide while equivalent programmes have been implemented for other customer facing personnel such as installers, resellers and those manning our contact centres. Training programmes to further enhance our frontliners' competency skills have also been accelerated for implementation.

For the Managed Accounts team, a series of Vertical Industry Seminars were organised to enable employees to better appreciate the industries' ecosystems and their value chain in order to provide better and more focused customer service.

Becoming an Employer of Choice

We believe in offering a work environment that not only empowers excellence but also inspires a sense of belonging and ownership that motivates optimal performance. This is achieved by valuing the contributions of every employee,


Diverse cultural engagement celebrated at TM during 1TM Chinese New Year Celebration/Deepavali Celebration.

engaging them in a positive manner and recognising their contributions. Our success in this regard is evident by the numerous awards received locally and internationally. These include being named one of the Top 5 Companies to Work For in Asia 2014, Asia's 50 Best Employer Brand Awards 2014 and Top 10 Preferred Employers in Malaysia 2014.

Engaging Our Employees

We engage actively with employees via different platforms that include the GCEO Turun Padang, Jom Bersama, Teh Tarik Sessions, ZBC Amazing Race and the 'I Love TM' Campaign. At the same time, we encourage a spirit of unity via programmes such as Teaming with Passion (TWP) which was further enhanced in 2014 by incorporating the Game Changer initiative, SUCCESS leadership competency model and customer centricity. While promoting the spirit of 1TM, we also recognise individual contributions to TM via the TM Group Awards Night, KRISTAL Awards and Warisan Kasih.

As a result of these initiatives, we scored 90.0% in the most recent My 1TM Survey which has been consistent since the past few years. It denoted the high level engagement of our employees towards the organisation which was substantial in sustaining our brand as the Employer of Choice.

Empowerment via TM Flexi Plan – *"Your Benefits. Your Way. Life Made Easier"*

Recognising that employees have different needs and expectations, we introduced TM Flexi Plan comprising of core and optional benefits. Core benefits provide basic employee protection that meet statutory requirements. These are supplemented by 25 optional benefits employees can choose from based on the number of Flexi Points they have earned in their Flexible Spending Account (FSA). These benefits fall under the categories of Lifestyle, Health & Wellness, and Technology. Among the optional benefits are vacations, childcare, medical coverage for parents, and the purchase of computers or tablet PCs.

Optional Retirement Scheme

Via this scheme, which was developed in response to requests from employees, they are given the option of retiring at any point between age 55 and 60. This scheme was implemented effective from 1 July 2013, when the Minimum Retirement Age Act 2012 was implemented, raising the retirement age from 55 to 60.

Embracing a Diverse Culture

Recognising the rich contributions of a diverse workforce, and in a true spirit of 1TM, we provide equal opportunity to all employees irrespective of gender, race or religion in all aspects of employment including rewards and recognition, career development, job exposure, benefits and compensation. In a similar vein, we celebrate all national festivities with equal fervour. This reinforces an environment of togetherness which permeates our everyday work practice, creating a productive and high-performing workforce.

Bridging Industrial Harmony

TM enjoys a harmonious relationship with our unions and have experienced zero industrial disputes over the past decade. Together, our four unions – Kesatuan Kebangsaan Pekerja-Pekerja Telekomunikasi Semenanjung Malaysia (NUTE), Kesatuan Pekerja Telekom Malaysia Berhad Sarawak (UTES), Kesatuan Pekerja-Pekerja Telekom Malaysia Berhad Sabah (SUTE) and Kesatuan Pekerja-Pekerja Telekomunikasi Nasional (SUTEN) – have been instrumental in creating a harmonious bridge between the Management and our more than 28,000 employees.

The Management in collaboration with the unions have taken proactive measures to communicate and execute our Performance Improvement Programme (PIP) 3.0 initiatives through the provision of self-development programmes, supervisory skills and career advancement programmes.

Unifying the Efforts of Sustaining 1TM Mindset

We enjoy strong partnerships with NGOs within the organisation such as Kelab TM, Badan Kebajikan Islam TM (BAKIT), Tiaranita and Rejimen Semboyan Diraja Pakar Telekom (RSDPT). Working with these organisations, we are able to reinforce the 1TM mindset. This is especially evident at events such as Karnival Sukan Telekom Malaysia (KASTEL) and Karnival Islam TM 2014 where employees work together irrespective of their functional backgrounds to achieve common goals.

Facts at a Glance

New OSHE
Policy and Management System fulfills MS1722 & OHSAS 18001 standards

288.0% increase
in incident reporting

0 fatal accidents
among employees

SAFETY COMES FIRST: OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENT (OSHE)

Overview

TM maintained our overall Occupational Safety and Health (OSH) performance for the year with only a slight increase in the number and severity of occupational accidents recorded. We also retained a "High" risk rating, which had been brought down from "Extreme" in 2012.

Safety Performance

The year under review saw a total of 53 accidents compared to 32 in the previous year. This represented an accident rate of 1.11 per 1,000 employees including contractors, which was slightly higher than the previous year's rate of 0.57 per 1,000 employees. Most of the accidents involved workers falling from staircases, ladders or poles. At the same time, the severity of accidents measured in terms of Lost Time Injury (LTI) increased from 360 days in 2013 to 554 days in 2014. More positively, there was a 288.0% increase in near-miss accident reporting from eight to 31, indicating an increase in awareness among employees of the need to report incidents at the workplace.

TM also maintained our zero fatality record first attained in 2010, although there was one fatality among our contractors in Bau, Sarawak due to electrocution by high-tension power transmission lines in March.

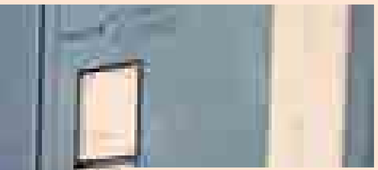
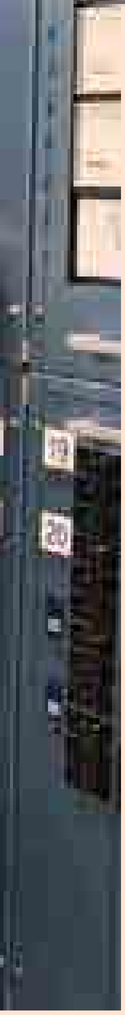
Activities and Programmes

Compliance

TM complies with the Occupational Safety and Health Act (OSHA) 1994 and its regulations in order to promote a safe and healthy work culture.

Steering and State OSHE Committees

In 2014, TM continued strengthening our Occupational Safety, Health and Environment (OSHE) Steering Committee. The State OSHE Committees and Building/Premises OSHE Committees demonstrated compliance with the

requirements of OSHA 1994 and Occupational Safety & Health (OSH) Committee Regulations 1996. Meanwhile, the Steering Committee visited a number of TM stations: Malaysia Logistics Larkin, TM Sentosa Johor Bahru, Raub Exchange, Bentong Exchange and TM Network Operation Centre (TM NOC), Cyberjaya.

OSHE Management System (OSHE MS) Review

Following completion of the OSHE MS review based on MS 1722:2011 and OHSAS 18001:2007 at the end of 2013, the OSHE Policy and OSHE MS Manual were approved and signed off by the TM Group Chief Executive Officer on 7 July 2014. Subsequently, the new OSHE MS was implemented nationwide.

OSHE Promotion at the Workplace

Continuous efforts are made to recognise OSHE in promoting a safe and healthy work culture.

OSHE Campaign

Various OSHE activities have been implemented by the OSHE team and committees to mitigate OSHE-related risks. These include continuous OSH inspections, OSHE Week, OSH Health Day, OSHE online portal, OSHE Committee meetings, OSH plans, OSHE alerts, OSH Legal Register, OSH Compliance Audit, 5S activities, fire drills and emergency response exercises. These activities drive a greater sense of responsibility among all employees of TM, our subsidiaries and contractors towards maintaining a safe workplace.

In 2014, our three state offices in Kuala Lumpur, Johor and Sabah organised their own OSHE Week campaigns to increase safety and health awareness. In addition, OSH Race Competitions were introduced for the first time in Melaka, Negeri Sembilan and Johor.

Contractor Management

Various programmes were held to improve our contractors' safety awareness. Our contractors were also invited to our OSH seminars, trainings, briefings, exercises and competitions. OSH awareness programmes are held continuously to ensure our contractors' management and workers understand their responsibilities to meet OSH requirements. All new and existing contracts will include provisions on OSH requirements and OSH guidelines. Meanwhile our offices in Negeri Sembilan, Johor and Perak continued with their OSHE mentor-mentee programmes in collaboration with the respective state Departments of Occupational Safety and Health (DOSH).

NIOSH-TM Safety Passport (NTMSP)

Approximately 45,000 contractor workers have been trained under the joint programme between the National Institute of Occupational Safety and Health (NIOSH) and TM. NTMSP is compulsory for any worker entering a TM work-site or implementing any work related to TM.

OSH Plan

All contractors and suppliers are continuously trained and guided to provide an OSH Plan to ensure they comply with OSH requirements and to prevent any injury during the delivery of services or goods. The OSH Plan has to be approved prior to the implementation of work.

OSHE Training

Concerted efforts are made to improve the knowledge, understanding and competency of TM employees with regard to Occupational Safety, Health and Environment. This is to ensure that OSHE becomes an important aspect of the work environment and is embraced as part of our corporate culture. OSHE training is conducted either by external or in-house resources. These include Safe Work Instruction Training Programmes, Effective Supervision (With Supervisor Log Book), Authorised Entrant and Stand-By Person, Basic Occupational First-Aid (BOFA), OSH Awareness, OSH Management System, OSH MS Lead Auditor, Internal Auditor and Ergonomics. In December 2014, the OSHE unit introduced a Basic OSHE Awareness e-Learning module.

Workplace Safety

TM has taken reasonable and practical steps to identify hazards and minimise work-related risks.

Hazard Identification Risk Assessment & Risk Control (HIRARC) Programme

Network Operation Centre, Special Network Services, TM Fleet Management and Malaysia Logistics are in the process of completing their HIRARC programmes. The programme was extended to all OSHE Committees to identify possible hazards, assess risks and eliminate them as far as practicable for safety and health at the workplace.

Ergonomics

Since the Office Ergonomics Guidelines were launched on 5 March 2013, Ergonomics Training for Ergo-Leads and Ergo-Contacts has been conducted nationwide involving 500 employees.

Environment

To date, the EMS 14001 has been implemented by Property Management and Operation. The standard will be expanded nationwide after a review scheduled for the first quarter of 2015 to upgrade the level of implementation. Meanwhile, the OSHE team underwent Basic Environment and EMS 14001 Training in 2014.

Audit Programme

The OSH audit is one of the most important components of OSH MS. Accordingly, we have trained the OSHE management team to conduct the audit and appointed it as the OSH MS Lead Auditor. All state OSHE teams have also been trained and appointed as OSH MS Internal Auditors. Our trained teams subsequently conducted internal audits in all the states. In addition, an internal audit was conducted by Group Internal Audit at identified states.

Subsidiaries' Safety Performance

Our subsidiaries recorded a significant improvement in their safety and health performance. Throughout 2014, a total of 12 accidents were reported, 54.0% less than the previous year. Additionally, a total of 48 days in Lost Time Injury was recorded, 75.0% less than the previous year's 193 days.

Way Forward

TM aims to ensure that all employees, contractors and subsidiaries comply with all legal OSHE requirements, are aware of the importance of safety and health at the workplace, and practise safety as part of the work culture. Accordingly, we will continue to prioritise the implementation of OSHE MS, HIRARC, internal audits, enforcement, workplace inspections and consequence management.

CORPORATE RESPONSIBILITY

OUR SUSTAINABILITY IS UNDERPINNED BY AN ENERGISING AND PURPOSE-DRIVEN BUSINESS MODEL ROOTED IN INNOVATION. FORWARD THINKING HELPS TM REDEFINE HOW ISSUES ARE SOLVED.

Scan to download

Interactive TM Sustainability Report 2014
www.tm.com.my/annualreport/2014/sr

In recent years TM has steadily transformed into a sustainable growth company. Sustainability is embedded in every aspect of what the Company does, from driving our product development and manufacturing to how customers use our products. It improves our health and safety scorecard; and sees TM engage actively with our stakeholders, contribute in a meaningful way to local communities, and minimise our environmental impact.

Our sustainability is underpinned by an energising and purpose-driven business model rooted in innovation. Forward thinking helps TM redefine how issues are solved, and is vital for delivering innovative solutions today and anticipating the needs of tomorrow. TM engages actively with our stakeholders, contribute in a meaningful way to local communities and minimise our environmental impact. At the same time, we have continued to leverage on innovation and technology to use our resources more efficiently to increase productivity.

Our initiatives led to a number of notable successes, highlights of which are summarised in the following pages. For a fuller account of our sustainability efforts, stakeholders are kindly advised to refer to our stand-alone Sustainability Report.

TM Materiality Study

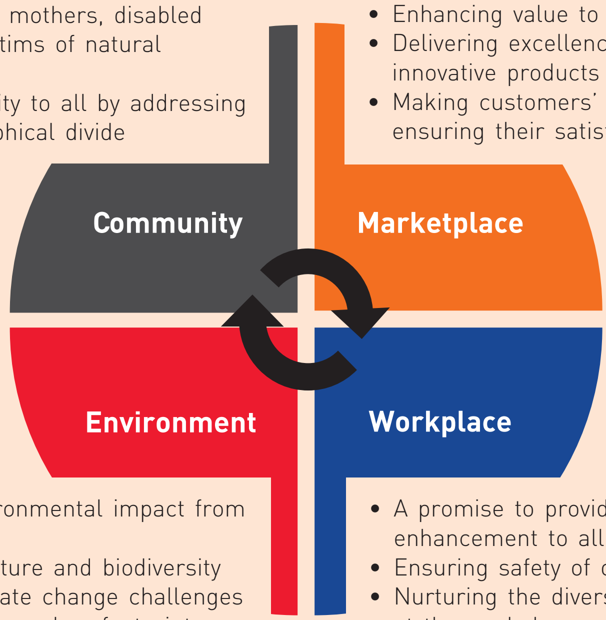
In 2014, we embarked on the latest generation of Sustainability Reporting Guidelines developed by the Global Reporting Initiatives (GRI), the GRI G4. This new reporting standard led to TM's stakeholders and materiality survey. Input from all stakeholder groups engaged by TM were considered and the concept of materiality was placed at the heart of its sustainability reporting. As sustainability is one of TM's five strategic objectives, it is essential to align the stakeholders' expectations with those of the organisation. TM conducted a detailed materiality study, which is the most comprehensive study ever performed in this area.

3,633 stakeholders rated the importance of all aspects of TM's sustainability; directors and senior management represented the views of TM. The results of the analysis were used to develop a materiality matrix which is shown below.

Sustainability Key Areas at TM

- Supporting the Government's goal in becoming a high-income nation by stressing on Education and Human Capital Development
- Addressing societal needs by empowering single mothers, disabled community and victims of natural disasters
- Enabling connectivity to all by addressing digital and geographical divide

- Integrating sustainability into our supply chain process
- Enhancing value to the industry
- Delivering excellence through quality and innovative products and services
- Making customers' life easier and ensuring their satisfaction



- Minimising environmental impact from our operations
- Protection of nature and biodiversity
- Addressing climate change challenges by managing our carbon footprint
- Conserving resources including energy and water

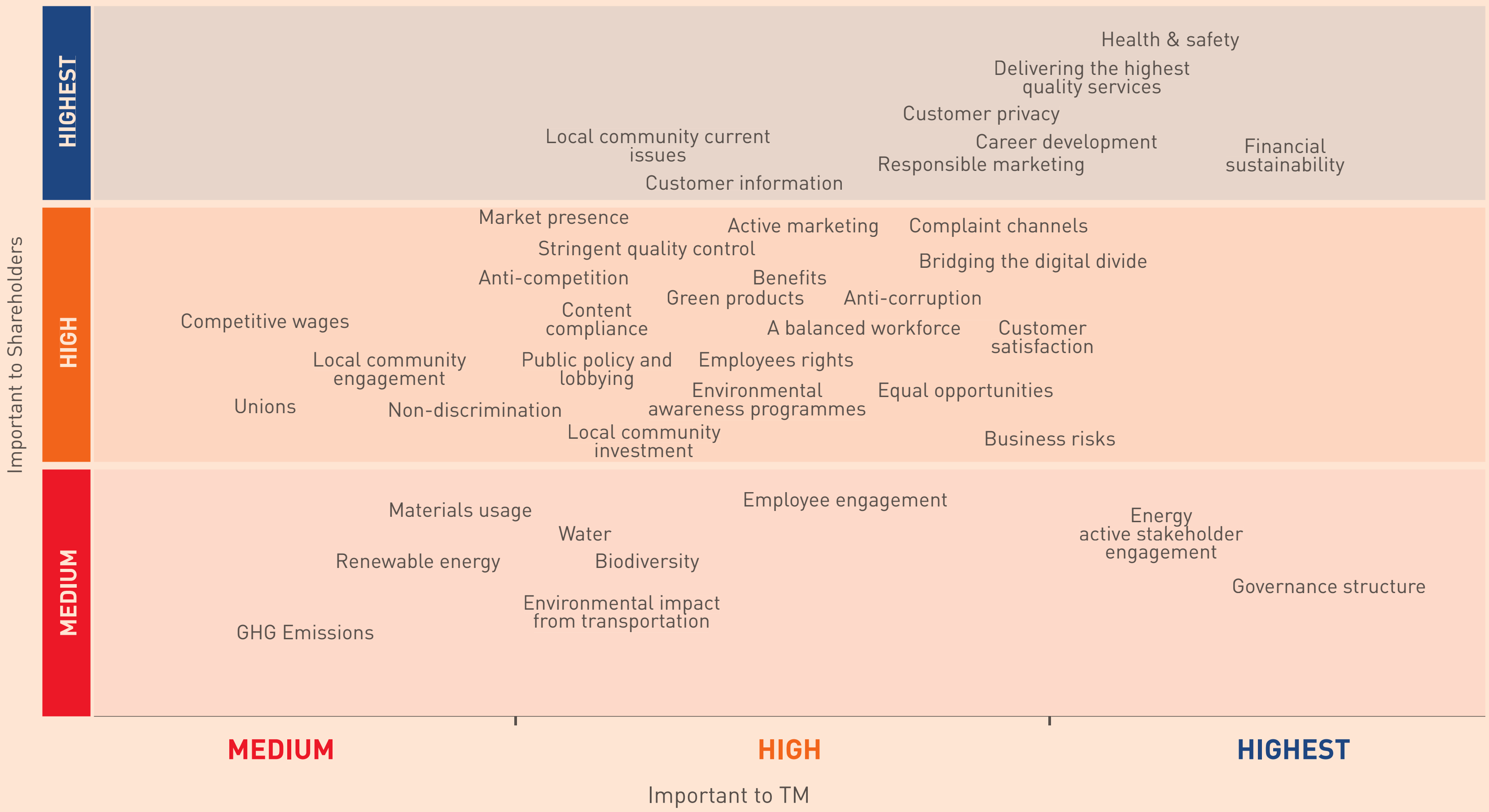
- A promise to providing career enhancement to all employees
- Ensuring safety of our employees
- Nurturing the diverse talent we have at the workplace
- Being an 'Employer of Choice'

Facts at a Glance

3,633 stakeholders
responded in TM Materiality Survey 2014

>RM2.0 million
Spent for TM School Adoption Programme since 2003

>1,006 TM ROVers
deployed for flood relief missions as at 28 February 2015



Mapping of TM Materiality Survey result based on the importance to TM and its Stakeholders

Our Commitment in the Marketplace

TM is guided by honesty, integrity, professionalism and excellence in our business conduct with all stakeholders. To ensure the highest level of business ethics across our value chain, we encourage our partners and suppliers to adopt responsible practices. We work closely with supply chain partners to achieve the highest efficiency possible. We protect our shareholders by maintaining good corporate governance. And we constantly innovate to offer products and services that make a difference to customers' lives.

Bumiputera Vendor Development Programme (VDP)

TM has long been a driver of the VDP being one of the first GLCs to establish and implement this programme which focuses on supporting high quality, value-added and the sustainable development of TM vendors.

Our 2014 key performance indicators (KPIs) included the development of Bumiputera champions. Towards this end, we seek to strengthen our vendors and increase their ability to compete in the market. We had set a target to award 40.0% of our contracts to Bumiputera vendors and exceeded this by achieving a rate of 47.0%. We will continue to promote this segment with more focused efforts to increase their skills and competencies.

Workforce Management System (WFMS)

WFMS focuses on continuous improvement in customer service via operational excellence. Through our WFMS, we have automated previously manual activities thus reducing human error and management costs. Through the system, further, we provide online updates to our installation teams and other contractors, facilitating their work in enhancing the quality of services.

Supplier Relationship Management (SRM)

SRM is a web-based purchasing platform that delivers sustainable savings and value generation for world-class supply management. The full supply cycle is covered including strategic sourcing, operational procurement and supplier enablement, leveraging consolidated content and master data. SRM enables end-to-end procure-to-pay business processes, reducing the time and cost to qualify suppliers with Systems, Applications and Products (SAP) SRM. Suppliers are managed according to goods and services they provide by relevant product categories. At the same time, it may reduce Carbon Footprint and encourage TM vendor using the internet for invoicing.

Quality Management System (QMS)

TM R&D's web-based QMS serves as a platform for TM R&D personnel to obtain full information for reference and action regarding ISO 9001:2008. It promotes continuous improvement and effectiveness by ensuring sufficient availability of resources and information necessary to support operations. To further enhance TM R&D's internal processes and productivity, they are upgrading the QMS to ISO 9001: 2015.

TM's E[3] Infra – Efficient, Effective, Elastic

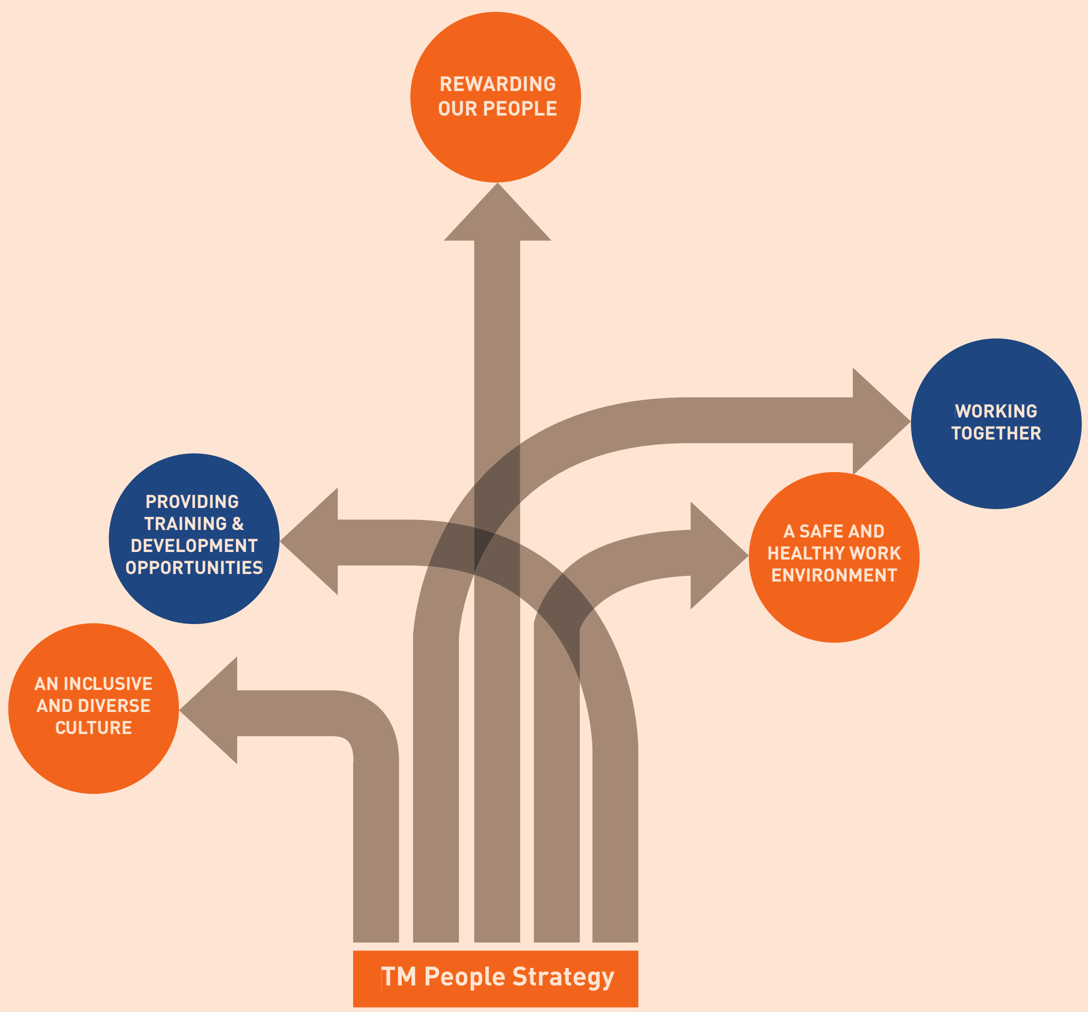
TM's E[3] Infrastructure is smart, agile, flexible, modular, scalable, secured and cost-effective, supporting TM's ambition to be a one-stop centre satisfying all the needs of corporate clients. The principles of continuous improvement, quality in everything we do, cost discipline and smart customer centricity underlie all the initiatives identified under each strategic theme.

Further enhancing TM's E[3] Infra, IT&NT strives to deploy Green Network elements and infra which are energy efficient, made from hazardous-free materials and manufactured in environment-friendly methods. Among the operational and design best practices implemented are equipment layout remodelling, network platform consolidation and optimal temperature management. Among the initiatives that have been identified in 2014 are cloud-based infrastructure, network/IT platform migration, network/system infrastructure optimisation and security. IT&NT plans to complete the current transformation to strengthen the E[3] infrastructure and move towards service-centric operations.

Embracing "Life Made Easier"

We are continuously looking for ways to make life easier for our customers. During the year, this saw us set up more TMpoint outlets and install more payment kiosks at these outlets, where customers can pay their bills at their convenience 24/7. As a result, today we have a total of 169 TMpoint outlets and 149 kiosks nationwide. In addition, TM's Autopay and Rebate system which are easy-to-use tools for payment are being made available for our customers to manage their bills efficiently at the tip of their hands.

We also implemented a Voice of Customer (VoC) mechanism to capture customers' feedback and respond to any dissatisfaction. In September 2014, an SMS rating system was introduced for customers to provide feedback on their interaction with sales agents and TMpoint frontliners. Similar feedback systems will be introduced for other touch points such as call centres, and installation and restoration teams in 2015.



Customer Privacy

The Personal Data Protection Act 2010 (PDPA) was passed in 2010 and came into force on 15 November 2013. TM endeavours to comply fully with this Act and has introduced a Privacy Notice. TM only uses customers' personal information to:

- Assess applications or continued provisioning of products and/or services;
- Verify and process payment, billing and billing enquiries;
- Deliver customised advertisements and content on TM's websites;
- Respond to customer enquiries;
- Research historical and statistical data and analysis;
- Perform general operation and maintenance of products and services including audit and its related websites;
- Conduct general verification;
- Periodically match customer data;
- Provide customers with regular communications relating to products and services provided;
- Investigate complaints, suspected suspicious transactions and research for service or products improvement; and
- Comply with any regulatory, statutory or legal obligation such as the provisioning of Directory Assistance Service 103 as part of the Required Applications Services.

TM ensures that customers' personal information is not disclosed to any unauthorised third parties. However, personal information may be disclosed in certain cases such as for legal reasons, litigation or requests from public and governmental authorities. Information may also be disclosed if it is needed for national security, law enforcement or other issues of public importance.

Anti-Corruption

TM is committed to conducting business openly, honestly and ethically and has adopted a zero tolerance approach to all forms of corruption. TM does not offer monetary or in-kind political contributions to political party officials or candidates for public office without approval from TM's Board or Group CEO.

High risk divisions have been identified based on their involvement with external parties, business partners and authorities. Various engagement and awareness sessions have been delivered to this high risk group of employees. Methods of engagement and awareness include reaching out sessions that strengthen and emphasise the importance of ethics, integrity standards and behaviour.

The reaching out programmes ensure that employees understand ethics and integrity best practices. In 2014, TM conducted more than 30 sessions covering the line of business, states and subsidiaries. In 2014, we conducted more than 30 sessions covering our Lines of Business, state operations and subsidiaries, which were attended by approximately 39.0% of Management and 10.0% of non-Management. The reaching out sessions covered our Kristal Value of Uncompromising Integrity.

Our Commitment in the Workplace

TM recognises that our success depends on our more than 28,000 employees nationwide, who are responsible for driving the innovations that maintain TM as the market leader. This year, key focus areas for employee engagement included connecting employees at all levels of the organisation; communicating the unique role of every employee in driving innovation; giving back to the business, and serving our customers and local communities.

We're All in This Together

TM is committed to building a community that includes all levels and roles within the company. Top management have recommitted to building connections across the organisation, transparency, driving communication and high levels of collaboration.

Employee engagement is the key factor that drives TM's sustainability. Engaged employees are more involved in their work and more likely to innovate. They make TM a better environmental steward and contributor to society, and are more satisfied, productive and loyal. By engaging employees, sustainability practices are able to advance and sustainable practices can be established as the company's norm.

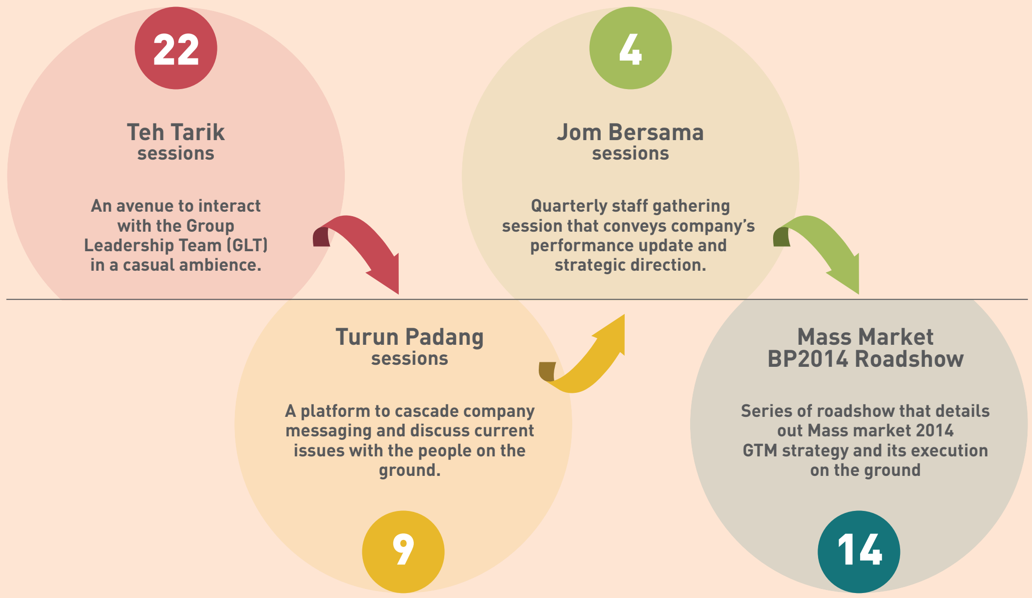
Since 2009, My1TM Survey has been employed annually to measure employee engagement. All employees are surveyed other than those who have tendered their resignations or joined the company after the agreed cut-off date. The finding are discussed and syndicated at the top management level. Key drivers that sustain the engagement level of the workforce are addressed. Areas of improvement are also highlighted that may otherwise lead to an increased number of disengaged workforce. The results are communicated to the respective divisions for the deployment of action plans. TM scored 90.0% in this survey in 2014, which has been at the same highly engaged level for the past three years, with 89.0% of all employees responding.

Internal Publications and Channels

752	Email Broadcasts issued
98	Snippets (9 topics) issued
48	1Suara News video published
16	GCEO Messages issued
12	Newsflashes released
7	Pespektif Videos published

Jom Bersama Session with GCEO held quarterly to engage and update employees.

Harnessing Passion Through Engagement



Employee Volunteerism

TM fully supports employee volunteerism, especially in areas that develop society and the country. We are particularly supportive of volunteerism activities that are in line with our corporate responsibility (CR) values of community development, nation-building, education and environmental protection. Employee volunteerism strengthens teamwork and reinforces employee engagement at work.

Through TM Reaching Out Volunteers (ROVers) our employees can take part in various meaningful community outreach programmes. TM ROVers demonstrated their true spirit during the year, in the manner in which they rallied together to come to the aid of victims of the massive floods in the East Coast. Not only did they provide support to colleagues who experienced substantial loss of property in the calamity, they served as many affected Malaysians as they could. More than 1,006 TM ROVers were deployed in flood relief missions in December 2014 to February 2015.

Various activities were organised in 2014 to instill the spirit of volunteerism. These included a half-day training workshop with MERCY Malaysia on 2 December at TM Convention Centre, which saw the attendance of more than 20 TM ROVers along with participants from other GLCs. We plan to strengthen the foundation of TM ROVers by equipping them with adequate training and formalising a policy on volunteerism.

TM Works Hand-in-Hand with GLCs to Help Victims of Natural Disasters

The GLC Disaster Response and Relief Network (GDRRN) was launched to enable G20 to help the Government support Malaysian communities affected by natural disasters by providing services and timely and coordinated disaster relief. G20 includes a team of Government-Linked Investment Companies and Government-Linked Companies.

Led by Khazanah Nasional and together with Majlis Keselamatan Negara (MKN), the objective of GDRRN is to improve the coordination and collaboration by the G20s, avoid redundancies and duplication of support services and holistically support the disaster relief activities.

TM launched its TM ROVers, to support this mission. TM ROVers were together with Rejimen Semboyan Diraja Pakar Telekom (Pakar Semboyan), a Territorial Army regiment that safeguards essential telecommunications services during national emergencies or natural disasters.

TM also invited its business partners to provide relief to victims of natural disasters. Donations were welcomed and distributed to relief centres affected by the floods via the Ministry of Communications and Multimedia Malaysia.

Competitive Benefits

According to a competitive remuneration system that compares TM with the market, we offer the most attractive benefits in certain areas within the industry.

Employees' pension liabilities are fully covered through the EPF scheme, while insurance coverage is also provided to all full-time employees. According to their level in the organisation, our employees are also given allowances and reimbursement, company vehicles, club membership, flexible employment conditions, leave, loans, medical and retirement benefits.

A Flexi Plan comprising core and optional benefits was introduced in April 2014 to cater for employees with different needs and expectations. In addition to core benefits that meet statutory requirements, we are offering 25 optional benefits employees can choose from depending on the number of Flexi Points they have accumulated in their Flexible Spending Account (FSA).

On 13 October 2014, in response to requests from employees, we announced Skim MESRA, which gives employees the option to retire with special incentives and designated benefits at any age between 55 and 60. This scheme was implemented effective from 1 July 2013, when the Minimum Retirement Age Act 2012 was implemented, raising the retirement age from 55 to 60.

TM ROVers assisting MERCY Malaysia with flood relief efforts in The East Cost as part of GLC Disaster Response and Relief Network.

Career Development

TM has outlined a development roadmap which identifies, builds and sustains leaders at all levels. High-achieving young executives are enrolled in a rigorous Fast Track Programme (FTP) through which they receive intense training and mentoring while also engaging with the leadership.

In 2014, talents across TM were involved in a 'needle-moving' project which enabled them to play more active and significant roles to reveal their leadership potential. During the year, TM has also introduced the concept of a lean management to increase workplace productivity and efficiency. Employee productivity is focused on five dimensions of performance management, organisation and skills, mindsets and behaviours, process efficiency and the customer.

Performance Management

At TM, Performance Management is about establishing a clear vision of what is to be achieved. It aligns employees' skills and competency requirements with development plans and the delivery of results. Performance Management comprises three cycles – performance contracting, performance tracking and performance evaluating – which take place continuously throughout the year.

Freedom of Association and Collective Bargaining Agreement

Non-executive employees enjoy freedom of association and are able to join and leave TM's unions as they see fit. The unions, managed by Union Management of Group Human Capital Management (GHCM), are empowered to take collective action to pursue employees' interests within the boundaries of Malaysian Employment Law.

The last round of Collective Agreements (CA) were signed with Kesatuan Kebangsaan Pekerja-Pekerja Telekomunikasi Semenanjung Malaysia (NUTE), Kesatuan Pekerja Telekom Malaysia Berhad Sarawak (UTES) and Kesatuan Pekerja-Pekerja Telekom Malaysia Berhad Sabah (SUTE) on 19 July, 23 July and 24 July 2013 respectively. The CAs, which provide monetary and non-monetary benefits to all 24,891 permanent non-executives employees nationwide, are valid until December 2015.

TM Union Membership Breakdown for 2012 to 2014

Year/Union	NUTE	UTES	SUTE
2012	8,147	987	726
2013	9,347	1,092	761
2014	9,204	1,074	777

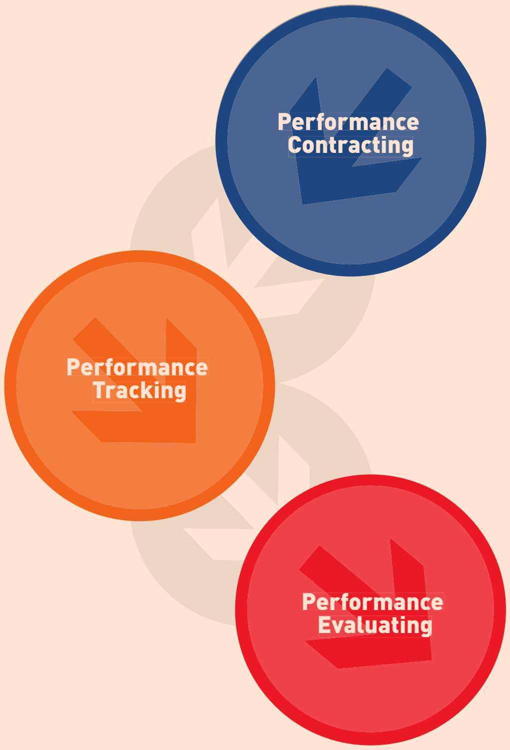
Our Commitment in the Community

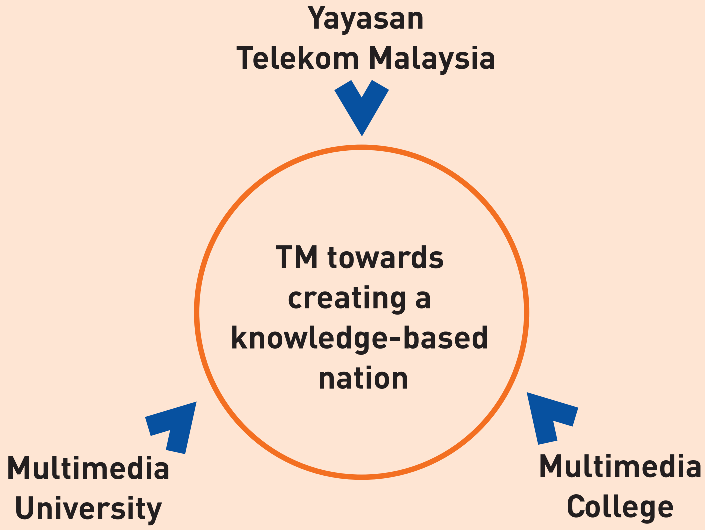
As part of our commitment to good corporate citizenship, TM supports a variety of worthwhile causes, integrating as far as possible our business expertise into our community initiatives to make our efforts more sustainable. We concentrate our efforts on bridging the digital divide between urban and rural communities, empowering individuals, families and communities to connect, communicate and collaborate.

Capacity-Building through Education

Capacity-Building through Education

TM has in place a comprehensive Sustainability strategy with a major focus on education. Our approach to education and skills development has a multiple focus. We envisage a deeper and focused penetration of quality education through Yayasan Telekom Malaysia (YTM) and our education arms, Multimedia University (MMU) and Multimedia College (MMC).





TM School Adoption Programme

TM collaborates with PINTAR Foundation through its school adoption programme, striving to foster academic and non-academic excellence particularly for the students in rural areas. The aim is to improve socio-economic standards through education. It redefines school adoption programmes in line with the government's call under the Tenth Malaysia Plan to achieve a high-income economy nation.

To date, TM has spent more than RM2.0 million to its school adoption programme. More than RM186,000 was spent on four adopted schools in 2014. TM's PINTAR programme has touched the lives of more than 19,526 students, teachers, parents and local community members near to the adopted schools.

Schools	Teachers & Support Staffs	Students
SMK Munshi Abdullah, Sg Air Tawar, Selangor	85 teachers and 18 support staff	821
SMK Orang Kaya Haji, Kuala Lipis, Pahang	46 teachers and 13 support staff	515
SMK Chenderiang, Tapah, Perak	60 teachers and 10 support staff	693
Sekolah Pendidikan Khas Pekan Tuaran, Tuaran, Sabah	21 teachers and 20 support staff	37

TM Robotics Programme promotes creativity and innovation among students which are the key elements in Higher Order of Thinking Skills (HOTS) to equip the students with the right critical thinking and problem solving skills.

Some of the more significant activities organised for the adopted schools are summarised below.

TM Robotics Programme

In 2014, we collaborated with, Sasbadi Sdn Bhd, to run the TM Robotics Programme, and enrolled three of our TM adopted schools in the tournament First Lego League (FLL) Malaysia: SMK Chenderiang, Perak; SMK Orang Kaya Haji, Pahang; and SMK Munshi Abdullah, Selangor including TM's sponsored school Sekolah Berprestasi Tinggi Tun Abdul Razak, Pahang. The programme promotes creativity and innovation among students which are the key elements in Higher Order Thinking Skill (HOTS) to equip the students with the right critical thinking and problem solving skills.

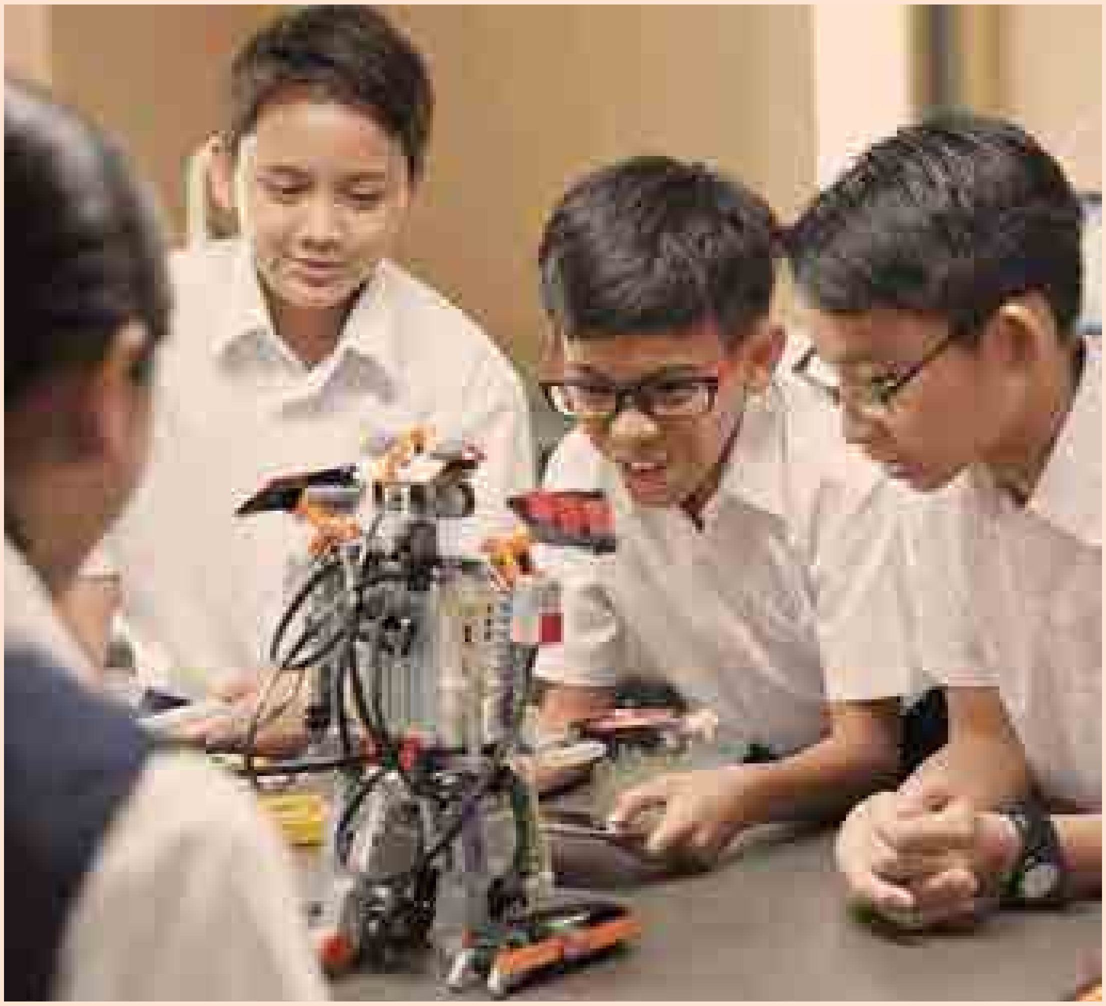
TM-PINTAR Website and Blog Competition

We organised a website and blog competition among our four adopted schools to promote an integrated digital lifestyle and create awareness of ICT including social media ethics among students, teachers and the Communities.

Community and Nation-Building Initiatives

Program Sejahtera

Program Sejahtera at Kelantan helps five single mothers to provide for their families financially and improve their lives. The single mothers receive basic skills training and attend entrepreneurship workshops where they are exposed to networking and business opportunities.



TM Robotics Programme.

TM provides small grants to help them establish, or enhance, their businesses while enrolling their children who qualify into MMU or MMC to increase their future earning potential. In 2014, academic assistance was provided to three children at MMC and one at MMU.

Bridging the Digital Divide

The Universal Service Provision (USP) promotes the widespread availability and use of network and application services throughout Malaysia by encouraging the installation of network facilities and the provision of services in underserved areas or for underserved groups within the community.

Currently, USP projects has extended its reach beyond rural areas. It deploys telecommunication infrastructure, submarine cables, WiFi hotspots, wireless broadband, payphones and community broadband centres. USP investments are made in cooperation with the MCMC. USP projects undertaken by TM from 2012 and 2014 are summarised below.

List of USP Project awarded to TM	No. of sites awarded
Pusat Internet 1Malaysia (PI1M)	355
Payphone	2,714
LTE	307
Kampung Tanpa Wayar (KTW)	1,837
DEL	59,000 DEL lines
Sistem Kabel Rakyat 1Malaysia (SKR1M)	3,500km
Community Broadband Library (CBL)	43
WiFi 1Malaysia (WI1M)	286
Mini Community Broadband Centre (Mini CBC)	56

Our Commitment in the Environment

TM is committed to managing the environmental footprint of all our operations and seek continuously to improve our energy efficiency, thus reduce our emissions and enhance resource conservation. We also believe that innovative communications technologies can create energy efficiencies, and this forms the basis of our products and solutions.

Environmental Management System (EMS)

We have in place a comprehensive EMS which improves our environmental performance, providing an efficient way to manage our requirements and programmes in the immediate and long term. The EMS also helps us allocate our resources and assign responsibility for environmental stewardship in an efficient manner.

Energy Management

TM's electricity consumption can be divided into two main categories: telecommunications network including our data centres, telecom exchanges and access infrastructures; and non-network infrastructure such as commercial and office administration buildings.

In 2014, our network infrastructure consumed 91.0% (533.78GWh/year) of our total electricity consumption of 588.53GWh/year while non-network consumed the remaining 9.0% (54.75GWh/year).

During the year, we established a new electricity consumption baseline of 612.2GWh for year 2013, and set three-year targets (2014 to 2016) based on a 20GWh/year reduction per year, leading to a total reduction of 60GWh by 2016.

In 2014, Property Operations and the Support Business introduced five energy saving initiatives at our commercial buildings, telecom exchanges and cabins nationwide:

- Electricity savings from PSTN migration
- Improving cooling system efficiency at all TM's sites
- Temperature adjustment
- Air conditioner replacement with inverter type
- Other Initiatives in commercial buildings

As a result of these initiatives, TM saved approximately 23.7GWh of energy in 2014, which is equivalent to a reduction of over 17,681 metric tonnes (MT) of CO2 (at a conversion factor of 1kWh = 0.747kgCO2).

Telecommunications electricity consumption depends on network growth. As networks serve more subscriberss with higher bandwidth traffic, consumption will increase.

In 2014, a green project management office was established to embark on a sustainable green framework which includes a new baseline, energy efficiency metrics and carbon reduction plan.

In 2015, TM will establish new energy efficiency metrics for baseline and benchmarking for:

- Power usage effectiveness (PUE) for network buildings
- Building Energy Index (BEI) for non-network buildings
- Network efficiency in terms of consumption per subscriber, for networks

TM empowers enterprising single mothers with small grants, training and tools to help them establish and enhance their businesses. Their children, who qualify, are enrolled into MMU or MMC to ensure that they get the best opportunities to suceed in life.

TM IS COMMITTED TO MANAGING THE ENVIRONMENTAL FOOTPRINT OF ALL OUR OPERATIONS AND SEEK CONTINUOUSLY TO IMPROVE OUR ENERGY EFFICIENCY, THUS REDUCE OUR EMISSIONS AND ENHANCE RESOURCE CONSERVATION

Managing Ozone Depletion

In 2014, the refrigerants in 275 air-conditioners were replaced with R-410. Details of the replacement programme are summarised in the table below.

Installation of Air-Conditioners using Green Gas in 2014

Region	Type of Green Refrigerant	No. of Aircond Installed
Central	R-410A	56
Northern	R-410A	20
Southern	R-410A	49
Eastern	R-410A	68
Sarawak	R-410A	67
Sabah	R-410A	15
TOTAL	**R-410A**	**275**

Fire-Fighting system – use of Novec

Property Operations (PO) has been replacing Halon 1301, which damages the ozone layer, with a more environmentally-friendly media system based on a new-generation gas, Novec 1230. Currently, TM has 15,848.70kg of Halon 1301. Details of the Halon 1301 replacement programme in 2014 are summarised in the table below.

Halon 1301 Replacement in 2014

State/Region	Quantity Replaced (kg)
Eastern	500.0
Sarawak	Nil
Central	3,741.0
Southern	3,035.0
Northern	2,000.0
Sabah	Nil
Total	**9,276.0**

Waste Management

Property Operations (PO) introduced a programme to reduce the large daily quantities of solid waste generated in Menara TM. Typical waste consists of paper, tissue papers, old newspapers, used boxes and food.

The two main categories of waste identified at TM are:

- Solid waste comprising office paper and food waste
- Scheduled waste resulting from maintenance and non-maintenance activities in accordance with First Schedule, Parts 1 and 2, Environmental Quality Act (EQA) 1974 Regulations (Scheduled Waste) 2005. This category of waste includes fluorescent bulbs, oil waste, rags, discarded batteries and aerosol cans.

TM promotes green initiatives to sustain a workable and liveable environment. Since 1 January 2012, all housekeeping contractors in Malaysia have been required to use biodegradable cleaning chemicals.

Other Environmental Initiatives

Acoustic treatment of Generator Sets

In 2014, 12 standby generator sets were replaced nationwide to strengthen the reliability of backup power supply and sustainability of the environment. The new generator sets comply with DOSH guidelines and conform to the EQA 1974 and Regulations on dark smoke, air impurities, clean air, noise limit and control. The replacement of generator sets by region is presented in the table below.

Replacement of Generator Sets by Region in 2014

Region	Generator Set						Total
	60kVA	100kVA	150kVA	250kVA	500kVA	750kVA	
Eastern				2			2
Northern	1	1	1	1		1	5
Southern					1		2
Sabah	3	1					4
Total	**4**	**2**	**1**	**3**	**1**	**1**	**13**

Menara TM is one of the most energy efficient buildings in the country.

Environmental Awareness at TM

BumiKu Tropical Wilderness Camp 2014

The Bumiku Tropical Wilderness Camp 2014, held from 14-16 November, was attended by nearly 150 TM ROVers. The three-day activity was held at Endau-Rompin National Park, Johor themed "Experience Splashing Thrills and Rainforest Adventure". This was the fifth Bumiku Camp to be organised in collaboration with the Malaysian Nature Society (MNS).

The aim of our annual Bumiku Camps is to promote the importance of preserving the environment among employees of TM and our subsidiaries. We also make the most of the opportunity presented by these events to contribute to communities in need. During the 2014 camp, TM ROVers organised a gotong-royong programme at the Orang Asli village in Kampung Peta Endau-Rompin, Johor which saw them install lights, fans and a basic audio system in the community hall. They also painted and refurbished the hall and repaired the public toilets. In addition, they helped to paint a mural in the kindergarten, planted fruit trees and gave stationery to students of Sekolah Kebangsaan Peta. Supplementing their activities, TM donated clothes, books and a mower to the local community.

Bumiku Share-A-Ride

Share-A-Ride is a car pool programme for staff, introduced to reduce our carbon footprint. Cars with at least four staff are allocated parking space in the limited Menara TM carpark. A total of 30 lots at Menara TM and 10 at TM Annexe have been reserved for Share-A-Ride. Not only does this initiative contribute to the environment, it has also helped to address the problem of shortage of parking space. Parking space allocation for the programme is renewed every three months to allow as many staff as possible to benefit from it.

Earth Hour 2014

Earth Hour and Earth Day help to generate awareness, interest and concern over the global threat of climate change. During Earth Hour from 8.30 pm to 9.30 pm on 29 March 2014, TM premises nationwide switched off their lights and all electrical appliances. Adding to this, TM Support Business organised a Hari Bumi Campaign from 21-25 April 2014 during which all TM premises across Malaysia increased their air conditioner temperatures by one degree Celsius from their normal settings. No plastic bags were handed out. We also held a selfie competition with the coolest Earth Day pledge entries winning awards.

TM-MMU Mudball Project 2014

TM-MMU Mudball Project 2014 was held at MMU Cyber Lake on 20 August, attracting the participation of TM, YTM scholars, MMU employees and students. During the event, more than 5,000 mudballs known as EM (effective micro-organisms) were thrown into the lake. Composed of a variety of microbes including lactic acid bacteria, yeast and phototrophic bacteria as well as a mixture of molasses, dried dirt and rice, the balls re-establish populations of beneficial micro-organisms in water that prevent the growth of bad microbes.

One of the many local community engagement activities done in conjuction with the TM BumiKu Tropical Wilderness Camp 2014.

The biometrics in MMU Cyber Lake improved signficantly following the Mudball Project as presented in the table below:

Parameter	Result before TM-MMU Mudball Project	Result after TM-MMU Mudball Project
pH	6.90	7.70
Dissolved Oxygen Biochemical	9 mg/l	4.3 mg/l
Orygen Demand (BODS)	12 mg/l	10 mg/l
Chemical Oxygen Demand (COD)	35 mg/l	39 mg/l
Suspended Solids	54 mg/l	33 mg/l
Ammoniacal-Nitrogen	6.8 mg/l	2.62 mg/l
Coliform (A54276.4-1 995)	1,460	2,300
Faecal coliform	1,220	700
Phosphorus	0.01 mg/l	<0.1 mg/l
Nitrate-Nitrogen	0.11 mg/l	0.53 mg/l
Turbidity	32.7 NTU	46.7 NTU

TM Earth Camp

The three-day TM Earth Camp was launched in 2010 in partnership with the Malaysian Nature Society (MNS), targeting students who are members of their schools' nature clubs. Centred around the five fundamental elements, Earth, Energy, Water, Air and Human. TM Earth Camp increased awareness of Malaysia's rich biodiversity among students, teachers and communities in general.

Each camp features a theme highlighting the unique elements of the respective camp locations.

TM Embarks on MYCarbon Reporting

During the United Nations Climate Change Conference held in December 2009 in Copenhagen, Denmark, the Prime Minister of Malaysia announced a voluntary initiative to reduce the country's CO_2 emissions per GDP by 40.0% from the 2005 level, with technology transfer and financial support from developed countries.

Supporting this national agenda, TM has been reporting our carbon footprint in our Sustainability Report since 2011. More recently, we have enrolled in a two-year MYCarbon Reporting programme initiated by the Ministry of Natural Resources (NRE) and UNDP Malaysia. Such reporting will contribute towards the ministry's efforts to measure progress made in terms of the nation's emissions reduction. At the same time, this reporting portal will guide us towards our goal of reporting our environmental performance nationwide.

Zone	Theme	Date	Location	Activities	Reach
Borneo Zone (Sabah) Team	Energy	25-27 April 2014	Danum Valley, Lahad Datu	Forest trail, rhino pool visit, and a competition to make the tallest and strongest tower from newspapers	Total reach was 126: 31 teachers and 95 students from 17 schools
Southern Zone Team	Biodiversity	2-4 May 2014	Agrotek Garden Resort, Hulu Langat Selangor	Biodiversity introduction, nature game, nature walk, forest introduction and jungle trekking	Total reach was 123: 16 teachers and 107 students from 21 schools
Eastern Zone Team	Water	23-25 May 2014	Tanjung Piai Resort, Tanjung Piai National Park and Pulau Kukup National Park, Johor	Tasting raw honey extracted directly from the beehive; making *keropok lekor*; exploring mangrove and nocturnal living creatures; and craft activities	Total reach was 146: 36 teachers and 110 students from 29 schools
Central Zone Team	Earth, Human & Water	22-24 August 2014	Perlis State Park, Perak, Perlis	Caving, jungle trekking, waste audit at Pasar Wang Kelian, water monitoring, water ecology and nature walk	Total reach was 150: 50 teachers and 100 students from 37 schools
Northern Zone Team	Human	5-7 September 2014	Gunung Stong State Park, Kelantan	Night walk, mural painting, gotong-royong and tree planting	Total reach was 135: 50 teachers and 85 students from 35 schools
Borneo Zone (Sarawak) Team	Air	17-19 October 2014	Similajau National Park, Bintulu, Sarawak	Night walk, nature talk, tree planting, beach clean-up, painting facilities in the park, and maintenance work including repairing benches	Total reach was 134: 48 teachers and 86 students from 12 schools

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FINANCIAL STATEMENTS

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 in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the CA 1965 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 and relevant accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable approved accounting standards have been followed; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, 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 2014

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 2014.

Principal Activities

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 52 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

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	831.8	863.7
– non-controlling interests	10.7	–
Profit for the financial year	842.5	863.7

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 2013, a final single-tier dividend of 16.3 sen per share was paid on 23 June 2014	583.1
(b) In respect of the financial year ended 31 December 2014, an interim single-tier dividend of 9.5 sen per share was paid on 29 October 2014	348.4

The Dividend Reinvestment Scheme (DRS) as explained in note 14(c) to the financial statements was made applicable to the entire final and interim dividend above where the entire Electable Portion of both dividends could be elected to be reinvested in new ordinary shares of RM0.70 each in the Company (TM Shares) in accordance to the DRS.

In respect of the financial year ended 31 December 2014, the Directors now recommend a final single-tier dividend of 13.4 sen per share (Final Dividend) for the shareholders' approval at the forthcoming Thirtieth Annual General Meeting (30th AGM) of the Company.

The Directors has determined that the DRS will be applicable to the entire Final Dividend. The allotment and issuance of new TM Shares in relation to the DRS are subject to the shareholders' approval at the forthcoming Annual General Meeting for the renewal of the authority for the Directors of the Company to allot and issue new TM Shares and the approval of Bursa Malaysia Securities Berhad for the listing and quotation of the new TM Shares.

Share Capital

Shares issued pursuant to Dividend Reinvestment Scheme (DRS)

During the financial year, the issued and fully paid-up share capital of the Company was increased by the issuance of 141,967,019 ordinary shares of RM0.70 each for cash under the DRS as summarised below. Please refer to note 14(c) to the financial statements for further detail on DRS.

	Number of shares issued	Issue price per share RM
Shares issued on:		
– 23 June 2014	89,770,254	5.38
– 29 October 2014	52,196,765	5.67
Total shares issued	141,967,019	

Islamic Medium Term Notes (IMTN)

During the financial year, the Company issued additional IMTN under the IMTN programme approved by the Securities Commission Malaysia as received by the Company on 30 August 2013 with details as follows. Details of the IMTN programme are as disclosed in note 17(d) of the financial statements.

Date of Issue	Nominal Value	Maturity Date
21 March 2014	RM300.0 million	21 March 2024
27 June 2014	RM300.0 million	27 June 2024
7 October 2014	RM300.0 million	7 October 2024
22 December 2014	RM300.0 million	20 December 2024

The proceeds from the issuance of the IMTN are used by the Company to meet its capital expenditure and business operating requirements.

Movements on Reserves and Provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

Statutory Information on the Financial Statements

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps to:

(a) ascertain that actions had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) ensure that any current assets which were unlikely to be realised at their book value in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the Directors are not aware of any circumstances which:

(a) would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent or the values attributed to current assets in the financial statements of the Group and the Company misleading; and

(b) have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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 51 to the financial statements.

Directors

The Directors in office since the date of the last report are as follows:

Directors	Alternate Directors
Tan Sri Dato' Seri Dr Sulaiman Mahbob *[Appointed on 12 January 2015]*	
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	
Datuk Bazlan Osman	
Dato' Fauziah Yaacob	Eshah Meor Suleiman *[Ceased on 31 October 2014]* Dato' Siti Zauyah Md Desa *[Appointed on 5 November 2014]*
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil
Dato' Danapalan T.P. Vinggrasalam	
Datuk Zalekha Hassan	
Dato' Ir Abdul Rahim Abu Bakar	
Dato' Ibrahim Marsidi	
Davide Giacomo Federico Benello	
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	
Gee Siew Yoong *[Appointed on 13 March 2014]*	
Dato' Sri Dr Halim Shafie *[Resigned on 12 January 2015]*	

Pursuant to Article 98(2) of the Company's Articles of Association, Tan Sri Dato' Seri Dr Sulaiman Mahbob who was appointed Director of the Company on 12 January 2015, shall retire at the forthcoming 30th AGM of the Company and being eligible, offers himself for re-election.

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 30th AGM of the Company and being eligible, offer themselves for re-election:

(i) Dato' Fauziah Yaacob;
(ii) Datuk Zalekha Hassan; and
(iii) Dato' Ibrahim Marsidi.

Dato' Danapalan T.P. Vinggrasalam, aged 71, shall retire pursuant to Section 129(2) of the Companies Act, 1965, at the forthcoming 30th AGM and being eligible, offers himself for re-appointment as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company.

Directors' Interest

In accordance with the Register of Directors' Shareholdings, the Directors who held office at the end of the financial year and have interest in shares in the Company are as follows:

	Number of ordinary shares of RM0.70 each			
Interest in the Company	**Balance at 1.1.2014**	**Bought**	**Sold**	**Balance at 31.12.2014**
Dato' Sri Dr Halim Shafie	8,000*	94	–	8,094*
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	9,000**	427	–	9,427**
Datuk Bazlan Osman	2,000	94	–	2,094

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 26 February 2015.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
Director/Chairman

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA
Managing Director/Group Chief Executive Officer

INCOME STATEMENTS

for the financial year ended 31 December 2014

All amounts are in million unless otherwise stated	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
OPERATING REVENUE	6	**11,235.1**	10,628.7	**10,011.2**	9,485.5
OPERATING COSTS					
– depreciation, impairment and amortisation	7(a)	**(2,341.3)**	(2,159.7)	**(2,077.9)**	(1,923.2)
– other operating costs	7(b)	**(7,753.8)**	(7,218.6)	**(6,885.0)**	(6,546.5)
OTHER OPERATING INCOME (net)	8	**154.3**	121.5	**269.8**	280.8
OTHER GAINS/(LOSSES) (net)	9	**4.8**	1.7	**(4.2)**	1.7
OPERATING PROFIT BEFORE FINANCE COST		**1,299.1**	1,373.6	**1,313.9**	1,298.3
FINANCE INCOME		**136.6**	144.9	**110.1**	135.6
FINANCE COST		**(291.6)**	(371.2)	**(297.0)**	(378.6)
FOREIGN EXCHANGE LOSS ON BORROWINGS		**(47.9)**	(105.2)	**(47.9)**	(105.2)
NET FINANCE COST	10	**(202.9)**	(331.5)	**(234.8)**	(348.2)
ASSOCIATES					
– share of results (net of tax)	27	**9.3**	3.9	**–**	–
PROFIT BEFORE TAXATION AND ZAKAT		**1,105.5**	1,046.0	**1,079.1**	950.1
TAXATION AND ZAKAT	11	**(263.0)**	1.8	**(215.4)**	22.7
PROFIT FOR THE FINANCIAL YEAR		**842.5**	1,047.8	**863.7**	972.8
ATTRIBUTABLE TO:					
– equity holders of the Company		**831.8**	1,012.2	**863.7**	972.8
– non-controlling interests		**10.7**	35.6	**–**	–
PROFIT FOR THE FINANCIAL YEAR		**842.5**	1,047.8	**863.7**	972.8
EARNINGS PER SHARE (sen)					
– basic/diluted	12	**22.9**	28.3		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

Independent Auditors' Report – Pages 386 to 387.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2014

All amounts are in million unless otherwise stated	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
PROFIT FOR THE FINANCIAL YEAR		**842.5**	1,047.8	**863.7**	972.8
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to income statement:					
– increase/(decrease) in fair value of available-for-sale investments	28	**2.4**	(6.5)	**2.4**	(6.5)
– (decrease)/increase in fair value of available-for-sale receivables	29	**(0.8)**	0.4	**(0.8)**	0.4
– reclassification adjustments relating to available-for-sale investments disposed	9	**(0.1)**	(0.2)	**(0.1)**	(0.2)
– cash flow hedge					
– increase in fair value of cash flow hedge	19	**45.6**	20.5	**45.6**	20.5
– reclassification to foreign exchange loss	10	**(28.6)**	(0.9)	**(28.6)**	(0.9)
– currency translation differences					
– subsidiaries		**4.4**	3.1	**–**	–
– associate		**(0.1)**	0.3	**–**	–
Other comprehensive income for the financial year		**22.8**	16.7	**18.5**	13.3
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**865.3**	1,064.5	**882.2**	986.1
ATTRIBUTABLE TO:					
– equity holders of the Company		**854.6**	1,028.9	**882.2**	986.1
– non-controlling interests		**10.7**	35.6	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**865.3**	1,064.5	**882.2**	986.1

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

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STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

All amounts are in million unless otherwise stated	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
SHARE CAPITAL	14	**2,603.6**	2,504.2	**2,603.6**	2,504.2
SHARE PREMIUM		**722.7**	43.2	**722.7**	43.2
OTHER RESERVES	15	**(70.9)**	173.9	**192.9**	174.4
RETAINED PROFITS	16	**4,315.7**	4,415.4	**3,158.3**	3,226.1
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**7,571.1**	7,136.7	**6,677.5**	5,947.9
NON-CONTROLLING INTERESTS		**388.8**	162.6	**–**	–
TOTAL EQUITY		**7,959.9**	7,299.3	**6,677.5**	5,947.9
Borrowings	17	**6,251.4**	4,865.0	**5,510.8**	4,296.3
Payable to a subsidiary	18(a)	**–**	–	**575.7**	568.7
Derivative financial instruments	19	**337.8**	51.4	**67.7**	51.4
Deferred tax liabilities	20	**1,258.0**	1,151.0	**1,135.0**	1,030.9
Deferred income	21	**1,823.1**	1,999.5	**1,823.1**	1,999.5
Trade and other payables	37	**135.8**	9.8	**34.3**	9.8
DEFERRED AND NON-CURRENT LIABILITIES		**9,806.1**	8,076.7	**9,146.6**	7,956.6
		17,766.0	15,376.0	**15,824.1**	13,904.5
Property, plant and equipment	22	**14,785.1**	14,572.0	**12,564.1**	12,830.0
Investment property	23	**–**	–	**114.7**	116.9
Intangible assets	24	**581.7**	319.8	**–**	–
Subsidiaries	25	**–**	–	**1,736.7**	1,265.7
Loans and advances to subsidiaries	26	**–**	–	**250.5**	166.9
Associates	27	**6.5**	10.7	**–**	–
Available-for-sale investments	28	**99.0**	99.7	**98.9**	99.6
Available-for-sale receivables	29	**6.9**	7.6	**6.9**	7.6
Other non-current receivables	30	**500.7**	314.9	**306.7**	242.2
Derivative financial instruments	19	**147.3**	80.3	**138.3**	80.3
Deferred tax assets	20	**14.8**	19.3	**–**	–
NON-CURRENT ASSETS		**16,142.0**	15,424.3	**15,216.8**	14,809.2

All amounts are in million unless otherwise stated	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
Inventories	31	**115.9**	154.0	**35.1**	45.1
Non-current assets held for sale	32	**13.0**	22.3	**13.0**	22.3
Customer acquisition costs	33	**62.7**	73.8	**62.7**	73.8
Trade and other receivables	34	**2,825.3**	2,288.6	**2,122.3**	2,073.4
Derivative financial instruments	19	**–**	27.1	**–**	27.1
Available-for-sale investments	28	**469.3**	624.3	**469.3**	624.3
Financial assets at fair value through profit or loss	35	**9.2**	17.2	**9.2**	17.2
Cash and bank balances	36	**2,985.8**	2,514.9	**2,347.8**	2,092.9
CURRENT ASSETS		**6,481.2**	5,722.2	**5,059.4**	4,976.1
Trade and other payables	37	**3,605.2**	3,172.8	**3,315.8**	3,327.2
Customer deposits	38	**482.4**	502.1	**480.6**	500.3
Advance rental billings		**416.1**	380.8	**400.9**	359.0
Derivative financial instruments	19	**–**	11.0	**–**	11.0
Borrowings	17	**197.0**	1,590.2	**102.7**	52.5
Payable to a subsidiary	18(b)	**–**	–	**–**	1,524.7
Taxation and zakat		**156.5**	113.6	**152.1**	106.1
CURRENT LIABILITIES		**4,857.2**	5,770.5	**4,452.1**	5,880.8
NET CURRENT ASSETS/(LIABILITIES)		**1,624.0**	(48.3)	**607.3**	(904.7)
		17,766.0	15,376.0	**15,824.1**	13,904.5

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2014

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company									
		Issued and Fully Paid of RM0.70 each / Special Share*/ Ordinary Shares									
		Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2014		2,504.2	43.2	56.3	46.5	71.6	-	(0.5)	4,415.4	162.6	7,299.3
Profit for the financial year		-	-	-	-	-	-	-	831.8	10.7	842.5
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
– increase in fair value of available-for-sale investments	28	-	-	2.4	-	-	-	-	-	-	2.4
– decrease in fair value of available-for-sale receivables	29	-	-	(0.8)	-	-	-	-	-	-	(0.8)
– reclassification adjustments relating to available-for-sale investments disposed	9	-	-	(0.1)	-	-	-	-	-	-	(0.1)
– cash flow hedge											
– increase in fair value of cash flow hedge	19	-	-	-	45.6	-	-	-	-	-	45.6
– reclassification to foreign exchange loss	10	-	-	-	(28.6)	-	-	-	-	-	(28.6)
– currency translation differences											
– subsidiaries		-	-	-	-	-	-	4.4	-	-	4.4
– associate		-	-	-	-	-	-	(0.1)	-	-	(0.1)
Total comprehensive income for the financial year		-	-	1.5	17.0	-	-	4.3	831.8	10.7	865.3
Transactions with owners:											
Shares issued pursuant to Dividend Reinvestment Scheme (DRS)	14(c)	99.4	679.5	-	-	-	-	-	-	-	778.9
Final dividend paid for the financial year ended 31 December 2013	13	-	-	-	-	-	-	-	(583.1)	-	(583.1)
Interim dividend paid for the financial year ended 31 December 2014	13	-	-	-	-	-	-	-	(348.4)	-	(348.4)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(25.4)	(25.4)
Put option liability over shares held by non-controlling interest	15	-	-	-	-	-	(267.6)	-	-	-	(267.6)
Acquisition of a subsidiary	5(a)	-	-	-	-	-	-	-	-	240.9	240.9
Total transactions with owners		99.4	679.5	-	-	-	(267.6)	-	(931.5)	215.5	(204.7)
At 31 December 2014		2,603.6	722.7	57.8	63.5	71.6	(267.6)	3.8	4,315.7	388.8	7,959.9

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2013		2,504.2	43.2	62.6	26.9	71.6	–	(3.9)	4,190.2	165.2	7,060.0
Profit for the financial year		–	–	–	–	–	–	–	1,012.2	35.6	1,047.8
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
– decrease in fair value of available-for-sale investments	28	–	–	(6.5)	–	–	–	–	–	–	(6.5)
– increase in fair value of available-for-sale receivables	29	–	–	0.4	–	–	–	–	–	–	0.4
– reclassification adjustments relating to available-for-sale investments disposed	9	–	–	(0.2)	–	–	–	–	–	–	(0.2)
– cash flow hedge											
– increase in fair value of cash flow hedge	19	–	–	–	20.5	–	–	–	–	–	20.5
– reclassification to foreign exchange loss	10	–	–	–	(0.9)	–	–	–	–	–	(0.9)
– currency translation differences											
– subsidiaries		–	–	–	–	–	–	3.1	–	–	3.1
– associate		–	–	–	–	–	–	0.3	–	–	0.3
Total comprehensive (loss)/income for the financial year		–	–	(6.3)	19.6	–	–	3.4	1,012.2	35.6	1,064.5
Transactions with owners:											
Final dividend paid for the financial year ended 31 December 2012	13	–	–	–	–	–	–	–	(436.4)	–	(436.4)
Interim dividend paid for the financial year ended 31 December 2013	13	–	–	–	–	–	–	–	(350.6)	–	(350.6)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(38.2)	(38.2)
Total transactions with owners		–	–	–	–	–	–	–	(787.0)	(38.2)	(825.2)
At 31 December 2013		2,504.2	43.2	56.3	46.5	71.6	–	(0.5)	4,415.4	162.6	7,299.3

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 14(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

Independent Auditors' Report – Pages 386 to 387.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2014

		Issued and Fully Paid of RM0.70 each Special Shares*/ Ordinary Shares		Non-distributable			Distributable	
All amounts are in million unless otherwise stated	**Note**	**Share Capital RM**	**Share Premium RM**	**Fair Value Reserves RM**	**Hedging Reserve RM**	**Capital Redemption Reserve RM**	**Retained Profits RM**	**Total Equity RM**
At 1 January 2014		2,504.2	43.2	56.3	46.5	71.6	3,226.1	5,947.9
Profit for the financial year		-	-	-	-	-	863.7	863.7
Other comprehensive income								
Items that may be reclassified subsequently to income statement:								
– increase in fair value of available-for-sale investments	28	-	-	2.4	-	-	-	2.4
– decrease in fair value of available-for-sale receivables	29	-	-	(0.8)	-	-	-	(0.8)
– reclassification adjustments relating to available-for-sale investments disposed	9	-	-	(0.1)	-	-	-	(0.1)
– cash flow hedge								
– increase in fair value of cash flow hedge	19	-	-	-	45.6	-	-	45.6
– reclassification to foreign exchange loss	10	-	-	-	(28.6)	-	-	(28.6)
Total comprehensive income for the financial year		-	-	1.5	17.0	-	863.7	882.2
Transactions with owners:								
Shares issued pursuant to DRS	14(c)	99.4	679.5	-	-	-	-	778.9
Final dividend paid for the financial year ended 31 December 2013	13	-	-	-	-	-	(583.1)	(583.1)
Interim dividend paid for the financial year ended 31 December 2014	13	-	-	-	-	-	(348.4)	(348.4)
Total transactions with owners		99.4	679.5	-	-	-	(931.5)	(152.6)
At 31 December 2014		2,603.6	722.7	57.8	63.5	71.6	3,158.3	6,677.5

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM0.70 each Special Shares*/ Ordinary Shares Share Capital RM	Non-distributable Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2013		2,504.2	43.2	62.6	26.9	71.6	3,040.3	5,748.8
Profit for the financial year		–	–	–	–	–	972.8	972.8
Other comprehensive income								
Items that may be reclassified subsequently to income statement:								
– decrease in fair value of available-for-sale investments	28	–	–	(6.5)	–	–	–	(6.5)
– increase in fair value of available-for-sale receivables	29	–	–	0.4	–	–	–	0.4
– reclassification adjustments relating to available-for-sale investments disposed	9	–	–	(0.2)	–	–	–	(0.2)
– cash flow hedge								
– increase in fair value of cash flow hedge	19	–	–	–	20.5	–	–	20.5
– reclassification to foreign exchange loss	10	–	–	–	(0.9)	–	–	(0.9)
Total comprehensive (loss)/income for the financial year		–	–	(6.3)	19.6	–	972.8	986.1
Transactions with owners:								
Final dividend paid for the financial year ended 31 December 2012	13	–	–	–	–	–	(436.4)	(436.4)
Interim dividend paid for the financial year ended 31 December 2013	13	–	–	–	–	–	(350.6)	(350.6)
Total transactions with owners		–	–	–	–	–	(787.0)	(787.0)
At 31 December 2013		2,504.2	43.2	56.3	46.5	71.6	3,226.1	5,947.9

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 14(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Company Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

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STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2014

All amounts are in million unless otherwise stated	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
CASH FLOWS FROM OPERATING ACTIVITIES	39	**3,014.1**	2,795.7	**2,954.6**	2,222.4
CASH FLOWS USED IN INVESTING ACTIVITIES	40	**(2,162.0)**	(2,362.4)	**(2,229.4)**	(1,737.5)
CASH FLOWS USED IN FINANCING ACTIVITIES	41	**(391.3)**	(1,655.0)	**(470.6)**	(1,626.8)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**460.8**	(1,221.7)	**254.6**	(1,141.9)
EFFECT OF EXCHANGE RATE CHANGES		**(0.3)**	(2.1)	**0.3**	(6.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**2,514.5**	3,738.3	**2,092.9**	3,241.6
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	**2,975.0**	2,514.5	**2,347.8**	2,092.9

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 273 to 383.

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

All amounts are in million unless otherwise stated

1. Principal Activities

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 52 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

Telekom Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur. The principal office and place of business of the Company is Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur.

2. Significant Accounting Policies

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements, and have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of Preparation of the Financial Statements

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

The financial statements have been prepared under the historical cost convention except as disclosed in the Significant Accounting Policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 to the financial statements.

(i) Amendments to published standards and new Interpretation Committee (IC) Interpretation that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2014

The amendments to published standards and new IC Interpretation issued by MASB that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2014, are as follows:

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, 12 and 127	Investment Entities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

- Amendments to MFRS 132 "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities do not change the current offsetting model in MFRS 132. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms in that it clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

2. Significant Accounting Policies (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(i) Amendments to published standards and new Interpretation Committee (IC) Interpretation that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2014 (continued)

- Amendments to MFRS 10 "Consolidated Financial Statements", MFRS 12 "Disclosure of Interests in Other Entities" and MFRS 127 "Separate Financial Statements" introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of their investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. Changes have also been made to MFRS 12 and MFRS 127 to introduce disclosures for investment entities.

- Amendments to MFRS 136 "Impairment of Assets" is on the recoverable amount disclosures for non-financial assets. This amendment removes certain disclosures of the recoverable amount of Cash Generating Units (CGUs) which had been included in MFRS 136 by the issue of MFRS 13 "Fair Value Measurement".

- Amendments to MFRS 139 "Financial Instruments: Recognition and Measurement" is on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under MFRS 139, novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendments provide relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to affect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

- IC Interpretation 21 is an interpretation of MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" in relation to the accounting of a liability to pay a levy. MFRS 137 sets out the criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay levy is the activity described in the relevant legislation that triggers the payment of the levy.

The adoption of the above applicable amendments and new IC Interpretation to published standards has not given rise to any material impact on the financial statements of the Group and the Company.

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows:

<u>**Effective for annual periods beginning on or after 1 July 2014**</u>

Amendments to MFRS 119	Defined Benefit Plans: Employee Contribution
Amendments to MFRS 2, 3, 8, 13, 116, 124 and 138	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010 – 2012 Cycle"
Amendments to MFRS 1, 3, 13 and 140	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011 – 2013 Cycle"

2. Significant Accounting Policies (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

Effective for annual periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to MFRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10, 12 and 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 5, 7, 119 and 134	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 – 2014 Cycle"
Amendments to MFRS 101	Disclosure Initiative

Effective for annual periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)

- Amendments to MFRS 119 "Employee Benefits" clarify the accounting for contribution from employees or third parties to defined benefit plans. If the amount of contributions is independent of the number of years of service, the entity is permitted to recognise such contributions as reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. If the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

- Amendments to MFRS 2 "Share-based Payment" clarify the definition of vesting conditions by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

- Amendments to MFRS 3 "Business Combinations" clarify that when contingent consideration in a business combination meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132. Contingent consideration that is classified as asset or liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss. Another amendment clarifies that MFRS 3 excludes from its scope, the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 "Joint Arrangements") in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangement for their interests in the joint arrangement.

- Amendments to MFRS 8 "Operating Segments" require the disclosure of judgments made in applying the aggregation criteria to operating segments which includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. Reconciliation of the total reportable segments' assets to the entity's assets is also required if that amount is regularly provided to the chief operating decision maker.

2. Significant Accounting Policies (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets" clarify the accounting for accumulated depreciation or amortisation when an asset is revalued. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation or amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

- Amendments to MFRS 124 "Related Party Disclosures" extend the definition of 'related party' to include an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

- Amendment to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" relates to the standard's Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

- Amendments to MFRS 13 "Fair Value Measurement" clarify that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 or MFRS 9 "Financial Instruments", regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132.

- Amendments to MFRS 140 "Investment Property" clarify that the determination of whether an acquisition of an investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

- MFRS 14 "Regulatory Deferral Accounts" is equivalent to International Financial Reporting Standards (IFRS) 14 of the same name, which permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous generally accepted accounting principles (GAAP) requirements when they adopt IFRS. IFRS 14 is aimed at removing a major barrier to adoption of IFRS by entities in jurisdictions whose existing GAAP allow the recognition of regulatory deferral account balances arising from provision of goods and services to customers at a price that is subject to rate regulation. However, since regulatory deferral account balances were not recognised in the MFRS financial statements, the principles specified in MFRS 14 would have no impact to Malaysian entities.

- Amendments to MFRS 11 "Joint Arrangements" on Accounting for Acquisitions of Interests in Joint Operations clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3 Business Combinations, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses. The amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not remeasured if the joint operator retains joint control.

- Amendments to MFRS 101 "Presentation of Financial Statements" on Disclosure Initiative aim to improve the effectiveness of disclosures and are designed to encourage companies to apply professional judgment in determining the information to be disclosed in the financial statements.

- Amendments to MFRS 116 and MFRS 138 on Clarification of Acceptable Methods of Depreciation and Amortisation provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. MFRS 116 prohibits revenue-based depreciation because revenue does not, as a matter of principle, reflect the way in which an item of property, plant and equipment is used or consumed. The amendments to MFRS 138 introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate except in limited circumstances.

2. Significant Accounting Policies (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- Amendments to MFRS 127 "Separate Financial Statements" on Equity Method in Separate Financial Statements allow a parent and investors to use the equity method in its separate financial statement to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

- Amendments to MFRS 10, MFRS 12 and MFRS 128 on Investment Entities: Applying the Consolidation Exception addresses issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards, clarifying the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that relate to the parent's investment activities, application of the equity method by a non-investment entity investor to an investment entity investee and the disclosures required.

- Amendments to MFRS 10 and MFRS 128 on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture address an acknowledged inconsistency between the requirements in MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investment in Associates and Joint Ventures". Full gain or loss should be recognised on the loss of control of a business, whether the business is housed in a subsidiary or not. At the same time, the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 "Business Combinations" to an associate or joint venture should only be recognised to the extent of unrelated investors' interests in the associate or joint venture.

- Amendments to MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" introduce specific guidance in MFRS 5 for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution is discontinued.

- Amendments to MFRS 7 "Financial Instruments: Disclosures" provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7 and clarify the applicability of Disclosure–Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

- Amendment to MFRS 119 clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. The amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level.

- Amendment to MFRS 134 "Interim Financial Reporting" clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' as used in MFRS 134. The amendment requires such disclosures to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

- MFRS 15 "Revenue from Contracts with Customers" is a new Standard aimed to improve financial reporting of revenue and comparability whilst providing better clarity on revenue recognition on areas where existing requirements unintentionally created diversity in practice. MFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. MFRS 15 replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations.

2. Significant Accounting Policies (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- MFRS 9 "Financial Instruments (as issued by International Accounting Standard Board (IASB) in July 2014)" replaces the guidance in MFRS 139 that relates to the classification and measurement of financial instruments. MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in OCI, with only dividend income from the investment to be recognised in profit or loss. MFRS 9 introduces a new expected credit loss model that replaces the incurred loss impairment model used in MFRS 139.

  For financial liabilities, there were no changes to classification and measurement except for liabilities designated at inception to be measured at FVTPL. For these, the portion of fair value changes caused by changes in an entity's own credit risk shall be recognised in OCI rather than in profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The adoption of the above applicable standards and amendments to published standards are not expected to have a material impact on the financial statements of the Group and the Company except for MFRS 9 and MFRS 15. The Group has yet to assess the full impact of MFRS 9. The Group has commenced the project to implement MFRS 15 group-wide including the assessment of the impact of adopting the new revenue standard. At the time of preparing this financial statements, the impact from the adoption of this standard has yet to be fully quantified.

There are no other standards, amendments to published standards or IC Interpretations that are not yet effective that would be expected to have a material impact on the Group or the Company.

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the entity),
- Exposure, or rights, to variable returns from its involvement with the entity, and
- The ability to use its power over the entity to affect its returns.

When the Group has less than a majority of the voting or similar rights of an entity, the Group considers all relevant facts and circumstances in assessing whether it has power over that entity, including:

- The contractual arrangement with the other vote holders of the entity
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2. Significant Accounting Policies (continued)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are consolidated using the acquisition method of accounting except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006, which were accounted for using the merger method.

The Group has taken advantage of the exemption provided by MFRS 1 to not restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Accordingly, business combinations entered into prior to transition date have not been restated.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in the Consolidated Income Statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the Consolidated Income Statement (refer to Significant Accounting Policies note 2(f)(i) on Goodwill).

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

Effective from 1 January 2011, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intra-group transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2. Significant Accounting Policies (continued)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary and is recognised in the Consolidated Income Statement.

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Income Statements, and its share of post-acquisition movements in reserves is recognised within other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

The results of associates are taken from the most recent unaudited financial statements of the associates concerned, made up to dates not more than 3 months prior to the end of the financial year of the Group.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses are recognised in the Consolidated Income Statement.

When the Group increases its stake in an existing investment and the investment becomes an associate for the first time, goodwill is calculated at each stage of the acquisition. The Group does not revalue its previously owned share of net assets to fair value. Any existing available-for-sale reserve is reversed in other comprehensive income, restating the investment to cost. A share of profits (after dividends) together with a share of any equity movements relating to the previously held interest are accounted for in other comprehensive income.

2. Significant Accounting Policies (continued)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

The gain or loss on disposal of an associate is the difference between the net disposal proceeds and the Group's share of the associate's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that associate which were previously recognised in other comprehensive income, and is recognised in the Consolidated Income Statement.

(iv) Changes in Ownership Interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the Consolidated Income Statement. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost less accumulated impairment losses in the separate financial statements of the Company. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets). Impairment losses are charged to the Income Statement.

On disposal of investments in subsidiaries and associates, the difference between the net disposal proceeds and the carrying amounts of the investments are recognised in the Income Statement.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Certain freehold land are carried at fair value, being their deemed cost in accordance with the exemption provided by MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" as at 1 January 2011, the date of transition to MFRS.

(i) Cost

Cost of telecommunications network comprises expenditure up to and including the last distribution point before the customers' premises and includes contractors' charges, materials, direct labour and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Significant Accounting Policies note 2(q)(ii) on borrowing costs).

Subsequent cost is included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

2. Significant Accounting Policies (continued)

(d) Property, Plant and Equipment (continued)

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease is amortised in equal instalments over the period of the respective lease. Long term leasehold land has an unexpired lease period of 50 years and above. Other property, plant and equipment are depreciated on a straight line basis to write-off the cost of the assets to their residual values over their estimated useful lives in years as summarised below:

Telecommunications network	3 – 25
Movable plant and equipment	5 – 8
Computer support systems	3 – 5
Buildings	5 – 40

Capital work-in-progress are stated at cost and are not depreciated. Upon completion, capital work-in-progress are transferred to categories of property, plant and equipment depending on the nature of the assets. Capital work-in-progress includes servicing equipment, materials and spares. Depreciation on property, plant and equipment under construction commences when the property, plant and equipment are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each reporting date.

(iii) Impairment

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write down is made if the carrying value exceeds the recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

(iv) Gains or Losses on Disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the related asset and are included in other operating income in the Income Statement.

(v) Asset Exchange Transaction

Property, plant and equipment may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair values unless

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Group cannot immediately derecognise the assets given up. If the acquired item is not reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(vi) Repairs and Maintenance

Repairs and maintenance are charged to the Income Statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. This cost is depreciated over the remaining useful life of the related asset.

2. Significant Accounting Policies (continued)

(e) Investment Properties

Investment properties, principally comprising land and office buildings, are held for long term rental yields or for capital appreciation or for both, and are not occupied by the Group or the Company.

Investment properties are carried at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write-off the cost of the investment properties to their residual values over their estimated useful lives in years as summarised below:

Leasehold land	over the period of the respective leases
Buildings	5 – 40

Freehold land is not depreciated as it has an infinite life.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected, then it shall be derecognised (eliminated from the Statement of Financial Position). Gain or loss on disposal is determined by comparing the net disposal proceeds with the carrying amount and are included in the Income Statement.

(f) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition. Goodwill on acquisition occurring on or after 1 January 2002 in respect of a subsidiary is included in the Consolidated Statement of Financial Position as an intangible asset. Goodwill on acquisitions that occurred prior to 1 January 2002 was written off against reserves in the year of acquisition.

As part of the transition to MFRS, the Group elected not to restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous Financial Reporting Standards framework as at the date of transition.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the Consolidated Income Statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

(ii) Software

Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Amortisation is calculated using straight line method at 20% per annum subject to impairment.

2. Significant Accounting Policies (continued)

(f) Intangible Assets (continued)

(iii) Programme Rights

Programme rights comprise rights licensed from third parties with the primary intention to broadcast in the normal course of operating cycle. The rights are stated at cost less accumulated amortisation and accumulated impairment losses (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

The Group amortises programme rights on a straight line basis over the license period or estimated useful life if shorter, from the date of first transmission, to match the costs of consumption with the estimated benefits to be received. Amortisation is included in the Income Statement.

(iv) Telecommunication Spectrum

Telecommunication spectrum acquired in a business combination is recognised at fair value at the acquisition date, with an indefinite useful life as there is a presumption of renewal at negligible cost. It is subjected for impairment review on an annual basis or whenever adverse events or changes in circumstances indicate that impairment may have occurred.

(v) Customer Base

Customer base acquired in a business combination is recognised at fair value at the acquisition date. It is expected to have a finite useful life and carried at cost less accumulated amortisation calculated using the straight-line method over the estimated useful life of three years. The expected useful life principally reflects the Group's view of the average economic life of the customer base, assessed by reference to customer churn rates.

(g) Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful life, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

The impairment loss is charged to the Income Statement. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the Income Statement.

(h) Financial Assets

Financial assets are classified in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Quoted equity securities (within current assets), determined on an aggregate portfolio basis, are classified as financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to the Income Statement.

2. Significant Accounting Policies (continued)

(h) Financial Assets (continued)

(i) Financial Assets at Fair Value through Profit or Loss (continued)

Changes in the fair values of financial assets at fair value through profit or loss are recognised in the Income Statement in the period in which the changes arise.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise non-current receivables, trade and other receivables and cash and bank balances in the Statement of Financial Position.

Loans and receivables are measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

(iii) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

Fixed income securities (within current assets) and certain non-current equity investments are classified as available-for-sale investments, whilst convertible education loans (within non-current assets) are classified as available-for-sale receivables. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

Changes in the fair values of available-for-sale investments are recognised in other comprehensive income. Whereas, changes in the fair value of available-for-sale receivables classified as non-current assets can be analysed by way of changes arising from conversion of the receivables to scholarship and other fair value changes. Changes arising from the conversion are recognised in the Income Statement, whereas, other fair value changes are recognised in other comprehensive income. Interests on available-for-sale receivables calculated using the effective interest method are recognised in the Income Statement.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the Income Statement.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(v) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented on the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. Significant Accounting Policies (continued)

(i) Impairment of Financial Assets

(i) Assets Carried at Amortised Cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:
- significant financial difficulty of the customer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the customers will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of customers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Income Statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Income Statement.

(ii) Assets Classified as Available-for-sale

In the case of equity and fixed income securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, the following criteria are also considered as indicators of impairment:

- significant financial difficulty of the issuer or obligor;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired.

If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the Income Statement, is reversed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement. Impairment losses recognised in the Income Statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through the Income Statement.

2. Significant Accounting Policies (continued)

(j) Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the Income Statement at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the Income Statement within 'other gains or losses – net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the Income Statement within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the Income Statement over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within 'other gains or losses – net'.

Amounts accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects the Income Statement. The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'.

When a hedging instrument matures, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the Income Statement.

(k) Embedded Derivatives

Derivatives embedded in other financial instruments or contracts are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself held-for-trading or designated as fair value to profit or loss. The embedded derivatives separated from the host are carried at fair value to profit or loss with changes in the fair value recognised in the Income Statement.

2. Significant Accounting Policies (continued)

(l) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined on a weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and applicable variable selling expenses. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

(m) Non-current Assets Held for Sale

Non-current assets are classified as held for sale when their carrying amounts are to be recovered principally through sale transaction and the sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Any subsequent write-down of the assets to fair value less cost to sell are recognised as impairment losses and are charged to the Income Statement.

(n) Customer Acquisition Costs

Customer acquisition costs are incurred in activating new customers pursuant to a contract. Customer acquisition costs are capitalised and amortised over the contract period. In the event that a customer terminates the service within the contract period, any unamortised customer acquisition costs are written off to the Income Statement immediately.

(o) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of 3 months or less. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

(p) Share Capital

(i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is debited directly to equity.

(ii) Share Issue Costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(iii) Dividend to Shareholders of the Company

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

Dividend in specie of shares distributed to the Company's shareholders is recorded at the carrying value of net asset distributed. The distribution is recorded as a movement in equity.

2. Significant Accounting Policies (continued)

(q) Financial Liabilities

Trade and other payables, customer deposits and borrowings are classified as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

(ii) Bonds, Notes, Debentures and Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Interests, dividends, gains and losses relating to a financial instrument, or a component part, classified as a liability are reported within finance cost in the Income Statement. Foreign exchange gains or losses arising from translation of foreign currency borrowings are reported within 'finance cost' in the Income Statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other borrowing costs are charged to the Income Statement.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(iii) Put Option Liability Over Shares Held By Non-Controlling Interest

A contract that contains an obligation for the Group to deliver cash or other financial asset in exchange for its own (or its subsidiary's) equity shares is a financial liability. This liability is recorded irrespective of whether the contract meets the definition of an equity instrument. The financial liability is recognised at the present value of the redemption amount of the option, when it is exercised.

The initial redemption liability is recognised as Other Reserve in equity as a reduction of the Group's equity if the risk and rewards of ownership remain with the non-controlling interest or a reduction of non-controlling interest's equity if the risks and rewards of ownership transfer to the Group. Subsequently, the put option is remeasured at fair value as a result of changes in the expected liability with any resulting gain or loss recognised in the Income Statement. In the event that the option expires unexercised, the put option liability is de-recognised with a corresponding adjustment to equity.

(r) Leases

(i) Finance Leases

Leases of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the leases at the lower of the present value of the minimum lease payments and the fair value of the leased assets. The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the reduction of the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Income Statement.

2. Significant Accounting Policies (continued)

(r) Leases (continued)

(i) Finance Leases (continued)

Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease terms.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(s) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the Income Statement over the financial period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to the Income Statement on a straight line basis over the estimated useful lives of the related assets.

(t) Income Taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries or associates on distributions of retained profits to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the future, against which the deductible temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised.

Deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group's share of income taxes of associates are included in the Group's share of results of associates.

2. Significant Accounting Policies (continued)

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

(v) Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118.

(w) Revenue Recognition

Operating revenue comprises the fair value of the consideration received or receivables for the sale of products and rendering of services net of returns, duties, sales discounts and sales taxes paid, after eliminating sales within the Group. Operating revenue is recognised or accrued at the time of the provision of products or services, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Advance rental billing comprises mainly billing in advance for data services, which is amortised on a straight line basis according to contractual terms.

Dividend income from investment in subsidiaries, associates and equity investments is recognised within 'other operating income (net)' when a right to receive payment is established.

2. Significant Accounting Policies (continued)

(w) Revenue Recognition (continued)

Finance income includes income from deposits with licensed banks, other financial institutions, other deposits, available-for-sale receivables and staff loans, and is recognised using the effective interest method.

(x) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the Income Statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value. These include limited medical benefits provided up to a certain age for eligible ex-employees under certain optional retirement scheme.

(y) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the Income Statement within 'net finance cost'. All other foreign exchange gains and losses are presented in the Income Statement within 'operating costs'.

(iii) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the reporting date;
- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the rates prevailing on the date of the transactions); and
- all resulting exchange differences are recognised as a separate component in other comprehensive income.

2. Significant Accounting Policies (continued)

(y) Foreign Currencies (continued)

(iii) Group Companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is disposed off or sold, such exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on disposal.

(z) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions.

Further disclosures on Segment Reporting are set out in note 45 to the financial statements.

3. Critical Accounting Estimates

Estimates are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are mentioned below.

(a) Estimated Useful Lives of Property, Plant and Equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage, changes in technology, latest findings in research and development, updated practices to enhance performance of certain network assets and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A change in the estimated useful lives of property, plant and equipment would change the recorded depreciation and the carrying amount of property, plant and equipment.

(b) Impairment of Property, Plant and Equipment, Intangible Assets (other than goodwill) and Investment in Subsidiaries

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

(c) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 24 to the financial statements.

3. Critical Accounting Estimates (continued)

Critical Accounting Estimates and Assumptions (continued)

(d) Impairment of Trade Receivables

The Group assesses at each reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated periodically based on a review of the current status of existing receivables and historical collection trends to reflect the actual and anticipated experience.

(e) Estimated Fair Value and Useful Lives of Intangibles Assets Acquired through Business Combination

The fair value of the telecommunication spectrum acquired through business combination was derived from the estimated future net cash flows generated by the asset after adjusting for the corresponding contributory asset charges. The fair value of the acquired customer base was derived through its estimated replacement cost. Although the Group believes that the estimates of fair value are appropriate, the use of different techniques or assumptions could result in different measurements of fair value.

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. The basis for determining the useful lives for the intangible assets acquired through business combination are as follows:

- Telecommunication spectrum estimated useful life is estimated to have an indefinite useful life with the presumption that any renewal are at negligible cost and the Group is expected to continue utilising the spectrum in providing its telecommunication services indefinitely.
- The estimated useful life of the acquired customer base principally reflects the Group's view of the average economic life of the customer base and is assessed by reference to customer churn rates.

(f) Taxation

(i) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

(ii) Deferred Tax Assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves judgment regarding future taxable profits of a particular entity in which the deferred tax asset has been recognised.

Estimating the future taxable profits involved significant assumptions, especially in respect of demand on existing and new services, competition and regulatory changes that may impact the pricing of services. These assumptions were derived based on past performance and adjusted for non-recurring circumstances.

(g) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on Directors' view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Details of the legal proceedings in which the Group is involved as at 31 December 2014 is disclosed in note 50 to the financial statements.

3. Critical Accounting Estimates (continued)

Critical Accounting Estimates and Assumptions (continued)

(h) Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group exercises its judgment in selecting a variety of valuation methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The fair value of derivatives is the present value of their future cash flows. The Group estimated the fair values at the reporting date, of certain available-for-sale financial assets that are not traded in an active market by using the net tangible assets and the discounted cash flow methods. In estimating the fair value of put and call options on shares of a subsidiary, the Group has used valuation models in projecting expected share prices utilising comparable discount and growth rates reflective of market conditions specific to relevant industry existing at the end of the reporting period. Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The summary of financial instruments by category is disclosed in note 46 to the financial statements. The valuation of such financial instruments is further discussed in note 47 to the financial statements.

4. Financial Risk Management Objectives and Policies

(a) Financial Risk Factor

The main risks arising from the Group's financial assets and liabilities are market risk (comprises foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Group has established risk management policies, guidelines and procedures in order to manage its exposure to these financial risks. Hedging strategies are determined in light of commercial commitments to mitigate the relevant risks exposures. Derivative financial instruments are used to hedge the underlying commercial exposures and are not held for speculative purposes.

(i) Market Risk

- Foreign Exchange Risk

The Group's foreign exchange risk refers to adverse exchange rate movements on foreign currency positions originating from trade receivables and payables, deposits and borrowings denominated in foreign currencies, and from retained profits in overseas subsidiaries, where the functional currencies are not in Ringgit Malaysia.

The Group's objective is to mitigate foreign exchange exposure to an acceptable level against pre-determined limits and impact to the Income Statement. The Group monitors its foreign currency denominated assets and liabilities and uses various hedging instruments such as forward contracts, Cross Currency Interest Rate Swaps (CCIRS) contracts and option structures as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flows requirement. The Group's policy requires all transactions for hedging foreign currency exchange risk exposure be executed within the parameters approved by the Board of Directors.

The foreign exchange risk of the Group arises predominantly from borrowings denominated in foreign currencies, mainly the US Dollar and Japanese Yen. During the financial year, in addition to the existing US Dollar and Japanese Yen forward and CCIRS contracts, the Group entered into additional forward contracts to hedge maturing US Dollar borrowing in order to reduce foreign currency exposures. After hedging of the US Dollar and Japanese Yen borrowings, the foreign currency borrowings composition is reduced to 10.9% (2013: 19.5%) of the Group's total borrowings as at 31 December 2014. There was a repayment of one of the Group's foreign currency borrowings on 22 September 2014 amounting to USD465.1 million (RM1,513.3 million).

Based on the borrowings position as at 31 December 2014, if the Ringgit Malaysia had weakened/strengthened by 5.0% against the US Dollar and Japanese Yen with all other variables held constant, the post-tax profit for the financial year for the Group would have been lower/higher by approximately RM81.3 million (before hedging) and RM35.0 million (after hedging) as a result of foreign exchange losses or gains on translation of US Dollar and Japanese Yen denominated borrowings.

4. Financial Risk Management Objectives and Policies (continued)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Price Risk

The Group is exposed to equity and fixed income securities price risk arising from investments as reflected on the Statement of Financial Position, classified either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. The quoted equity securities portfolio has decreased to RM9.2 million as at 31 December 2014 from RM17.2 million at the end of 2013 due to disposal of equities in first half of 2014 on the existing portfolio.

Based on the quoted equity securities portfolio as at 31 December 2014, if Bursa Malaysia equity index move by 5.0%, with all other variables remain constant, post-tax profit for the financial year would have been impacted by approximately RM0.4 million. Post-tax profit for the financial year would increase or decrease as a result of gains/losses on equity securities classified as fair value through profit or loss. Moving forward, the impact will further reduce to commensurate with efforts made towards the total closure of equity portfolio.

Other components of equity would increase/decrease as a result of gains/losses on equity and fixed income securities classified as available-for-sale.

- Interest Rate Risk

The Group has cash and short term deposits and fixed income securities that are exposed to interest rate movement. The Group manages its interest rate risk on cash and short term deposits through allocation in suitable tenure. While on fixed income securities, the Group applies suitable duration and basis point valuation analysis impact to manage its interest rate risk.

The Group's investments in money market and fixed income securities as at 31 December 2014 were RM2,042.8 million (2013: RM1,759.5 million) and RM469.3 million (2013: RM624.3 million) respectively. The reduction in fixed income securities was due to the execution of asset allocation strategy in meeting the Group's liquidity position during the financial year. For an increase of 25 basis points in the Overnight Policy Rate (OPR) by Bank Negara Malaysia and assuming the overall yield curve also increases by the same percentage, the finance income from the money market portfolio would correspondingly move by approximately RM5.1 million while the net asset value of the fixed income portfolio would inversely move by approximately RM5.1 million.

The Group's debts include revolving credits, borrowings, bonds, notes and debentures. The Group's objective is to manage the interest rate risk to an acceptable level of exposure on the finance cost. The Group reviews its composition of fixed and floating rate debt based on assessment of its existing exposure and desirable interest rate profile acceptable to the Group. Hedging instruments such as interest rate swaps are used to manage these risks.

The Group's policy requires all transactions for hedging interest rate risk exposure be executed within the parameters approved by the Board of Directors.

The Group has entered into a few interest rate swap transactions with creditworthy financial institutions. Based on the hedging position as at 31 December 2014, if there were to be a hike in the OPR by 25 basis points, the finance cost would be higher by approximately RM0.6 million.

As at 31 December 2014, the Group's fixed-to-floating interest rate profile, after hedging, was 92:8 (2013: 92:8).

The interest rate exposure is mitigated, to some extent, by the offsetting effect between assets and liabilities.

4. Financial Risk Management Objectives and Policies (continued)

(a) Financial Risk Factor (continued)

(ii) Credit Risk

Financial assets that are primarily exposed to credit risks are receivables, cash and bank balances, marketable securities and financial instruments used in hedging activities.

Due to the nature of the Group's business, customers are mainly segregated according to business segments. The Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed through the application of stringent credit control assessment and approval, credit limit and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers to be held as collaterals.

The Group places its cash and cash equivalents with various creditworthy financial institutions. The Group's policy limits the concentration of credit exposure to any single financial institution based on its net tangible asset position and/or credit rating, which is subject to annual review.

The Group has appointed several fixed income and commercial papers fund managers to manage its investment portfolios. In managing the portfolios' credit risks, the investment parameter was established to restrict all fund managers to only invest in securities that carry at least A3/P1 credit ratings or equivalent. This is in accordance with the Group's Treasury Investment Policies and Guidelines. In the current financial year, the Group's investment portfolios were predominantly securities carrying AA/P1 credit ratings or above, as shown in note 28 to the financial statements.

All hedging instruments are executed with creditworthy financial institutions with a view to limiting the credit risk exposure of the Group. The Group, however, is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but does not expect any counterparties to fail to meet their obligations.

In complying with the risk management policies, all counterparties are required to maintain certain credit rating as defined by the international and local rating agencies.

(iii) Liquidity Risk

Group Treasury maintains cash and cash equivalents at a level that is deemed appropriate by the management to finance the Group's operations. It also actively monitors and controls liquidity risk exposures and funding needs across legal entities within the Group, business lines and currencies, taking into account legal, regulatory and operational limitations via a centralised Treasury operation.

Due to the dynamic nature of the underlying business, the Group also aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

Cash flow forecasts are performed in the operating entities of the Group on a rolling basis and are aggregated by Group Treasury to ensure sufficient cash is available to meet operational needs while maintaining adequate headroom on its undrawn committed credit facilities at all times. As at 31 December 2014, the Group held deposits with financial institutions of RM2,042.8 million (2013: RM1,759.5 million) and cash and bank balances of RM943.0 million (2013: RM755.4 million) that are expected to be readily available to meet any payment obligation when it falls due.

Refinancing risk is managed by limiting the amount of borrowings that mature within any specific period and by having appropriate strategies in place to manage refinancing needs as they arise. The Group has available funding with the establishment of the new Islamic Commercial Papers programme and Islamic Medium Term Notes programme with remaining combined limit of up to RM1.6 billion in nominal value to meet capital expenditure and business operating requirements. The analysis of the maturity profile of the Group's and the Company's financial liabilities are shown in note 48 to the financial statements.

There has been no significant change in the Group's financial risk management objectives and policies as well as its financial risk exposure in the current financial year as compared to the preceding financial year.

4. Financial Risk Management Objectives and Policies (continued)

(b) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide long term return to shareholders and benefits for other stakeholders. The Group's capital management framework comprises of a dividend policy and strives to maintain an optimal capital structure that will improve its capital efficiency.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to the shareholders or may return capital to shareholders vis-à-vis its debt-to-equity ratio (gearing level). In 2014, the Group introduced a Dividend Reinvestment Scheme (DRS) whereby its shareholders have the option to receive cash dividends or to reinvest the dividends in new ordinary shares of the Company. Depending on the level of subscription of DRS, the Group is expected to enlarge its share capital base as well as strengthen its capital position.

The gearing ratios as at 31 December were as follows:

	The Group	
	2014	**2013**
Borrowings (RM million) (note 17)	**6,448.4**	6,455.2
Total Shareholders' Equity (RM million)	**7,571.1**	7,136.7
Debt-to-equity Ratio	**0.9**	0.9

The Group also monitors its gearing level in comparison to its peers within the industry while maintaining the desired level of credit rating. During 2014, the Group's credit rating remained unchanged at AAA by RAM, A– by S&P and A3 by Moody's.

Furthermore, the Group complies with Bursa Malaysia Securities Berhad Main Market Listing Requirement to maintain a consolidated shareholders' equity of more than 25 percent of the issued and paid up capital and maintain such shareholders' equity at not less than RM40.0 million.

5. Business Combinations

(a) Packet One Networks (Malaysia) Sdn Bhd (P1)

On 27 March 2014, the Group announced that its wholly-owned subsidiary, Mobikom Sdn Bhd (Mobikom) had entered into a conditional investment agreement with the following parties in relation to, amongst others, the subscription by Mobikom of new ordinary shares of RM1.00 each in P1 (P1 Shares) to hold approximately 57% of the enlarged issued share capital of P1, subject to closing adjustments for a total consideration of RM350.0 million (Share Subscription) (Investment Agreement):

(a) Packet One Sdn Bhd (Packet One), a wholly-owned subsidiary of Green Packet Berhad (Green Packet);
(b) SK Telecom Co. Ltd (SKT or SKT Guarantor where applicable);
(c) Green Packet (also Packet One Guarantor where applicable);
(d) Telekom Malaysia Berhad (the Company) (Mobikom Guarantor where applicable); and
(e) Packet One Networks (Malaysia) Sdn Bhd (P1)

The completion of the Share Subscription (Completion) was announced on 30 September 2014 following the waiver of certain Conditions, as agreed by all parties to the Investment Agreement on 25 September 2014 and the completion of all other terms and conditions of the Investment Agreement and the applicable approval, including from the relevant regulatory bodies and Green Packet shareholders.

The Completion resulted to the Company via Mobikom emerging as the new holding company of P1 (including its subsidiaries) with a 55.3% shareholding after closing adjustments made pursuant to P1's internal restructuring and determination of the equity value of P1 as at 31 May 2014 in accordance to the terms of the Investment Agreement. The remaining 44.7% shareholding are held by Green Packet with 31.1% and SKT at 13.6%.

5. Business Combinations (continued)

(a) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)

The partnership drives strong synergies from the three (3) complementary partners to work together to capitalise on a mobile opportunity and deliver the next generation of converged communication services. It essentially enables P1 to crossover to Long Term Evolution (LTE) and offer full mobility while providing the Company with an LTE-ready platform to accelerate and more efficiently make wireless broadband products available to its customers. This includes access to suitable spectrum bands, the ability to draw on advanced technological knowhow of SKT, an existing customer base to build on, and the strong base of LTE upgradeable WiMAX sites to quickly achieve extensive LTE coverage.

Pursuant to the Investment Agreement, Green Packet has entered into a programme agreement amongst others with Mobikom in relation to an 8-year redeemable exchangeable medium term notes (Exchangeable MTN) (previously referred to as Exchangeable Bond or EB) programme by Green Packet to raise up to RM210.0 million (Exchangeable MTN Programme) (Exchangeable MTN Programme Agreement). The Exchangeable MTNs may be exchangeable into, amongst others, P1 Shares held by Packet One immediately after Completion in accordance with the terms of the Exchangeable MTN Programme Agreement. The Exchangeable MTNs will be secured against the P1 Shares held by Packet One immediately following Completion and the 8-year convertible unsecured medium term notes (Convertible MTN) (previously referred to as Convertible Bond or CB) issued by P1 under the convertible MTN Programme (Convertible MTN Programme) to be subscribed amongst others by Packet One and/or its related corporation at any time using part of the proceeds from the issuance of Exchangeable MTNs pursuant to the Exchangeable MTN Programme (including any P1 Shares issued on conversion of such Convertible MTNs).

The Company via Mobikom has subscribed for the first tranche of the issuance of the Exchangeable MTN under the Exchangeable MTN Programme on 30 September 2014 with a subscription value of RM119.3 million (Series 1 Exchangeable MTN).

Pursuant to the Investment Agreement and the Completion, the following key agreements will also be entered into by P1 with the relevant parties:

(i) A subscription programme agreement amongst others with Mobikom (and/or its related corporation), Packet One (and/or its related corporation), SKT (and/or its related corporation) in relation to the Convertible MTN Programme by P1 to raise up to RM1.65 billion in tranches; and

(ii) collaboration agreements between each of the Company, Green Packet and SKT (on the one hand) and P1 (on the other hand) in relation to the operational and business collaboration between the relevant parties and various other operational agreements to be entered into (Collaboration Agreements). The Collaboration Agreements govern the parameters of their partnership in principal areas such as the use of infrastructure, transmission networks and distribution channels, the leasing of spectrum and the provision of consulting and technical services, products and/or services, amongst others.

The Investment Agreement also amongst others includes certain granting of call and put options between Mobikom with Packet One and SKT respectively over shares of P1, as follows:

(i) Put option on non-controlling interest (Packet One Put Option)

Mobikom has granted Packet One an option to sell, which would require Mobikom to buy, all shares in the capital of P1 registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of P1 at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if P1 shares are not publicly traded, the fully distributed market or equity value at which the P1 shares would trade on a recognised stock exchange.

5. Business Combinations (continued)

(a) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)

The Investment Agreement also amongst others includes certain granting of call and put options between Mobikom with Packet One and SKT respectively over shares of P1, as follows: (continued)

(ii) Call Option on P1 Shares (SKT Call Option)

SKT has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of P1 registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation cease to own at least 10% of the issued share capital of P1 and will automatically lapse upon the earlier of:

(i) Two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;

(ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or

(iii) any initial public offering implemented by P1.

The exercise price is at a price equal to Mobikom's per share subscription price during Completion as at 30 September 2014.

Other than the above, there were other derivatives arising from the Group's investment in P1 but for which exercise prices are at fair market value of the shares in P1 at the time when the options are to be exercised and as such, the fair value of these options are nil.

The following table summarises the consideration paid for P1 and the fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration at 30 September 2014	RM
Cash (Total Contribution)	**350.0**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and bank balances	**112.0**
Property, plant and equipment (note 22)	**555.7**
Intangible assets (note 24)	**211.1**
Trade and other receivables	**114.5**
Loans and borrowings	**(33.4)**
Trade and other payables (current and non-current)	**(411.4)**
Deferred tax liability (note 20)	**(9.7)**
Total identifiable net assets	**538.8**
Non-controlling interest	**(240.9)**
Goodwill (note 24)	**52.1**
Total	**350.0**

Acquisition-related cost of RM23.2 million have been charged to other operating costs in the Consolidated Income Statement. The revenue included in the Consolidated Income Statement since the Completion on 30 September 2014 contributed by P1 and its subsidiaries was RM67.1 million whilst its contribution to the Group's profit after tax was RM53.3 million loss.

Had P1 Group been consolidated from 1 January 2014, the Consolidated Income Statement would show pro-forma revenue of RM11,415.4 million and profit after tax of RM698.3 million.

The fair value of trade and other receivables was RM114.5 million. The gross contractual amount for trade receivables due amounted to RM75.7 million, of which RM39.6 million expected to be uncollectible (note 34(a)).

5. Business Combinations (continued)

(a) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)

The non-controlling interest in P1 Group, an unlisted company, which amounted to RM240.9 million was estimated by using the non-controlling interest's 44.7% proportionate share of the fair value of P1 Group's net asset at the date of acquisition.

The goodwill of RM52.1 million arising from the acquisition was attributable to the expected economies of scale and synergy from combining the operations of the Group and P1 Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the acquired identifiable intangible assets of RM211.1 million was inclusive of the acquired telecommunication spectrum and customer base of P1. The Group has assessed the identifiable assets acquired and liabilities assumed from the acquisition as at the acquisition date. MFRS 3 "Business Combinations" allows adjustments to the purchase price allocation up to a 12 months period from the date of acquisition.

(b) GTC Global Sdn Bhd (GTC)

On 27 November 2013, the Company entered into a conditional Share Sale Agreement (SSA) with Gapurna Global Solutions Sdn Bhd (GGS) to acquire the entire equity interest held by GGS in GTC (Sale Shares) for a total consideration of RM45.0 million to be satisfied by way of cash (Acquisition). The SSA was conditional upon fulfilment of several Conditions Precedent, within three (3) months from the date of the SSA or such other date as may be agreed upon between the Company and GGS.

The Acquisition was completed on 10 January 2014 upon fulfilment of the Conditions Precedent and GTC became the Company's wholly-owned subsidiary with effect from the same date. GTC complements the Company's core competencies as well as broaden the Group's capabilities in the information and communications technology (ICT) to better serve its range of customers, particularly in the Enterprise and Government segments.

The following table summarises the consideration paid for GTC and the fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration at 10 January 2014	**RM**
Cash (Total Contribution)	**45.0**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and bank balances	**23.4**
Property, plant and equipment (note 22)	**0.6**
Finance lease receivables	**133.6**
Trade and other receivables	**102.6**
Loans and borrowings	**(119.6)**
Deferred income	**(46.8)**
Trade and other payables	**(26.7)**
Current and deferred tax liabilities	**(0.2)**
Total identifiable net assets	**66.9**
Negative goodwill credited to Consolidated Income Statement	**(21.9)**
Total	**45.0**

5. Business Combinations (continued)

(b) GTC Global Sdn Bhd (GTC) (continued)

Acquisition-related costs of RM0.5 million have been charged to other operating costs in the Consolidated Income Statement. The revenue included in the Consolidated Income Statement since 10 January 2014 contributed by GTC was RM56.0 million whilst its contribution to the Group's profit was a RM2.7 million loss, which would not be materially different from what would have been reported had GTC been consolidated from 1 January 2014.

The Group has assessed the identifiable assets acquired and liabilities assumed from the acquisition as at the acquisition date. The fair value of trade and other receivables was RM102.6 million. The gross contractual amount for trade receivables due was RM8.1 million, of which all is expected to be collectible.

The negative goodwill which was credited to other operating income in the Consolidated Income Statement was in view of anticipated adjustments from changes in estimates for certain significant customer contracts of GTC at the date of acquisition.

6. Operating Revenue

	The Group		The Company	
	2014 RM	2013 RM	**2014 RM**	2013 RM
Voice services	**3,469.2**	3,617.7	**3,460.8**	3,607.6
Data services	**2,606.0**	2,512.3	**2,300.6**	2,203.3
Internet and multimedia services	**2,995.1**	2,676.4	**2,942.9**	2,680.9
Other telecommunications related services	**1,864.7**	1,478.3	**1,306.9**	993.7
Non-telecommunications related services	**300.1**	344.0	**–**	–
TOTAL OPERATING REVENUE	**11,235.1**	10,628.7	**10,011.2**	9,485.5

7(a) Depreciation, Impairment and Amortisation

	The Group		The Company	
	2014 RM	2013 RM	**2014 RM**	2013 RM
Depreciation of property, plant and equipment (PPE)	**2,259.9**	2,134.4	**2,018.6**	1,913.4
Depreciation of investment property	**–**	–	**2.2**	2.2
Impairment of PPE	**2.3**	–	**–**	–
Impairment of non-current assets held for sale	**6.3**	–	**6.3**	–
Write-off/retirement of PPE	**52.8**	9.3	**50.8**	7.6
Amortisation of intangible assets	**20.0**	16.0	**–**	–
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**2,341.3**	2,159.7	**2,077.9**	1,923.2

7(b) Other Operating Costs

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Agency commissions and charges	**64.0**	72.3	**88.9**	108.3
Domestic interconnect and international outpayment	**821.7**	813.0	**890.3**	868.4
Impairment of trade and other receivables (net of debt recoveries)	**228.9**	89.9	**238.1**	96.6
Impairment reversal for investment in a subsidiary	**–**	–	**(76.0)**	–
Maintenance	**846.2**	763.4	**848.4**	795.9
Marketing, advertising and promotion	**297.6**	321.8	**339.8**	358.9
Net loss/(gain) on foreign exchange on settlements and placements				
– realised	**3.0**	2.7	**0.6**	0.8
– unrealised	**(9.7)**	(16.0)	**(20.8)**	(12.7)
Outsourcing costs	**61.7**	81.0	**301.3**	295.6
Rental – equipment	**58.2**	65.5	**103.0**	111.7
Rental – land and buildings	**198.4**	176.3	**156.8**	145.8
Rental – leased lines	**226.6**	238.6	**–**	–
Rental – others	**26.3**	27.9	**10.6**	12.0
Research and development	**8.6**	7.6	**61.9**	57.8
Staff costs	**2,511.9**	2,369.7	**1,873.1**	1,796.6
Staff costs capitalised into PPE	**(118.7)**	(109.4)	**(118.7)**	(109.4)
Supplies and materials	**782.0**	692.8	**518.0**	497.3
Transportation and travelling	**72.2**	69.0	**55.5**	53.0
Universal Service Provision contribution	**301.7**	312.2	**276.5**	295.4
Utilities	**368.6**	317.9	**318.4**	279.3
Others	**1,004.6**	922.4	**1,019.3**	895.2
TOTAL OTHER OPERATING COSTS	**7,753.8**	7,218.6	**6,885.0**	6,546.5
Staff costs include:				
– salaries, allowances, overtime and bonus	**1,900.4**	1,935.5	**1,387.0**	1,457.5
– contribution to Employees Provident Fund (EPF)	**279.2**	283.0	**205.3**	217.0
– termination benefit	**111.2**	0.7	**101.4**	0.7
– other staff benefits	**214.3**	141.9	**173.3**	113.2
– remuneration of Executive Directors of the Company				
– salaries, allowances and bonus	**2.5**	4.6	**2.5**	4.6
– contribution to EPF	**0.9**	0.9	**0.9**	0.9
– remuneration of Non-Executive Directors of the Company				
– fees	**2.5**	2.0	**1.9**	1.6
– allowances and bonus	**0.9**	0.8	**0.8**	0.8
– remuneration of former Non-Executive Directors of the Company				
– fees	**–**	0.2	**–**	0.2
– allowances and bonus	**–**	0.1	**–**	0.1

7(b) Other Operating Costs (continued)

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	**3.6**	3.0	**2.2**	2.1
– member firms of PricewaterhouseCoopers International Limited	**0.2**	0.2	**–**	–
– audit related fees	**0.7**	0.8	**0.4**	0.4
– tax and other non-audit services	**5.0**	1.2	**4.9**	1.1

Estimated money value of benefits of Directors amounted to RM622,829 (2013: RM877,966) for the Group and RM622,829 (2013: RM876,260) for the Company.

In ensuring independence of the external auditors, the Board Audit Committee has policies governing the engagement of the external auditors for non-audit services and the related approval process that has to be adhered before any such non-audit services commence. Non-audit services can be offered by the external auditors if there are efficiencies and value-added benefits to the Group.

8. Other Operating Income (net)

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Dividend income from subsidiaries	**–**	–	**85.9**	116.2
Dividend income from equity securities – quoted	**1.3**	1.3	**1.3**	1.3
– unquoted	**7.1**	11.4	**7.1**	11.4
Income from sales of scraps	**10.6**	10.1	**10.6**	10.1
Income from subsidiaries – interest	**–**	–	**11.6**	7.5
– others	**–**	–	**4.1**	4.3
Insurance claims	**0.5**	0.5	**0.5**	0.4
Loss on disposal of staff loans	**(0.4)**	(0.5)	**(0.4)**	(0.5)
Profit on disposal of PPE	**5.6**	1.9	**5.7**	2.3
Profit on disposal of non-current asset held for sale	**27.0**	8.3	**27.0**	8.3
Penalty on breach of contract	**5.5**	4.6	**5.5**	4.6
Rental income from land and buildings	**43.5**	40.8	**62.5**	65.2
Rental income from vehicles	**–**	–	**0.7**	0.9
Revenue from training and related activities	**1.8**	0.2	**2.2**	1.0
Others	**51.8**	42.9	**45.5**	47.8
TOTAL OTHER OPERATING INCOME (net)	**154.3**	121.5	**269.8**	280.8

9. Other Gains/(Losses) (net)

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Financial assets at fair value through profit or loss				
– fair value (loss)/profit	**(4.3)**	1.5	**(4.3)**	1.5
– call option on shares held by non-controlling interest	**9.0**	–	**–**	–
Available-for-sale investments				
– reclassification from fair value reserves	**0.1**	0.2	**0.1**	0.2
TOTAL OTHER GAINS/(LOSSES) (net)	**4.8**	1.7	**(4.2)**	1.7

10. Net Finance Cost

The Group	2014 Foreign RM	2014 Domestic RM	2014 Islamic Principles RM	2014 Total RM	2013 Foreign RM	2013 Domestic RM	2013 Islamic Principles RM	2013 Total RM
Finance income from								
– short term bank deposits	**#**	**60.4**	**42.2**	**102.6**	0.4	63.3	68.2	131.9
– other deposits	**–**	**3.4**	**3.0**	**6.4**	–	2.4	1.6	4.0
– Redeemable Exchangeable Medium Term Notes (note 30)	**–**	**2.4**	**–**	**2.4**	–	–	–	–
– staff loans	**–**	**0.7**	**3.2**	**3.9**	–	0.9	2.2	3.1
– accretion of finance income	**–**	**19.1**	**–**	**19.1**	–	3.0	–	3.0
– available-for-sale receivables	**–**	**2.2**	**–**	**2.2**	–	2.9	–	2.9
TOTAL FINANCE INCOME	**#**	**88.2**	**48.4**	**136.6**	0.4	72.5	72.0	144.9
Finance cost on								
– borrowings	**(162.5)**	**(8.2)**	**–**	**(170.7)**	(166.0)	(2.0)	–	(168.0)
– TM Islamic Stapled Income Securities (note 17(b))	**–**	**–**	**(44.9)**	**(44.9)**	–	–	(162.6)	(162.6)
– fair value gain on interest rate swaps – realised (note 17(c))	**–**	**–**	**3.8**	**3.8**	–	–	7.4	7.4
– Islamic Commercial Papers (note 17(d))	**–**	**–**	**–**	**–**	–	–	(0.8)	(0.8)
– Islamic Medium Term Notes (note 17(d))	**–**	**–**	**(107.4)**	**(107.4)**	–	–	(70.5)	(70.5)
– accretion of finance cost (note 17(e))	**–**	**(8.4)**	**–**	**(8.4)**	–	(8.0)	–	(8.0)
– finance lease (note 17(f))	**–**	**(3.0)**	**–**	**(3.0)**	–	(3.2)	–	(3.2)
– unwinding of discount on put option over shares of a subsidiary (note 47(a))	**–**	**(2.5)**	**–**	**(2.5)**	–	–	–	–
– amortisation of interest subsidy on staff loan	**–**	**–**	**(0.8)**	**(0.8)**	–	(0.3)	(0.7)	(1.0)
Borrowing costs capitalised	**6.6**	**8.4**	**27.3**	**42.3**	4.4	8.0	23.1	35.5
TOTAL FINANCE COST	**(155.9)**	**(13.7)**	**(122.0)**	**(291.6)**	(161.6)	(5.5)	(204.1)	(371.2)
Foreign exchange gain/(loss) on borrowings								
– realised	**254.2**	**–**	**–**	**254.2**	–	–	–	–
– unrealised	**(314.6)**	**–**	**–**	**(314.6)**	(147.5)	–	–	(147.5)
– reclassification from hedging reserve	**28.6**	**–**	**–**	**28.6**	0.9	–	–	0.9
Fair value (loss)/gain on forward foreign currency contracts								
– realised (note 19)	**(16.1)**	**–**	**–**	**(16.1)**	–	–	–	–
– unrealised (note 19)	**–**	**–**	**–**	**–**	41.4	–	–	41.4
TOTAL FOREIGN EXCHANGE LOSS ON BORROWINGS	**(47.9)**	**–**	**–**	**(47.9)**	(105.2)	–	–	(105.2)
NET FINANCE COST	**(203.8)**	**74.5**	**(73.6)**	**(202.9)**	(266.4)	67.0	(132.1)	(331.5)

10. Net Finance Cost (continued)

The Company	2014 Foreign RM	2014 Domestic RM	2014 Islamic Principles RM	2014 Total RM	2013 Foreign RM	2013 Domestic RM	2013 Islamic Principles RM	2013 Total RM
Finance income from								
– short term bank deposits	**#**	**58.3**	**40.6**	**98.9**	0.1	61.3	64.8	126.2
– other deposits	**–**	**3.4**	**1.7**	**5.1**	–	1.9	1.5	3.4
– staff loans	**–**	**0.7**	**3.2**	**3.9**	–	0.9	2.2	3.1
– available-for-sale receivables	**–**	**2.2**	**–**	**2.2**	–	2.9	–	2.9
TOTAL FINANCE INCOME	**#**	**64.6**	**45.5**	**110.1**	0.1	67.0	68.5	135.6
Finance cost on								
– borrowings	**(160.3)**	**–**	**–**	**(160.3)**	(166.0)	(1.6)	–	(167.6)
– TM Islamic Stapled Income Securities (note 17(b))	**–**	**–**	**(44.9)**	**(44.9)**	–	–	(162.6)	(162.6)
– fair value gain on interest rate swaps								
– realised (note 17(c))	**–**	**–**	**3.8**	**3.8**	–	–	7.4	7.4
– Islamic Commercial Papers (note 17(d))	**–**	**–**	**–**	**–**	–	–	(0.8)	(0.8)
– Islamic Medium Term Notes (note 17(d))	**–**	**–**	**(107.4)**	**(107.4)**	–	–	(70.5)	(70.5)
– accretion of finance cost (note 17(e))	**–**	**(8.4)**	**–**	**(8.4)**	–	(8.0)	–	(8.0)
– finance lease (note 17(f))	**–**	**(3.0)**	**–**	**(3.0)**	–	(3.2)	–	(3.2)
– Inter-Company Fund Optimisation (note 43(b))	**–**	**(17.5)**	**(0.8)**	**(18.3)**	–	(7.8)	–	(7.8)
– amortisation of interest subsidy on staff loan	**–**	**–**	**(0.8)**	**(0.8)**	–	(0.3)	(0.7)	(1.0)
Borrowing costs capitalised	**6.6**	**8.4**	**27.3**	**42.3**	4.4	8.0	23.1	35.5
TOTAL FINANCE COST	**(153.7)**	**(20.5)**	**(122.8)**	**(297.0)**	(161.6)	(12.9)	(204.1)	(378.6)
Foreign exchange gain/(loss) on borrowings								
– realised	**254.2**	**–**	**–**	**254.2**	–	–	–	–
– unrealised	**(314.6)**	**–**	**–**	**(314.6)**	(147.5)	–	–	(147.5)
– reclassification from hedging reserve	**28.6**	**–**	**–**	**28.6**	0.9	–	–	0.9
Fair value (loss)/gain on forward foreign currency contracts								
– realised (note 19)	**(16.1)**	**–**	**–**	**(16.1)**	–	–	–	–
– unrealised (note 19)	**–**	**–**	**–**	**–**	41.4	–	–	41.4
TOTAL FOREIGN EXCHANGE LOSS ON BORROWINGS	**(47.9)**	**–**	**–**	**(47.9)**	(105.2)	–	–	(105.2)
NET FINANCE COST	**(201.6)**	**44.1**	**(77.3)**	**(234.8)**	(266.7)	54.1	(135.6)	(348.2)

Amount less than RM0.1 million

11. Taxation and Zakat

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**161.3**	59.0	**108.6**	25.5
Prior year	**(4.5)**	(12.1)	**0.9**	(5.9)
Deferred Tax (net)	**103.3**	(54.7)	**104.1**	(45.8)
	260.1	(7.8)	**213.6**	(26.2)
Overseas				
Income Tax				
Current year	**3.5**	0.3	**–**	–
Prior year	**(2.3)**	(1.3)	**–**	–
Deferred Tax (net)	**(1.4)**	2.7	**–**	–
	(0.2)	1.7	**–**	–
TOTAL TAXATION	**259.9**	(6.1)	**213.6**	(26.2)
Zakat	**3.1**	4.3	**1.8**	3.5
TAXATION AND ZAKAT	**263.0**	(1.8)	**215.4**	(22.7)
Current taxation				
Current year	**164.8**	59.3	**108.6**	25.5
(Over)/Under accrual in prior years (net)	**(6.8)**	(13.4)	**0.9**	(5.9)
Deferred taxation				
Origination and reversal of temporary differences	**101.8**	186.1	**100.2**	177.1
Change in tax rate	**3.9**	(35.0)	**3.9**	(31.8)
Tax incentive	**–**	(191.1)	**–**	(191.1)
Benefit from previously unrecognised tax losses	**(3.8)**	(12.0)	**–**	–
	259.9	(6.1)	**213.6**	(26.2)

11. Taxation and Zakat (continued)

The relationship between taxation and profit before taxation and zakat can be explained by the numerical reconciliation between taxation expense and the product of accounting profit multiplied by the Malaysian tax rate as follows:

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Profit Before Taxation and Zakat	**1,105.5**	1,046.0	**1,079.1**	950.1
Taxation calculated at the applicable Malaysian taxation rate of 25.0%	**276.4**	261.5	**269.8**	237.5
Tax effects of:				
– share of results of associates	**(2.3)**	(0.8)	**–**	–
– different taxation rates in other countries	**0.5**	1.7	**–**	–
– expenses not deductible for taxation purposes	**146.6**	84.4	**121.3**	66.0
– income not subject to taxation	**(162.3)**	(97.7)	**(166.2)**	(90.3)
– expenses allowed for double deduction	**(16.1)**	(14.5)	**(16.1)**	(14.5)
– tax incentive	**–**	(191.1)	**–**	(191.1)
– benefit from previously unrecognised tax losses	**(3.8)**	(12.0)	**–**	–
– change in tax rate	**3.9**	(35.0)	**3.9**	(31.8)
– current year tax losses not recognised	**13.3**	2.1	**–**	–
– (over)/under accrual of income tax (net)	**(6.8)**	(13.4)	**0.9**	(5.9)
– previously unrecognised temporary differences	**10.5**	8.7	**–**	3.9
TOTAL TAXATION	**259.9**	(6.1)	**213.6**	(26.2)

12. Earnings Per Share

Basic earnings per share of the Group was calculated by dividing the net profit attributable to equity holders by the weighted average number of issued and paid-up ordinary shares of the Company in issue during the financial year. There is no dilutive potential ordinary shares as at 31 December 2014. Thus, diluted earnings per share equals basic earnings per share.

	The Group	
	2014	**2013**
Profit attributable to equity holders of the Company (RM million)	**831.8**	1,012.2
Weighted average number of ordinary shares (million)	**3,633.8**	3,577.4
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	**22.9**	28.3

13. Dividends in Respect of Ordinary Shares

Dividends approved and paid in respect of ordinary shares:

The Company	2014 Dividend per share Sen	2014 Amount of single-tier dividend RM	2013 Dividend per share Sen	2013 Amount of single-tier dividend RM
Final dividends paid in respect of the financial years ended:				
– 31 December 2013	**16.3**	**583.1**	–	–
– 31 December 2012	**–**	**–**	12.2	436.4
Interim dividends paid in respect of the financial years ended:				
– 31 December 2014	**9.5**	**348.4**	–	–
– 31 December 2013	**–**	**–**	9.8	350.6
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**25.8**	**931.5**	22.0	787.0

In respect of the financial year ended 31 December 2014, the Directors now recommend a final single-tier dividend of 13.4 sen per share (Final Dividend) amounting to RM498.4 million (2013: a final single-tier dividend of 16.3 sen per share amounting to RM583.1 million) for the shareholders' approval at the forthcoming Annual General Meeting of the Company. The Directors has also determined that the Dividend Reinvestment Scheme (DRS) will be applicable to the entire Final Dividend. The allotment and issuance of new ordinary shares of RM0.70 each in the Company (TM Shares) in relation to the DRS are subject to shareholders' approval at the forthcoming Annual General Meeting for the renewal of the authority for the Directors of the Company to allot and issue new TM Shares and the approval of Bursa Malaysia Securities Berhad for the listing and quotation of the new TM Shares.

14. Share Capital

The Group and Company	2014 Number of shares	2014 RM	2013 Number of shares	2013 RM
Authorised:				
Ordinary shares of RM0.70 each	**5,040.0**	**3,528.0**	5,040.0	3,528.0
Special Share of RM1.00 (sub-note (a))	**#**	**#**	#	#
2,000 Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
1,000 Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
TOTAL AUTHORISED SHARE CAPITAL	**5,040.0**	**3,528.0**	5,040.0	3,528.0

14. Share Capital (continued)

The Group and Company	2014 Number of shares	2014 RM	2013 Number of shares	2013 RM
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	**3,577.4**	**2,504.2**	3,577.4	2,504.2
Share issued under Dividend Reinvestment Scheme (sub-note (c))	**142.0**	**99.4**	–	–
At 31 December	**3,719.4**	**2,603.6**	3,577.4	2,504.2
Special Share of RM1.00 (sub-note (a))				
At 1 January and 31 December	**#**	**#**	#	#
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,719.4**	**2,603.6**	3,577.4	2,504.2

Amount less than RM0.1 million

(a) Special Rights Redeemable Preference Share (Special Share)

The Special Share of RM1.00 would enable the Government through the Minister of Finance to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policy. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but does not carry any right to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

Certain matters, in particular, the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, the dissolution of the Company, any substantial acquisitions and disposal of assets, amalgamation, merger and takeover, require the prior consent of the Special Shareholder.

The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time. In a distribution of capital in a winding up of the Company, the Special Shareholder is entitled to the repayment of the capital paid-up on the Special Share in priority to any repayment of capital to any other member. The Special Share does not confer any right to participate in the capital or profits of the Company.

(b) Non-Convertible Redeemable Preference Shares (NCRPS)

These comprise 2,000 Class C NCRPS of RM1.00 each and 1,000 Class D NCRPS of RM1.00 each. On 20 July 2007, the Company issued 2,000 Class C NCRPS (TM NCRPS C) and 925 Class D NCRPS (TM NCRPS D) at a premium of RM999.00 each over the par value of RM1.00 each. TM NCRPS C and TM NCRPS D rank pari passu amongst themselves but below the Special Share and ahead of the ordinary shares of the Company in a distribution of capital in the event of the winding up or liquidation of the Company. TM NCRPS C and TM NCRPS D have been classified as liabilities.

The details of TM NCRPS C and TM NCRPS D are set out in note 17(b)(I) to the financial statements.

(c) Dividend Reinvestment Scheme

On 27 March 2014, the Company announced a proposal to undertake a dividend reinvestment scheme that provides shareholders of the Company (Shareholders) the option to elect to reinvest, in whole or in part, their cash dividend which includes interim, final, special or any other cash dividend, in new ordinary share(s) of RM0.70 each in the Company (New TM Share) (DRS).

The DRS has received the approval from the Bursa Malaysia Securities Berhad via its letter dated 7 April 2014 and the Shareholders' approval at the Company's Extraordinary General Meeting on 8 May 2014.

14. Share Capital (continued)

(c) Dividend Reinvestment Scheme (continued)

Shareholders have the following options to reinvest their cash dividend in New TM Shares (Option to Reinvest):

- to elect to participate by reinvesting in whole or in part the portion of such dividend to which the Option to Reinvest applies (Electable Portion), at the issue price for New TM Shares.

  In the event that only part of the Electable Portion is reinvested, the Shareholders shall receive the remaining portion of the dividend in cash; or

- to elect not to participate in the Option to Reinvest and thereby receive the entire dividend in cash.

Pursuant to the DRS, the Company increased its issued and fully paid share capital from RM2,504,184,312 to RM2,603,561,225.30 via:

(i) the issuance of 89,770,254 New TM Shares on 23 June 2014 at an issue price of RM5.38 per New TM Share relating to the Electable Portion of the final single-tier dividend for the financial year ended 31 December 2013 of 16.3 sen per TM Share. This translates to 82.8% rate of acceptance of Shareholders to reinvest their final cash dividend in New TM Shares.

(ii) the issuance of 52,196,765 New TM Shares on 29 October 2014 at an issue price of RM5.67 per New TM Share relating to the Electable Portion of the interim single-tier dividend for the financial year ended 31 December 2014 of 9.5 sen per TM Share. This translates to 85.0% rate of acceptance of Shareholders to reinvest their interim cash dividend in New TM Shares.

Upon completion of the DRS on listing and quotation of the above New TM Shares on Main Market Bursa Malaysia Securities Berhad, the total issued and paid up share capital of the Company was RM2,603,561,225.30 comprising 3,719,368,999 ordinary shares of RM0.70 each, 1 Special Rights Redeemable Preference Share of RM1.00, 2,000 Class C NCRPS of RM1.00 each, and 925 Class D NCRPS of RM1.00 each.

15. Other Reserves

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Fair value reserves (note 2(h)(iii))	**57.8**	56.3	**57.8**	56.3
Hedging reserve (note 2(j))	**63.5**	46.5	**63.5**	46.5
Capital redemption reserve	**71.6**	71.6	**71.6**	71.6
Other reserve (note 2(q)(iii) & note 47(a))	**(267.6)**	–	**–**	–
Currency translation differences arising from translation of:				
– subsidiaries	**3.6**	(0.8)	**–**	–
– associate	**0.2**	0.3	**–**	–
TOTAL OTHER RESERVES	**(70.9)**	173.9	**192.9**	174.4

16. Retained Profits

Pursuant to the Finance Act, 2007, the single-tier system was introduced with effect from the year of assessment 2008. Under the single-tier system, the tax on a company's profit is a final tax and the dividends distributed to its shareholders would be exempted from tax. With the implementation of the single-tier system, companies with unutilised Section 108 balances are allowed to either elect for the irrevocable option to switch over to the single-tier system or continue utilising the available Section 108 balances as at 31 December 2007 until such time the tax credit is fully utilised or upon expiry of the 6 years transitional period on 31 December 2013, whichever is earlier.

The Company has elected for the irrevocable option to disregard the remaining Section 108 balance of RM0.7 million on 13 September 2011 and thus, had, on the same day, switched over to the single-tier system and allowed to distribute single-tier dividend.

As at 31 December 2014, the Company has tax exempt profits of RM110.6 million (2013: RM100.5 million) subject to the agreement by the Inland Revenue Board.

17. Borrowings

	2014				2013			
The Group	**Weighted Average Rate of Finance**	**Non-current RM**	**Current RM**	**Total RM**	**Weighted Average Rate of FInance**	**Non-current RM**	**Current RM**	**Total RM**
DOMESTIC								
Secured								
Borrowings from financial institutions (sub-note (a))	**4.90%**	**164.7**	**81.2**	**245.9**	–	–	–	–
Finance lease	**2.89%**	**0.2**	**0.1**	**0.3**	–	–	–	–
Total Domestic Secured	**4.90%**	**164.9**	**81.3**	**246.2**	–	–	–	–
Unsecured								
Borrowings from financial institutions	**4.31%**	**–**	**13.0**	**13.0**	4.16%	–	13.0	13.0
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (b) and (c))	**4.87%**	**925.0**	**–**	**925.0**	4.87%	925.0	–	925.0
– Fair value of hedged risk (sub-note (c))	**–**	**3.6**	**–**	**3.6**	–	7.5	–	7.5
– Islamic Medium Term Notes (sub-note (d))	**4.32%**	**3,400.0**	**–**	**3,400.0**	4.12%	2,200.0	–	2,200.0
Other borrowings (sub-note (e))	**4.71%**	**89.8**	**98.1**	**187.9**	4.71%	132.2	48.2	180.4
Finance lease (sub-note (f))	**6.23%**	**42.2**	**4.4**	**46.6**	6.23%	46.7	4.1	50.8
Total Domestic Unsecured	**4.46%**	**4,460.6**	**115.5**	**4,576.1**	4.37%	3,311.4	65.3	3,376.7
Total Domestic	**4.48%**	**4,625.5**	**196.8**	**4,822.3**	4.37%	3,311.4	65.3	3,376.7
FOREIGN								
Unsecured								
Borrowings from financial institutions	**1.07%**	**575.7**	**–**	**575.7**	1.06%	568.7	–	568.7
Notes and Debentures (sub-note (g))	**7.88%**	**1,047.3**	**–**	**1,047.3**	6.28%	981.7	1,524.7	2,506.4
Other borrowings	**–**	**2.9**	**0.2**	**3.1**	–	3.2	0.2	3.4
Total Foreign	**5.46%**	**1,625.9**	**0.2**	**1,626.1**	5.31%	1,553.6	1,524.9	3,078.5
TOTAL BORROWINGS	**4.73%**	**6,251.4**	**197.0**	**6,448.4**	4.82%	4,865.0	1,590.2	6,455.2

17. Borrowings (continued)

	2014			2013		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Group's non-current borrowings are repayable as follows:						
After one year and up to five years	**1,182.3**	**228.3**	**1,410.6**	1,083.4	243.2	1,326.6
After five years and up to ten years	**3,443.2**	**348.6**	**3,791.8**	2,227.9	326.8	2,554.7
After ten years and up to fifteen years	**–**	**1,048.0**	**1,048.0**	0.1	982.5	982.6
After fifteen years	**–**	**1.0**	**1.0**	–	1.1	1.1
	4,625.5	**1,625.9**	**6,251.4**	3,311.4	1,553.6	4,865.0

	2014				2013			
The Company	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 under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (b) and (c))	**4.87%**	**925.0**	**–**	**925.0**	4.87%	925.0	–	925.0
– Fair value of hedged risk (sub-note (c))	**–**	**3.6**	**–**	**3.6**	–	7.5	–	7.5
– Islamic Medium Term Notes (sub-note (d))	**4.32%**	**3,400.0**	**–**	**3,400.0**	4.12%	2,200.0	–	2,200.0
Other borrowings (sub-note (e))	**4.71%**	**89.8**	**98.1**	**187.9**	4.71%	132.2	48.2	180.4
Finance lease (sub-note (f))	**6.23%**	**42.2**	**4.4**	**46.6**	6.23%	46.7	4.1	50.8
Total Domestic	**4.46%**	**4,460.6**	**102.5**	**4,563.1**	4.38%	3,311.4	52.3	3,363.7
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (g))	**7.88%**	**1,047.3**	**–**	**1,047.3**	7.88%	981.7	–	981.7
Other borrowings	**–**	**2.9**	**0.2**	**3.1**	–	3.2	0.2	3.4
Total Foreign	**7.86%**	**1,050.2**	**0.2**	**1,050.4**	7.85%	984.9	0.2	985.1
TOTAL BORROWINGS	**5.10%**	**5,510.8**	**102.7**	**5,613.5**	5.17%	4,296.3	52.5	4,348.8

17. Borrowings (continued)

	2014			2013		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Company's non-current borrowings are repayable as follows:						
After one year and up to five years	**1,038.6**	**0.5**	**1,039.1**	1,083.4	0.5	1,083.9
After five years and up to ten years	**3,422.0**	**0.7**	**3,422.7**	2,227.9	0.8	2,228.7
After ten years and up to fifteen years	**–**	**1,048.0**	**1,048.0**	0.1	982.5	982.6
After fifteen years	**–**	**1.0**	**1.0**	–	1.1	1.1
	4,460.6	**1,050.2**	**5,510.8**	3,311.4	984.9	4,296.3

The currency exposure profile of borrowings is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	**4,822.3**	3,376.7	**4,563.1**	3,363.7
US Dollar	**1,395.2**	2,832.4	**1,047.3**	981.7
Other currencies	**230.9**	246.1	**3.1**	3.4
	6,448.4	6,455.2	**5,613.5**	4,348.8

(a) Secured borrowings of subsidiaries are facilities relating to projects of the subsidiaries and are secured mainly by either assignment of proceeds receivable from projects, fixed and floating charge over assets and undertakings of the subsidiaries or corporate guarantee by a non-controlling shareholder.

(b) On 20 July 2007, the Company had, through itself and its wholly-owned subsidiary, Hijrah Pertama Berhad (HPB), issued the TM Islamic Stapled Income Securities (TM ISIS) consisting of:

(i) (a) RM2.0 million Class C Non-Convertible Redeemable Preference Shares (NCRPS) (TM NCRPS C) consisting of 2,000 Class C NCRPS of RM1.00 each at a premium of RM999.00 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class A of nominal value RM1,998.0 million issued by HPB; and

(ii) (a) RM925,000 Class D NCRPS (TM NCRPS D) consisting of 925 Class D NCRPS of RM1.00 each at a premium of RM999.00 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class B of nominal value RM924,075,000 issued by HPB.

Sukuk Ijarah Class A and B are collectively referred to as 'Sukuk'.

The TM NCRPS (which comprises Class C and Class D NCRPS respectively) are effectively linked to the Sukuk in that the TM NCRPS and the Sukuk are issued simultaneously to the same parties and the periodic distribution obligations under the Sukuk are dependent on the payments made under the TM NCRPS. The outstanding amount of Sukuk are treated as borrowing by the Company as the Sukuk are effectively obligations of the Company.

17. Borrowings (continued)

(b) The TM ISIS are classified as debt instruments and hence are reported as liabilities. Consequently, dividend payable under TM NCRPS and rental payable under Sukuk are reported as finance cost.

On 30 December 2013, the Company repaid the RM2.0 million Class C NCRPS and RM1,998.0 million Class A Sukuk at nominal value.

Salient terms of the above transactions are:

(I) TM NCRPS

The principle features of the TM NCRPS are summarised as follows:

(i) The NCRPS will not be convertible to ordinary shares of the Company.

(ii) The NCRPS are not transferable/tradable and will be held by Primary Subscribers. The NCRPS will be mandatorily redeemed by the Company upon maturity of the Sukuk.

(iii) There will be no voting rights except with regards to the proposal to reduce the capital of the Company, sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NCRPS holders or as provided for in the Companies Act, 1965.

(iv) The NCRPS will not be listed on any of the boards of Bursa Malaysia Securities Berhad.

(v) The NCRPS shall rank pari passu amongst themselves but below the Special Share and ahead of the Company's ordinary shares in a distribution of capital in the event of the winding up or liquidation of the Company.

(II) Sukuk Ijarah

The Sukuk are issued in 4 classes and is for the purposes of financing the purchase by HPB of the beneficial ownership of certain assets. The Sukuk comprise the following classes:

(i) Class A Sukuk comprising Class A1 Sukuk and Class A2 Sukuk (collectively referred to as 'Class A Sukuk')

(ii) Class B Sukuk comprising Class B1 Sukuk and Class B2 Sukuk (collectively referred to as 'Class B Sukuk')

The Class A Sukuk and Class B Sukuk shall represent undivided beneficial ownership in the relevant assets and shall constitute direct, unconditional and unsecured trust obligations of HPB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves.

Features of the Sukuk are summarised as follows:

(i) The Sukuk shall constitute trust obligations of HPB in relation to, and represent undivided beneficial ownership in the assets.

(ii) Class A2 Sukuk and Class B2 Sukuk are not transferable/tradable and will be held by Primary Subscribers until maturity of the Sukuk.

(iii) The Sukuk will constitute, inter alia, the obligations of the Company.

(iv) The obligations of the Company in respect of the Sukuk will constitute direct, unconditional and unsecured obligations of the Company and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Company, subject to those preferred by law or the transaction documents.

17. Borrowings (continued)

(b) Salient terms of the above transactions are: (continued)

(II) Sukuk Ijarah (continued)

(v) The Sukuk carry a rating of AAA by RAM Rating Services Berhad at the date of issue.

The respective tenure of the Sukuk are as follows:

Class	Maturity Dates
A1	30 December 2013
A2	30 December 2013
B1	28 December 2018
B2	28 December 2018

During the tenure of the TM ISIS, the Company can elect to either:

(i) Pay gross dividends, comprising net dividend with the respective tax credits to investors and Nominal Rental payable to HPB; or

(ii) Pay full rental to HPB, which in turn distributes the same as periodic distribution to investors who are holding Class A2 Sukuk and Class B2 Sukuk.

Where the Company elects to pay dividend, HPB will only receive Nominal Rental under the lease agreement which it in turn would pay out to investors under Class A2 Sukuk and Class B2 Sukuk as nominal periodic distribution. The nominal periodic distribution rate is 0.01% per annum.

Where the Company elects to pay full rental, the Periodic Distribution Rate as in the TM ISIS of Class C NCRPS and Class D NCRPS which is linked to Class A Sukuk and Class B Sukuk is 6.20% and 5.25% per annum respectively, payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset on 31 December 2008 to 4.193% per annum payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset again on 31 December 2013 to 4.87% per annum payable semi-annually in arrears. There will be no resetting of the Periodic Distribution Rate for Class B Sukuk subsequent to 2013 up to the maturity dates of the Sukuk.

Pursuant to Finance Act, 2007, tax credits can no longer be passed on to the investors who are not ordinary shareholders effective from 1 January 2008.

(c) A portion of the security as described in sub-note (b) above, has been hedged with interest rate swaps which are accounted for using hedge accounting. Hence, fair value attributable to the changes in interest rate risk that has been hedged, is included in borrowings.

(d) On 30 August 2013, the Company received approval from the Securities Commission Malaysia for the establishment of an Islamic Commercial Papers (ICP) programme and Islamic Medium Term Notes (IMTN) programme with a total combined limit of up to RM3.0 billion in nominal value, which have respective tenures of 7 and 20 years from the date of first issue. The ICP shall have a tenure of not more than 12 months whilst the IMTN between 1 to 20 years provided that the respective debt securities mature before the expiry of the respective programmes.

On 5 April 2011, the Company also established an ICP and IMTN programmes with a combined limit of up to RM2.0 billion in nominal value, which has been fully issued during the previous financial year.

17. Borrowings (continued)

(d) The proceeds from the issuance of the ICP and/or IMTN are used by the Company to meet its capital expenditure and business operating requirements. The IMTN in issue comprise the following:

	The Group and Company	
	2014 RM	**2013 RM**
IMTN due in 2020 (4.30%)	**200.0**	200.0
IMTN due in 2021 (4.20% – 4.50%)	**800.0**	800.0
IMTN due in 2022 (3.95% – 4.00%)	**550.0**	550.0
IMTN due in 2023 (3.93% – 3.95%)	**650.0**	650.0
IMTN due in 2024 (4.55% – 4.82%)	**1,200.0**	–
	3,400.0	2,200.0

(e) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company.

(f) Minimum lease payments at the reporting date are as follows:

The Group	2014 RM	2013 RM
Not later than one year	**7.3**	7.1
Later than one year and not later than five years	**28.6**	28.4
Later than five years and not later than ten years	**24.2**	31.3
	60.1	66.8
Future finance charges	**(13.2)**	(16.0)
Present value of finance lease liabilities	**46.9**	50.8

Present value of finance lease liabilities at the reporting date is as follows:

	2014 RM	2013 RM
Not later than one year	**4.6**	4.1
Later than one year and not later than five years	**20.4**	19.1
Later than five years and not later than ten years	**21.9**	27.6
	46.9	50.8

17. Borrowings (continued)

(f) Minimum lease payments at the reporting date are as follows: (continued)

The Company	2014 RM	2013 RM
Not later than one year	**7.1**	7.1
Later than one year and not later than five years	**28.4**	28.4
Later than five years and not later than ten years	**24.2**	31.3
	59.7	66.8
Future finance charges	**(13.1)**	(16.0)
Present value of finance lease liabilities	**46.6**	50.8
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**4.4**	4.1
Later than one year and not later than five years	**20.3**	19.1
Later than five years and not later than ten years	**21.9**	27.6
	46.6	50.8

The finance lease refers to a leasing arrangement for an office building of the Company in Melaka.

(g) Notes and Debentures consist of the following:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
USD465.1 million 5.25% Guaranteed Notes due in 2014	**–**	1,524.7	**–**	–
USD300.0 million 7.875% Debentures due in 2025	**1,047.3**	981.7	**1,047.3**	981.7
	1,047.3	2,506.4	**1,047.3**	981.7

On 22 September 2014, the Group redeemed in full at its nominal value, the USD465.1 million (RM1,513.3 million) 5.25% Guaranteed Notes.

None of the other Debentures was redeemed, purchased or cancelled during the current financial year.

18. Payable to a Subsidiary

(a) (i) On 20 November 2012, the Company's wholly-owned subsidiary, TM Global Incorporated, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, obtained a 5-year JPY7.8 billion loan from a financial institution which will mature on 20 November 2017. The loan carries a fixed JPY interest rate of 0.91375% per annum payable semi-annually on 20 May and 20 November of each financial year. The loan was utilised to repay the two Islamic Commercial Papers issued by the Company of RM150.0 million each matured on 21 November 2012. The loan is unconditionally and irrevocably guaranteed by the Company.

(ii) On 12 November 2013, the Company's wholly-owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from another financial institution which will mature on 30 October 2020. The loan carries a floating USD interest rate of 3 months London Interbank Offer Rate (LIBOR) plus 0.91% per annum payable quarterly on 12 February, May, August and November of each financial year including 30 October 2020. The loan is unconditionally and irrevocably guaranteed by the Company.

(b) On 22 September 2004, the Company's wholly-owned subsidiary, TM Global Incorporated, issued a 10-year USD500.0 million Guaranteed Notes due in 2014 (Notes). The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 22 March and 22 September in each financial year commencing in March 2005. Proceeds from the transaction were utilised to refinance the Company's maturing debt and general working capital. The Notes are unconditional and irrevocably guaranteed by the Company.

On 4 December 2009, the Company repurchased USD34.9 million in nominal value of the Notes. The Notes matured on 22 September 2014 and the Company redeemed in full all of the remaining Notes of USD465.1 million (RM1,513.3 million) on the same day.

The Notes and term loans are reflected as borrowings of the Group (note 17 to the financial statements).

19. Derivative Financial Instruments and Hedging Transactions

The Group	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2014				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– less than 1 year	–	–	–	**(16.1)**
Call option on shares held by non-controlling interest				
– more than 3 years (sub-note (f)(ii))	**87.1**	**9.0**	–	**9.0**
Put option liability over shares held by non-controlling interest				
– more than 3 years (sub-note (f)(i))	–	–	**270.1**	**(270.1)**
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– 1 year to 3 years (sub-note (c))	**500.0**	**3.6**	–	**(3.9)**
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (d) & (e))	**926.2**	**134.7**	**67.7**	**45.6**
TOTAL	**1,513.3**	**147.3**	**337.8**	**(235.5)**

19. Derivative Financial Instruments and Hedging Transactions (continued)

The Group	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2013				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– less than 1 year	910.5	27.1	11.0	41.4
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– more than 3 years (sub-note (c))	500.0	7.5	–	(11.1)
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (d) & (e))	926.2	72.8	51.4	20.5
TOTAL	2,336.7	107.4	62.4	50.8

The Company	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2014				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– less than 1 year	**–**	**–**	**–**	**(16.1)**
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– 1 year to 3 years (sub-note (c))	**500.0**	**3.6**	**–**	**(3.9)**
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (d) & (e))	**926.2**	**134.7**	**67.7**	**45.6**
TOTAL	**1,426.2**	**138.3**	**67.7**	**25.6**

19. Derivative Financial Instruments and Hedging Transactions (continued)

The Company	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2013				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– less than 1 year	910.5	27.1	11.0	41.4
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– more than 3 years (sub-note (c))	500.0	7.5	–	(11.1)
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (d) & (e))	926.2	72.8	51.4	20.5
TOTAL	2,336.7	107.4	62.4	50.8

(i) The cumulative gains or losses on the hedged items attributable to the hedged risk is disclosed in note 17 to the financial statements.

(ii) Hedge accounting has been applied for these cash flow hedges where the underlying hedged items are as follows:

(a) the hedged portion of the recurring semi-annual coupon payment and final settlement of the USD300.0 million 7.875% Debentures due in 2025.
(b) semi-annual interest payment and final settlement of the JPY7.8 billion loan due in 2017.
(c) quarterly interest payment and final settlement of the USD100.0 million loan due in 2020.

There is no ineffectiveness to be recorded from fair value and cash flow hedges accounted for under hedge accounting.

Fair values of financial derivative instruments are the present values of their future cash flows. Favourable fair value indicates amount receivable by the Group and the Company if the contracts are terminated or vice versa. The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination.

The maximum exposure to credit risk at the reporting date is the carrying amount of the derivative assets as presented on the Statements of Financial Position.

Summarised below are the derivative hedging transactions entered into by the Company:

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts

Underlying Liability

USD300.0 million 7.875% Debentures due in 2025

In 1995, the Company issued USD300.0 million 7.875% Debentures due in 2025.

Hedging Instruments

On 17 October 2011, the Company entered into a CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM154.0 million.

19. Derivative Financial Instruments and Hedging Transactions (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts (continued)

Hedging Instruments (continued)

On 2 December 2011, the Company entered into another CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM156.5 million.

The CCIRS contracts effectively convert part of the USD liability into RM liability.

(b) Forward Foreign Currency Contracts

Underlying Liability

USD465.1 million 5.25% Guaranteed Notes due in 2014

In 2004, TM Global Incorporated issued USD500.0 million 5.25% Guaranteed Notes due in 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes. The Notes had matured and redeemed in full on 22 September 2014.

Hedging Instruments

On 10 March 2009 and 28 May 2009, the Company entered into two forward foreign currency contracts which will mature on 22 September 2014. On the maturity date, the Company would receive USD50.0 million each from the counterparties in return for a payment of RM174.5 million and RM169.8 million respectively.

On 12 September 2012, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparty in return for a payment to be determined later. If the exchange rate at maturity date is below the pre-determined rate, the Company will buy USD for RM for the notional amount at the minimum rate. If the exchange rate at maturity date is above the pre-determined rate, the Company will buy USD for RM for the notional amount based on the exchange rate adjusted for the difference between the pre-determined rate and the minimum rate. Subsequently, on 17 October 2012, the Company entered into another forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million from the counterparty in return for a payment of RM94.9 million.

On 3 January 2013 and 11 January 2013, the Company entered into two forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million and USD40.0 million from the counterparties in return for a payment of RM94.8 million and RM125.6 million respectively. On 18 October 2013, the Company entered into another forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million from the counterparty in return for a payment of RM96.5 million.

Closer to the maturity date, between February and August 2014, the Company entered into additional forward foreign currency contracts maturing on 19 September 2014. On the maturity date, the Company would receive USD155.0 million from the counterparty in return for a payment of RM506.0 million.

The forward foreign currency contracts effectively convert part of the USD liability into RM principal liability.

The Company received a total of USD435.0 million for the contracts on maturity from the counterparties in return for a total payment of RM1,416.6 million.

19. Derivative Financial Instruments and Hedging Transactions (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(c) Interest Rate Swap (IRS) Contract

Underlying Liability

RM925.0 million 4.193% TM Islamic Stapled Income Securities (TM ISIS) due in 2018

In 2007, the Company issued RM925.0 million 5.25% TM ISIS due in 2018. The coupon was reset to 4.193% per annum payable semi-annually in arrears on 31 December 2008 and was reset again on 31 December 2013 to 4.87% per annum.

Hedging Instrument

On 2 November 2009, the Company entered into an IRS agreement with a notional principal of RM500.0 million that entitles it to receive interest at a fixed rate of 4.193% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR minus 0.035% per annum. On 31 December 2013, in tandem with the reset of the underlying liability's coupon to 4.87% per annum, the Company is obliged to pay interest at a floating rate of 6 months KLIBOR plus 0.642% instead. The swap will mature on 30 December 2016.

(d) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability

JPY7.8 billion 0.91375% Loan due in 2017

In 2012, the Company, through its wholly-owned subsidiary, TM Global Incorporated, obtained a 5-year JPY7.8 billion loan from a financial institution.

Hedging Instrument

On 20 November 2012, the Company entered into a CCIRS agreement with a notional amount of JPY7.8 billion that entitles it to receive interest at a fixed rate of 0.91375% per annum on JPY notional amount and obliges it to pay interest at a fixed rate of 3.62% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 20 November 2017. On the maturity date, the Company would receive the JPY notional amount and pay the counterparty an equivalent RM amount of RM298.9 million.

The CCIRS contracts effectively convert the JPY liability into RM liability.

(e) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability

USD100.0 million 3 months LIBOR plus 0.91% Loan due in 2020

In 2013, the Company, through its wholly-owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from a financial institution.

Hedging Instrument

On 12 November 2013, the Company entered into two CCIRS agreements with notional amount of USD70.0 million and USD30.0 million respectively. The former CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.02% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The latter CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.00% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The swaps will mature on 30 October 2020. On the maturity date, the Company would receive the USD notional amount and pay the counterparties an equivalent combined RM amount of RM316.8 million.

The CCIRS contracts effectively convert the USD liability into RM liability.

19. Derivative Financial Instruments and Hedging Transactions (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(f) Call and Put Options on Shares of a Subsidiary of the Group

(i) Put Option liability over shares held by non-controlling interest

As disclosed in note 5(a) to the financial statements, the Group through Mobikom Sdn Bhd (Mobikom) has granted Packet One Sdn Bhd (Packet One) an option to sell, which would require Mobikom to buy, all shares in the capital of Packet One Networks (Malaysia) Sdn Bhd (P1) registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of P1 at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if P1 shares are not publicly traded, the fully distributed market or equity value at which the P1 shares would trade on a recognised stock exchange.

(ii) Call Option on shares held by non-controlling interest

As disclosed in note 5(a) to the financial statements, SK Telecom Co Ltd (SKT) has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of P1 registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation ceases to own at least 10% of the issued share capital of P1 and will automatically lapse upon the earlier of:

(i) Two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;
(ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or
(iii) any initial public offering implemented by P1.

The exercise price is at a price equal to Mobikom's per share subscription price during the completion of the acquisition of P1 by the Group on 30 September 2014.

Other than the above, there were other derivatives arising from the Group's investment in P1 but for which exercise prices are at fair market value of the shares in P1 at the time when the options are to be exercised and as such, the fair value of these options are nil.

20. Deferred Tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are presented on the Statements of Financial Position:

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Subject to income tax:				
Deferred tax assets	**14.8**	19.3	**–**	–
Deferred tax liabilities	**1,258.0**	1,151.0	**1,135.0**	1,030.9
TOTAL DEFERRED TAX	**1,243.2**	1,131.7	**1,135.0**	1,030.9
At 1 January	**1,131.7**	1,184.0	**1,030.9**	1,076.7
Acquisition of a subsidiary (note 5(b))	**0.1**	–	**–**	–
Current year (credited)/charged to the Income Statement arising from:				
– property, plant and equipment	**(89.5)**	128.5	**(86.9)**	97.2
– intangible assets	**(0.8)**	–	**–**	–
– tax incentive	**221.7**	(161.8)	**221.7**	(161.8)
– tax losses	**–**	(6.3)	**–**	–
– provisions and others	**(29.5)**	(12.4)	**(30.7)**	18.8
	101.9	(52.0)	**104.1**	(45.8)
– fair value adjustment arising from acquisition of a subsidiary (note 5(a))	**9.7**	–	**–**	–
– currency translation differences	**(0.2)**	(0.3)	**–**	–
At 31 December	**1,243.2**	1,131.7	**1,135.0**	1,030.9

Breakdown of cumulative balances by each type of temporary difference:

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
(a) Deferred tax assets				
Property, plant and equipment	**19.6**	36.3	**–**	5.5
Tax incentive	**756.9**	978.6	**756.9**	978.6
Tax losses	**7.7**	7.7	**–**	–
Provisions and others	**467.8**	437.8	**445.0**	414.3
	1,252.0	1,460.4	**1,201.9**	1,398.4
Offsetting	**(1,237.2)**	(1,441.1)	**(1,201.9)**	(1,398.4)
Total deferred tax assets after offsetting	**14.8**	19.3	**–**	–
(b) Deferred tax liabilities				
Property, plant and equipment	**2,485.8**	2,592.1	**2,336.9**	2,429.3
Intangible assets	**8.9**	–	**–**	–
Provisions and others	**0.5**	–	**–**	–
	2,495.2	2,592.1	**2,336.9**	2,429.3
Offsetting	**(1,237.2)**	(1,441.1)	**(1,201.9)**	(1,398.4)
Total deferred tax liabilities after offsetting	**1,258.0**	1,151.0	**1,135.0**	1,030.9

20. Deferred Tax (continued)

The Company was granted approval under Section 127 of the Income Tax Act, 1967 for income tax exemption in the form of the following Investment Allowance (IA):

(i) 100% on qualifying last mile broadband assets acquired within a period of 5 years commencing 8 September 2007 to 7 September 2012 to be set off against 70% of statutory income for each year of assessment.

(ii) 60% on qualifying high speed broadband assets acquired within a period of 5 years commencing 16 September 2008 to 15 September 2013 to be set off against 70% of statutory income for each year of assessment.

Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

The deferred tax assets on unutilised IA have been recognised on the basis of the Company's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

The tax effects of unutilised tax losses and unabsorbed capital/other tax allowances of subsidiaries for which no deferred tax asset has been recognised on the Statement of Financial Position are as follows:

	The Group	
	2014 RM	**2013 RM**
Unutilised tax losses	**230.4**	126.3
Unabsorbed capital/other tax allowances	**532.6**	301.5
	763.0	427.8

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

21. Deferred Income

	The Group and Company	
	2014 RM	**2013 RM**
At 1 January	**1,999.5**	2,129.4
Additions	**100.7**	123.1
Credited to the Income Statement	**(277.1)**	(253.0)
At 31 December	**1,823.1**	1,999.5

Deferred income includes government funding for Universal Service Provision (USP), High Speed Broadband (HSBB) and Broadband to the General Population (BBGP) project which is amortised on a straight line basis over the estimated useful lives of the related assets.

22. Property, Plant and Equipment

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2014	**9,828.0**	**420.3**	**777.7**	**829.0**	**1,936.3**	**780.7**	**14,572.0**
Acquisition of subsidiaries (note 5)	**453.3**	**26.2**	**20.0**	**–**	**0.2**	**56.6**	**556.3**
Additions (sub-note (a))	**164.1**	**82.5**	**12.8**	**0.1**	**20.4**	**1,831.6**	**2,111.5**
Assetisation	**1,192.5**	**42.0**	**338.6**	**–**	**71.6**	**(1,644.7)**	**–**
Disposals	**(1.1)**	**(4.2)**	**–**	**(0.1)**	**–**	**–**	**(5.4)**
Charged to Income Statement	**–**	**–**	**–**	**–**	**–**	**(133.5)**	**(133.5)**
Write-off (note 7(a))	**(45.3)**	**(0.4)**	**(0.8)**	**–**	**(2.1)**	**(4.2)**	**(52.8)**
Depreciation (note 7(a))	**(1,628.7)**	**(146.9)**	**(357.4)**	**(0.9)**	**(126.0)**	**–**	**(2,259.9)**
Impairment (note 7(a))	**–**	**(2.3)**	**–**	**–**	**–**	**–**	**(2.3)**
Transfer to non-current assets held for sale (note 32)	**–**	**–**	**–**	**–**	**(4.4)**	**–**	**(4.4)**
Currency translation differences	**0.8**	**1.5**	**(0.4)**	**–**	**1.9**	**(0.2)**	**3.6**
Reclassification	**(5.0)**	**(30.8)**	**–**	**–**	**35.8**	**–**	**–**
At 31 December 2014	**9,958.6**	**387.9**	**790.5**	**828.1**	**1,933.7**	**886.3**	**14,785.1**
At 31 December 2014							
Cost (sub-note (b))	**40,771.4**	**2,356.4**	**4,887.5**	**845.0**	**4,047.5**	**886.3**	**53,794.1**
Accumulated depreciation	**(30,580.8)**	**(1,965.3)**	**(4,091.5)**	**(14.2)**	**(2,113.6)**	**–**	**(38,765.4)**
Accumulated impairment	**(232.0)**	**(3.2)**	**(5.5)**	**(2.7)**	**(0.2)**	**–**	**(243.6)**
Net Book Value	**9,958.6**	**387.9**	**790.5**	**828.1**	**1,933.7**	**886.3**	**14,785.1**
Net Book Value							
At 1 January 2013	9,423.4	396.0	797.3	844.7	1,959.8	1,300.5	14,721.7
Additions (sub-note (a))	300.1	93.8	11.8	–	19.5	1,766.8	2,192.0
Assetisation	1,648.8	77.7	299.2	–	80.6	(2,106.3)	–
Disposals	(0.7)	(3.2)	–	–	–	–	(3.9)
Charged to Income Statement	–	–	–	–	–	(175.7)	(175.7)
Write-off (note 7(a))	(3.2)	(0.1)	(0.7)	–	(0.9)	(4.4)	(9.3)
Depreciation (note 7(a))	(1,540.1)	(144.9)	(330.0)	(0.9)	(118.5)	–	(2,134.4)
Transfer to non-current assets held for sale (note 32)	–	–	–	(15.7)	(5.5)	–	(21.2)
Currency translation differences	(0.4)	1.3	–	–	2.1	(0.2)	2.8
Reclassification	0.1	(0.3)	0.1	0.9	(0.8)	–	–
At 31 December 2013	9,828.0	420.3	777.7	829.0	1,936.3	780.7	14,572.0
At 31 December 2013							
Cost (sub-note (b))	39,315.8	2,273.2	4,513.0	845.0	3,932.5	780.7	51,660.2
Accumulated depreciation	(29,255.8)	(1,852.0)	(3,729.8)	(13.3)	(1,996.0)	–	(36,846.9)
Accumulated impairment	(232.0)	(0.9)	(5.5)	(2.7)	(0.2)	–	(241.3)
Net Book Value	9,828.0	420.3	777.7	829.0	1,936.3	780.7	14,572.0

22. Property, Plant and Equipment (continued)

The Company	Telecommunications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2014	**9,311.5**	**368.1**	**633.5**	**349.6**	**1,363.3**	**804.0**	**12,830.0**
Additions (sub-note (a))	**138.1**	**62.0**	**9.0**	**0.1**	**6.7**	**1,728.6**	**1,944.5**
Assetisation	**1,118.0**	**41.5**	**315.8**	**–**	**71.3**	**(1,546.6)**	**–**
Disposals	**(0.8)**	**(4.2)**	**–**	**–**	**–**	**–**	**(5.0)**
Charged to Income Statement	**–**	**–**	**–**	**–**	**–**	**(131.6)**	**(131.6)**
Write-off (note 7(a))	**(44.5)**	**(0.2)**	**(0.5)**	**–**	**(1.4)**	**(4.2)**	**(50.8)**
Depreciation (note 7(a))	**(1,488.1)**	**(117.2)**	**(311.4)**	**(0.8)**	**(101.1)**	**–**	**(2,018.6)**
Transfer to non-current assets held for sale (note 32)	**–**	**–**	**–**	**–**	**(4.4)**	**–**	**(4.4)**
Reclassification	**(5.0)**	**(30.8)**	**–**	**–**	**35.8**	**–**	**–**
At 31 December 2014	**9,029.2**	**319.2**	**646.4**	**348.9**	**1,370.2**	**850.2**	**12,564.1**
At 31 December 2014							
Cost (sub-note (b))	**38,629.3**	**1,865.8**	**4,283.4**	**363.4**	**3,226.0**	**850.2**	**49,218.1**
Accumulated depreciation	**(29,398.8)**	**(1,546.6)**	**(3,637.0)**	**(11.9)**	**(1,855.8)**	**–**	**(36,450.1)**
Accumulated impairment	**(201.3)**	**–**	**–**	**(2.6)**	**–**	**–**	**(203.9)**
Net Book Value	**9,029.2**	**319.2**	**646.4**	**348.9**	**1,370.2**	**850.2**	**12,564.1**
Net Book Value							
At 1 January 2013	8,894.5	323.6	633.3	365.2	1,382.2	1,291.6	12,890.4
Additions (sub-note (a))	274.5	65.6	11.8	–	10.9	1,705.2	2,068.0
Assetisation	1,578.5	76.8	274.4	–	80.5	(2,010.2)	–
Disposals#	(0.2)	(3.3)	(1.3)	–	(3.2)	(3.7)	(11.7)
Charged to Income Statement	–	–	–	–	–	(174.5)	(174.5)
Write-off (note 7(a))	(2.3)	–	–	–	(0.9)	(4.4)	(7.6)
Depreciation (note 7(a))	(1,433.6)	(94.3)	(284.8)	(0.8)	(99.9)	–	(1,913.4)
Transfer to non-current assets held for sale (note 32)	–	–	–	(15.7)	(5.5)	–	(21.2)
Reclassification	0.1	(0.3)	0.1	0.9	(0.8)	–	–
At 31 December 2013	9,311.5	368.1	633.5	349.6	1,363.3	804.0	12,830.0
At 31 December 2013							
Cost (sub-note (b))	38,032.5	1,845.3	3,972.5	363.3	3,122.1	804.0	48,139.7
Accumulated depreciation	(28,519.7)	(1,477.2)	(3,339.0)	(11.1)	(1,758.8)	–	(35,105.8)
Accumulated impairment	(201.3)	–	–	(2.6)	–	–	(203.9)
Net Book Value	9,311.5	368.1	633.5	349.6	1,363.3	804.0	12,830.0

Included RM8.4 million being computer support systems, movable plant, building and work-in-progress equipment disposed to subsidiaries.

22. Property, Plant and Equipment (continued)

(a) Included in additions of the Group and the Company are borrowing costs of RM42.3 million (2013: RM35.5 million) directly attributable to the construction of qualifying assets.

(b) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM22,747.6 million (2013: RM24,102.6 million) and RM21,962.4 million (2013: RM23,637.6 million) respectively.

(c) Included in property, plant and equipment of the Group and the Company is an office building with net book value of RM48.7 million (2013: RM51.8 million) which is under finance lease arrangement.

(d) Details of land are as follows:

The Group	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2014	**729.0**	**68.1**	**31.9**	**829.0**
Addition	**–**	**0.1**	**–**	**0.1**
Disposal	**(0.1)**	**–**	**–**	**(0.1)**
Depreciation	**–**	**(0.9)**	**–**	**(0.9)**
Reclassification	**0.2**	**0.3**	**(0.5)**	**–**
At 31 December 2014	**729.1**	**67.6**	**31.4**	**828.1**
At 31 December 2014				
Cost	**731.8**	**81.4**	**31.8**	**845.0**
Accumulated depreciation	**–**	**(13.8)**	**(0.4)**	**(14.2)**
Accumulated impairment	**(2.7)**	**–**	**–**	**(2.7)**
Net Book Value	**729.1**	**67.6**	**31.4**	**828.1**
Net Book Value				
At 1 January 2013	743.4	69.0	32.3	844.7
Depreciation	–	(0.9)	–	(0.9)
Transfer to non-current assets held for sale (note 32)	(15.7)	–	–	(15.7)
Reclassification	1.3	–	(0.4)	0.9
At 31 December 2013	729.0	68.1	31.9	829.0
At 31 December 2013				
Cost	731.7	81.0	32.3	845.0
Accumulated depreciation	–	(12.9)	(0.4)	(13.3)
Accumulated impairment	(2.7)	–	–	(2.7)
Net Book Value	729.0	68.1	31.9	829.0

22. Property, Plant and Equipment (continued)

(d) Details of land are as follows: (continued)

The Company	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2014	**260.1**	**57.6**	**31.9**	**349.6**
Addition	**–**	**0.1**	**–**	**0.1**
Depreciation	**–**	**(0.8)**	**–**	**(0.8)**
Reclassification	**0.2**	**0.3**	**(0.5)**	**–**
At 31 December 2014	**260.3**	**57.2**	**31.4**	**348.9**
At 31 December 2014				
Cost	**262.9**	**68.7**	**31.8**	**363.4**
Accumulated depreciation	**–**	**(11.5)**	**(0.4)**	**(11.9)**
Accumulated impairment	**(2.6)**	**–**	**–**	**(2.6)**
Net Book Value	**260.3**	**57.2**	**31.4**	**348.9**
Net Book Value				
At 1 January 2013	274.5	58.4	32.3	365.2
Depreciation	–	(0.8)	–	(0.8)
Transfer to non-current assets held for sale (note 32)	(15.7)	–	–	(15.7)
Reclassification	1.3	–	(0.4)	0.9
At 31 December 2013	260.1	57.6	31.9	349.6
At 31 December 2013				
Cost	262.7	68.3	32.3	363.3
Accumulated depreciation	–	(10.7)	(0.4)	(11.1)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	260.1	57.6	31.9	349.6

22. Property, Plant and Equipment (continued)

(d) Details of land are as follows: (continued)

(i) Leasehold land comprise the followings:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Long term leasehold land	**48.2**	48.6	**47.2**	47.6
Short term leasehold land	**19.4**	19.5	**10.0**	10.0
Total	**67.6**	68.1	**57.2**	57.6

Long term leasehold land has an unexpired lease period of 50 years and above.

(ii) The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, these lands have not been classified according to their tenures.

The other land will be reclassified accordingly as and when the title deeds pertaining to these lands have been registered.

23. Investment Property

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Net Book Value				
At 1 January	**–**	5.6	**116.9**	119.1
Disposal	**–**	(2.0)	**–**	–
Depreciation (note 7(a))	**–**	–	**(2.2)**	(2.2)
Transfer to inventories (sub-note (a)) (note 31)	**–**	(3.6)	**–**	–
At 31 December	**–**	–	**114.7**	116.9
At 31 December				
Cost	**–**	–	**128.0**	128.0
Accumulated depreciation	**–**	–	**(13.3)**	(11.1)
Net Book Value	**–**	–	**114.7**	116.9

(a) During the previous financial year, the Group finalised and entered into Sales and Purchase Agreements to dispose land held by a wholly-owned subsidiary.

The investment property of the Company comprise of an office building located on a freehold land which is rented and occupied by a wholly-owned subsidiary.

The fair value of the property of the Company at 31 December 2014 was RM128.0 million (2013: RM124.0 million) based on a valuation performed by an independent professional valuer. The valuation was based on current price in an active market.

24. Intangible Assets

The Group	Goodwill RM	Customer Base RM	Telecom-munication Spectrum RM	Other Intangibles* RM	Total RM
Net Book Value					
At 1 January 2014	**309.6**	**–**	**–**	**10.2**	**319.8**
Acquisition of a subsidiary	**52.1**	**40.6**	**168.2**	**2.3**	**263.2**
Additions	**–**	**–**	**–**	**18.7**	**18.7**
Amortisation (note 7(a))	**–**	**(3.3)**	**–**	**(16.7)**	**(20.0)**
At 31 December 2014	**361.7**	**37.3**	**168.2**	**14.5**	**581.7**
Net Book Value					
At 1 January 2013	309.6	–	–	12.5	322.1
Additions	–	–	–	13.7	13.7
Amortisation (note 7(a))	–	–	–	(16.0)	(16.0)
At 31 December 2013	309.6	–	–	10.2	319.8
At 31 December 2014					
Cost	**366.7**	**40.6**	**168.2**	**47.7**	**623.2**
Accumulated amortisation	**–**	**(3.3)**	**–**	**(33.2)**	**(36.5)**
Accumulated impairment	**(5.0)**	**–**	**–**	**–**	**(5.0)**
Net Book Value	**361.7**	**37.3**	**168.2**	**14.5**	**581.7**
At 31 December 2013					
Cost	314.6	–	–	39.1	353.7
Accumulated amortisation	–	–	–	(28.9)	(28.9)
Accumulated impairment	(5.0)	–	–	–	(5.0)
Net Book Value	309.6	–	–	10.2	319.8

* Other intangibles comprise the fair value of acquired development expenditure incurred in the design, development and testing of products and services of a newly acquired subsidiary during the financial year, as well as software and programme rights of other subsidiaries.

Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. No impairment loss was required for the carrying amounts of goodwill assessed as at 31 December 2014 as their recoverable amounts were in excess of their carrying amounts.

The Group's total goodwill is attributable to the following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows:

	2014 RM	2013 RM
VADS Berhad	**308.4**	308.4
Packet One Networks (Malaysia) Sdn Bhd	**52.1**	–
Others	**1.2**	1.2
	361.7	309.6

The amount of goodwill initially recognised is dependent upon the allocation of the purchase price to the fair value of identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment.

24. Intangible Assets (continued)

Impairment test for goodwill (continued)

(i) Key assumptions used in the value-in-use calculation for VADS Berhad (VADS)

The recoverable amount of the cash-generating unit including goodwill in this test, is determined based on value-in-use calculation.

This value-in-use calculation applies a discounted cash flow model using cash flows projection based on forecast and projection approved by management covering a three-year period for VADS. The forecast and projection reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on past experience. Cash flows beyond the third year for VADS are extrapolated using estimated terminal growth rate. The rate has been determined with regards to projected growth rate for the market in which the cash-generating unit participates.

The discount rate applied to the cash flows forecast is benchmarked against local peers at the date of the assessment of the cash-generating unit.

The following assumptions have been applied in the value-in-use calculation:

	2014	2013
Pre-tax discount rate	**13.2%**	12.0%
Terminal growth rate	**1.5%**	1.5%

(ii) Impact of possible change in key assumptions used for VADS

Changing the assumptions selected by management, in particular the discount rate assumption used in the discounted cash flow model could significantly affect the result of the impairment test and consequently the Group's results. The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

If the following pre-tax discount rate is applied to the cash flows forecast and projection of the Group's cash-generating unit, the carrying amount of the cash-generating unit including goodwill will equal the corresponding recoverable value, assuming all other variables remain unchanged.

	2014	2013
Pre-tax discount rate	**18.7%**	21.4%

No impairment review has been performed for the Group's goodwill in Packet One Network (Malaysia) Sdn Bhd as it was acquired during the current financial year.

25. Subsidiaries

The Company	2014 Malaysia RM	2014 Overseas RM	2014 Total RM	2013 Malaysia RM	2013 Overseas RM	2013 Total RM
Unquoted investments, at cost	**1,705.3**	**22.0**	**1,727.3**	1,310.3	22.0	1,332.3
Accumulated impairment (sub-note (a))	**(1.7)**	**(13.2)**	**(14.9)**	(77.7)	(13.2)	(90.9)
	1,703.6	**8.8**	**1,712.4**	1,232.6	8.8	1,241.4
Options granted to employees of subsidiaries	**24.3**	**–**	**24.3**	24.3	–	24.3
Unquoted investments, at written down value (sub-note (b))	**–**	**–**	**–**	–	–	–
NET INVESTMENTS IN SUBSIDIARIES	**1,727.9**	**8.8**	**1,736.7**	1,256.9	8.8	1,265.7

(a) During the financial year, consequent to the Company's assessment of the recoverable amount from its investment in subsidiaries, a reversal of an impairment loss of RM76.0 million was recognised in respect of a wholly-owned subsidiary.

(b) Investments in certain subsidiaries have been written down to recoverable amount of RM1.00 each.

The Group's effective equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 52 to the financial statements. Other than Yayasan Telekom Malaysia, which is 100% consolidated in the Group's financial results, the proportion of the Group's voting rights in the subsidiaries held by the Group do not differ from the proportion of ordinary shares held or the Group's effective equity interests in the subsidiaries. The Group has de facto control over Yayasan Telekom Malaysia due to a combination of facts including source of funding and right to appoint the Board of Trustees.

There are no significant restrictions on the ability of the subsidiaries to transfer funds in the form of dividends and other capital distributions or for loans or advances being made or repaid, to (or from) the Group.

25. Subsidiaries (continued)

Set out below are the summarised financial information for each subsidiary which has non-controlling interests that are material to the Group, before any inter-company eliminations:

	Packet One Networks (Malaysia) Sdn Bhd Group*		Fiberail Sdn Bhd		Fibrecomm Networks (M) Sdn Bhd	
	2014 RM	2013 RM	2014 RM	2013 RM	2014 RM	2013 RM
Summarised Income Statement						
Revenue	**67.1**	–	**249.1**	240.5	**128.7**	142.8
(Loss)/Profit before income tax	**(53.3)**	–	**92.1**	81.4	**7.4**	13.3
Income tax expense	**–**	–	**(21.6)**	(16.7)	**(3.1)**	(1.3)
(Loss)/Profit after taxation and total comprehensive income	**(53.3)**	–	**70.5**	64.7	**4.3**	12.0
Total comprehensive (loss)/income attributed to non-controlling interests	**(23.8)**	–	**32.4**	29.7	**2.1**	5.9
Dividends paid to non-controlling interests	**–**	–	**21.8**	30.1	**3.6**	8.1
Summarised Statement of Financial Position						
Current assets	**161.2**	–	**152.9**	131.7	**126.7**	77.4
Current liabilities	**(311.3)**	–	**(54.8)**	(54.5)	**(157.1)**	(105.7)
Total current net (liabilities)/assets	**(150.1)**	–	**98.1**	77.2	**(30.4)**	(28.3)
Non-current assets	**752.7**	–	**182.6**	181.7	**194.2**	194.4
Non-current liabilities	**(117.1)**	–	**(37.6)**	(38.5)	**(41.6)**	(40.2)
Total non-current net assets	**635.6**	–	**145.0**	143.2	**152.6**	154.2
Net assets	**485.5**	–	**243.1**	220.4	**122.2**	125.9
Cumulative non-controlling interests	**217.1**	–	**111.8**	101.4	**59.9**	61.7
Summarised Statement of Cash Flows						
Cash generated (used in)/from operations	**(83.4)**	–	**123.9**	60.6	**59.4**	31.4
Interest paid	**(5.3)**	–	**–**	–	**(0.5)**	(0.3)
Income tax (paid)/refunded	**–**	–	**(17.8)**	(24.7)	**1.0**	0.3
Cash flows (used in)/from operating activities	**(88.7)**	–	**106.1**	35.9	**59.9**	31.4
Cash flows used in investing activities	**(30.4)**	–	**(9.7)**	(17.7)	**(21.2)**	(25.2)
Cash flows from/(used in) financing activities	**53.5**	–	**(47.3)**	(65.5)	**(7.6)**	(6.5)
Net (decrease)/increase in cash and cash equivalents	**(65.6)**	–	**49.1**	(47.3)	**31.1**	(0.3)
Effect of exchange rate changes	**–**	–	**–**	–	**(1.1)**	(0.2)
Cash and cash equivalents at beginning of the financial year	**–**	–	**16.5**	63.8	**9.1**	9.6
Cash and cash equivalents at acquisition date	**112.0**	–	**–**	–	**–**	–
Cash and cash equivalents at end of the financial year	**46.4**	–	**65.6**	16.5	**39.1**	9.1

* Acquired during the current financial year.

26. Loans and Advances to Subsidiaries

Loans and advances to subsidiaries of RM250.5 million (2013: RM166.9 million) represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 2.33% to 5.26% (2013: 2.40% to 4.41%) and will mature between 1 to 8 years.

27. Associates

The Group	2014 RM	2013 RM
Share of net assets of associates		
Unquoted investments	**6.5**	10.7
TOTAL	**6.5**	10.7
The Group's share of revenue and profit of associates is as follows:		
Revenue	**15.5**	11.8
Profit after taxation and total comprehensive income	**9.3**	3.9
The Group's share of assets and liabilities of associates is as follows:		
Non-current assets	**16.8**	15.6
Current assets	**11.0**	9.1
Non-current liabilities	**(12.6)**	(13.7)
Current liabilities	**(8.7)**	(0.3)
Net assets	**6.5**	10.7

The Group's associates are not material individually to the financial position, financial performance and cash flows of the Group.

The Group has not recognised the share of loss after taxation of associates amounting to RM0.9 million (2013: nil) and RM2.0 million (2013: RM1.1 million) in respect of the current and cumulative financial year respectively.

The Group's effective equity interest in the associates, all of which are unquoted, their respective principal activities and countries of incorporation are listed in note 53 to the financial statements.

There are no contigent liabilities relating to the Group's interest in the associates and there are no significant restrictions on the ability of the associates to transfer funds in the form of dividend to the Group.

28. Available-for-sale Investments

The Group	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2014	**99.7**	**624.3**	**724.0**
Additions	**–**	**319.5**	**319.5**
Fair value changes transferred to other comprehensive income	**(0.7)**	**3.1**	**2.4**
Disposals	**–**	**(477.6)**	**(477.6)**
At 31 December 2014	**99.0**	**469.3**	**568.3**
Current portion	**–**	**469.3**	**469.3**
Non-current portion	**99.0**	**–**	**99.0**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**99.0**	**469.3**	**568.3**
At 1 January 2013	98.7	500.6	599.3
Additions	–	467.0	467.0
Fair value changes transferred to other comprehensive income	1.0	(7.5)	(6.5)
Disposals	–	(335.8)	(335.8)
At 31 December 2013	99.7	624.3	724.0
Current portion	–	624.3	624.3
Non-current portion	99.7	–	99.7
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	99.7	624.3	724.0

The Company	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2014	**99.6**	**624.3**	**723.9**
Additions	**–**	**319.5**	**319.5**
Fair value changes transferred to other comprehensive income	**(0.7)**	**3.1**	**2.4**
Disposals	**–**	**(477.6)**	**(477.6)**
At 31 December 2014	**98.9**	**469.3**	**568.2**
Current portion	**–**	**469.3**	**469.3**
Non-current portion	**98.9**	**–**	**98.9**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**98.9**	**469.3**	**568.2**
At 1 January 2013	98.6	500.6	599.2
Additions	–	467.0	467.0
Fair value changes transferred to other comprehensive income	1.0	(7.5)	(6.5)
Disposals	–	(335.8)	(335.8)
At 31 December 2013	99.6	624.3	723.9
Current portion	–	624.3	624.3
Non-current portion	99.6	–	99.6
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	99.6	624.3	723.9

28. Available-for-sale Investments (continued)

The currency exposure profile of available-for-sale investments is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	**472.3**	628.0	**472.2**	627.9
US Dollar	**47.6**	47.6	**47.6**	47.6
Singapore Dollar	**48.4**	48.4	**48.4**	48.4
	568.3	724.0	**568.2**	723.9

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment in fixed income securities.

The credit quality of investment in fixed income securities is as follows:

	The Group and Company	
	2014 RM	2013 RM
AAA	**154.6**	170.8
AA	**289.8**	361.8
A	**18.8**	34.8
P1	**–**	19.6
MARC-1	**–**	19.6
Malaysian Government Securities	**6.1**	17.7
	469.3	624.3

29. Available-for-sale Receivables

The Group and Company	2014 RM	2013 RM
At 1 January	**26.4**	26.4
Additions (including interest)	**2.2**	2.9
Repayments	**(2.1)**	(3.3)
Fair value changes transferred to other comprehensive income	**(0.8)**	0.4
At 31 December	**25.7**	26.4
Impairment at 1 January and 31 December	**(18.8)**	(18.8)
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	**6.9**	7.6

Available-for-sale receivables of the Company are in respect of education loans provided to undergraduates and are convertible to scholarships if certain performance criteria are met. The loans are contractually interest free and if not converted to scholarship will be repayable over a period of not more than 11 years.

29. Available-for-sale Receivables (continued)

As of 31 December 2014, all overdue amounts have been impaired.

In both the current and previous financial year, there was no conversion to scholarships.

The Company does not hold any collateral for security in respect of education loans.

30. Other Non-Current Receivables

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Staff loans at amortised cost				
– under Islamic principles	**80.7**	36.4	**80.7**	36.4
– under conventional principles	**1.9**	1.3	**1.8**	1.2
Total staff loans (sub-note (i))	**82.6**	37.7	**82.5**	37.6
Other non-current receivables				
– other deposits (sub-note (ii))	**112.1**	91.9	**112.1**	91.9
– tax recoverable (sub-note (iii))	**113.8**	113.8	**113.8**	113.8
– Redeemable Exchangeable Medium Term Notes receivable (sub-note (iv))	**121.7**	–	**–**	–
– others (sub-note (v))	**72.2**	72.6	**–**	–
	502.4	316.0	**308.4**	243.3
Prepaid employee benefits	**5.5**	3.4	**5.5**	3.4
	507.9	319.4	**313.9**	246.7
Staff loans receivable within twelve months included under other receivables (note 34)	**(7.2)**	(4.5)	**(7.2)**	(4.5)
TOTAL OTHER NON-CURRENT RECEIVABLES	**500.7**	314.9	**306.7**	242.2

(i) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with contractual financing cost of 4.0% per annum on a reducing balance basis except for club membership loans which are free of financing cost. There is no single significant credit risk exposure as the amount is mainly receivable from individuals. Staff loans inclusive of financing cost, are repayable in equal monthly instalments as follows:

- Housing loans – 25 years or upon employees attaining 55 years of age, whichever is earlier
- Vehicle loans – maximum of 8 years for new cars and 6 years for second hand cars
- Computer loans – 3 years

Credit risk arising from staff loans is mitigated by the enforcement of salary deductions as a mode of repayment. In addition, collateral is obtained for the following:

- Housing loans – registered land charges and assignments over the properties financed
- Vehicle loans – ownership claims over the vehicles financed

During the current financial year, the Company disposed RM8.9 million (2013: RM10.4 million) of its employees housing loans for a total cash consideration of RM8.5 million (2013: RM9.9 million) pursuant to the Sale and Purchase (S&P) Agreement entered on 27 May 2009 with AmMortgage One Berhad (AmMortgage One), a wholly-owned subsidiary of AmBank (M) Berhad (AmBank). In tandem with the S&P Agreement, a Servicing Agreement between the Company, AmMortgage One and AmBank was also executed. The arrangement reflects the outsourcing of the Company's mortgage servicing operations to AmBank.

30. Other Non-Current Receivables (continued)

(i) The disposal in 2009 included loan portfolio of employees where the repayment terms go beyond the employees' retirement age. This loan portfolio was not derecognised as the credit risk in the event of default after the employees' retirement age, remains with the Company. The carrying amount of the loan portfolio and its fair value are as follows:

	The Group and Company			
	2014		2013	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Staff loans at amortised cost	**1.0**	**1.0**	1.6	1.2
Other borrowings (note 17)	**(1.0)**	**(1.1)**	(1.6)	(1.7)
Net amount	**–**	**(0.1)**	–	(0.5)

(ii) Other deposits comprise deposit and accrued interest relating to the non-cancellable operating lease of four office buildings and a long term deposit.

The Company entered into two Ringgit Malaysia deposit agreements in 2011 with maturity on 1 August 2025, under which the Company will deposit RM4.1 million and RM4.2 million respectively every six months until the deposits' maturity date. On maturity, the Company will be entitled for deposits repayments of RM154.0 million and RM156.5 million respectively. The deposits are collateralised by Malaysian Government Bonds.

The deposits effectively build up a sinking fund with an assured value of RM154.0 million and RM156.5 million respectively on 1 August 2025 for the repayment of the Company's Debentures.

(iii) This comprise tax credit in respect of prior years arising from the last mile broadband tax incentive as explained in note 20 to the financial statements, to be offset against future tax payables.

(iv) This being carrying value of the first tranche of the 8-year Redeemable Exchangeable Medium Term Notes (Exchangeable MTNs) issued by Green Packet Berhad (Green Packet) subscribed by a wholly-owned subsidiary of the Group as explained in note 5 to the financial statements. The credit risk arising from the Exchangeable MTNs is limited to the extent that the Exchangeable MTNs is secured against Packet One Networks (Malaysia) Sdn Bhd (P1) ordinary shares held by Packet One Sdn Bhd, a wholly-owned subsidiary of Green Packet and the 8-year convertible unsecured medium term notes issued by P1 which will be subscribed amongst others by Packet One using part of the proceeds from the issuance of Exchangeable MTNs.

(v) Include the present value of receivables for land disposed by a wholly-owned subsidiary, due over the remaining contractual period of the joint land development agreement.

31. Inventories

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Telecommunications equipment	**10.4**	14.5	**10.4**	14.2
Capacity held for resale	**5.9**	9.5	**5.9**	9.5
Work-in-progress	**57.5**	84.7	**15.7**	18.3
Land held for sale (sub-note (a))	**4.4**	4.4	**–**	–
Land held for property development (sub-note (a))	**32.8**	37.6	**–**	–
Others	**4.9**	3.3	**3.1**	3.1
TOTAL INVENTORIES	**115.9**	154.0	**35.1**	45.1

(a) During the previous financial year, arising from an assessment of net realisable value of land held for sale and land held for property development, reversal of write-downs of RM0.8 million and RM8.1 million respectively were credited to the Income Statement.

32. Non-Current Assets Held for Sale

During the financial year, pursuant to the finalisation of Sale and Purchase Agreement for disposal of land, the Company reclassified certain buildings as non-current assets held for sale. Total consideration for the remaining assets held for sale as at 31 December 2014 was RM20.3 million (2013: RM54.7 million).

The Group and Company	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 22) RM	Disposal RM	Impairment (note 7(a)) RM	At 31 December RM
Carrying amount					
2014					
Land					
– Freehold	**16.0**	**–**	**(2.5)**	**(1.7)**	**11.8**
– Leasehold	**0.9**	**–**	**–**	**–**	**0.9**
Buildings	**5.4**	**4.4**	**(4.9)**	**(4.6)**	**0.3**
	22.3	**4.4**	**(7.4)**	**(6.3)**	**13.0**
2013					
Land					
– Freehold	0.3	15.7	#	–	16.0
– Leasehold	5.7	–	(4.8)	–	0.9
Buildings	2.0	5.5	(2.1)	–	5.4
	8.0	21.2	(6.9)	–	22.3

Amount less than RM0.1 million

The land and buildings are presented as part of the Shared Services/Others segment.

33. Customer Acquisition Costs

	The Group and Company	
	2014 RM	**2013 RM**
At 1 January	**73.8**	100.1
Additions	**78.9**	80.1
Amortised to the Income Statement	**(90.0)**	(106.4)
At 31 December	**62.7**	73.8

34. Trade and Other Receivables

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Receivables from external customers	**2,811.2**	2,824.5	**2,030.2**	2,063.6
Receivables from subsidiaries	**–**	–	**59.2**	180.6
Receivables from associates	**34.4**	30.8	**34.4**	30.8
	2,845.6	2,855.3	**2,123.8**	2,275.0
Impairment of trade receivables	**(1,387.8)**	(1,235.9)	**(971.7)**	(830.4)
	1,457.8	1,619.4	**1,152.1**	1,444.6
Accrued earnings	**574.3**	228.3	**441.3**	199.0
Total trade receivables (net)	**2,032.1**	1,847.7	**1,593.4**	1,643.6
Prepayments	**240.3**	200.2	**190.8**	172.2
Tax recoverable	**118.6**	100.0	**85.4**	85.2
Staff loans (note 30)	**7.2**	4.5	**7.2**	4.5
Other receivables from subsidiaries	**–**	–	**188.9**	83.0
Other receivables from associates	**1.0**	1.0	**1.0**	1.0
Other receivables	**458.5**	169.2	**126.9**	129.2
Impairment of other receivables	**(32.4)**	(34.0)	**(71.3)**	(45.3)
Total other receivables (net)	**793.2**	440.9	**528.9**	429.8
TOTAL TRADE AND OTHER RECEIVABLES (net)	**2,825.3**	2,288.6	**2,122.3**	2,073.4

34. Trade and Other Receivables (continued)

Movements in the impairment accounts of trade and other receivables are as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
(a) Trade receivables				
At 1 January	**1,235.9**	1,387.7	**830.4**	975.2
Acquisition of a subsidiary (note 5(a))	**39.6**	–	**–**	–
Impairment	**252.3**	109.9	**245.4**	110.3
Receivables written off as uncollectible	**(140.2)**	(262.1)	**(104.1)**	(255.1)
Foreign exchange difference	**0.2**	0.4	**–**	–
At 31 December	**1,387.8**	1,235.9	**971.7**	830.4
(b) Other receivables				
At 1 January	**34.0**	42.9	**45.3**	37.3
Net (reversal)/impairment	**(0.7)**	(7.7)	**26.1**	9.0
Receivables written off as uncollectible	**(0.9)**	(1.2)	**(0.1)**	(1.0)
At 31 December	**32.4**	34.0	**71.3**	45.3

The creation and release of impaired receivables has been included in 'other operating costs' on the Income Statement (note 7(b) to the financial statements). Amounts charged to the impairment accounts are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

Certain amount of trade receivables have been subjected to offsetting with trade payables where these balances are from transactions transacted with the same counterparty and are settled on net basis, summarised as follows:

	2014			2013		
	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 37) RM	Net amount of trade receivables RM	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 37) RM	Net amount of trade receivables RM
The Group	**2,256.0**	**(223.9)**	**2,032.1**	2,043.5	(195.8)	1,847.7
The Company	**1,817.3**	**(223.9)**	**1,593.4**	1,839.4	(195.8)	1,643.6

For trade receivables and trade payables subject to netting arrangements above, each agreement between the Group and the counterparties is carried out on net settlement basis, including events of default.

34. Trade and Other Receivables (continued)

Trade receivables of RM706.7 million (2013: RM671.5 million) and RM585.0 million (2013: RM657.2 million) for the Group and the Company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

		Past due but not impaired			
The Group	**Not past due RM**	**1 to 3 months RM**	**4 to 6 months RM**	**> 6 months RM**	**Total RM**
2014					
Collectively assessed	**318.0**	**41.7**	**15.0**	**35.2**	**409.9**
Individually assessed	**433.1**	**315.3**	**157.8**	**141.7**	**1,047.9**
	751.1	**357.0**	**172.8**	**176.9**	**1,457.8**
2013					
Collectively assessed	401.4	79.2	16.0	13.9	510.5
Individually assessed	546.5	328.6	127.3	106.5	1,108.9
	947.9	407.8	143.3	120.4	1,619.4

		Past due but not impaired			
The Company	**Not past due RM**	**1 to 3 months RM**	**4 to 6 months RM**	**> 6 months RM**	**Total RM**
2014					
Collectively assessed	**285.9**	**27.8**	**1.3**	**20.7**	**335.7**
Individually assessed	**268.3**	**238.0**	**142.4**	**108.5**	**757.2**
Amount due from subsidiaries	**12.9**	**31.2**	**2.1**	**13.0**	**59.2**
	567.1	**297.0**	**145.8**	**142.2**	**1,152.1**
2013					
Collectively assessed	379.5	77.9	13.5	5.6	476.5
Individually assessed	376.5	257.5	91.9	62.1	788.0
Amount due from subsidiaries	31.4	60.3	10.7	77.7	180.1
	787.4	395.7	116.1	145.4	1,444.6

34. Trade and Other Receivables (continued)

An analysis of trade receivables that are neither past due nor impaired is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Global & Wholesale	**93.2**	120.6	**74.3**	99.3
Retail – Consumer	**176.0**	215.4	**175.7**	215.0
Retail – SME	**110.2**	164.5	**110.2**	164.5
Retail – Enterprise	**74.1**	28.5	**74.1**	28.5
Retail – Government	**121.9**	302.8	**119.9**	248.7
Amount due from subsidiaries	**–**	–	**12.9**	31.4
Others*	**175.7**	116.1	**–**	–
	751.1	947.9	**567.1**	787.4

* Others mainly comprise student debtors and receivables for the provision of managed network services, information and communications technology, system integration services and last mile broadband services of subsidiaries.

The Group and the Company are not exposed to major concentrations of credit risk due to the diversed customer base. The analysis of trade receivables by lines of business is considered the most appropriate disclosure of credit concentration. In addition, credit risk is mitigated to a certain extent by cash deposits (note 38 to the financial statements) and bankers' guarantee obtained from customers amounting to RM14.7 million (2013: RM14.3 million). The Group and the Company consider the impairment at the reporting date to be adequate to cover the potential financial loss.

Trade receivables that are individually assessed for impairment are those under Global & Wholesale, Retail – Enterprise and Retail – Government lines of business.

Credit terms of trade receivables excluding accrued earnings range from 30 to 90 days (2013: 30 to 90 days).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

The currency exposure profile of trade and other receivables after impairment is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	**2,110.8**	1,742.4	**1,484.6**	1,600.9
US Dollar	**673.6**	523.7	**635.2**	470.2
Special Drawing Rights	**0.8**	2.3	**0.8**	2.3
Other currencies	**40.1**	20.2	**1.7**	–
	2,825.3	2,288.6	**2,122.3**	2,073.4

35. Financial Assets at Fair Value Through Profit or Loss

	The Group and Company	
	2014 RM	2013 RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	**9.2**	17.2
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**9.2**	17.2
Market value of quoted equity securities	**9.2**	17.2

36. Cash and Bank Balances

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Deposits with:				
Licensed banks	**1,055.6**	817.8	**995.2**	772.0
Other financial institutions	**32.8**	13.9	**32.8**	13.9
Deposits under Islamic principles	**954.4**	927.8	**868.3**	880.4
Total deposits	**2,042.8**	1,759.5	**1,896.3**	1,666.3
Cash and bank balances	**814.7**	699.3	**429.4**	390.0
Cash and bank balances under Islamic principles	**128.3**	56.1	**22.1**	36.6
TOTAL CASH AND BANK BALANCES	**2,985.8**	2,514.9	**2,347.8**	2,092.9
Less:				
Deposits pledged	**(10.8)**	(0.4)	**–**	–
TOTAL CASH AND CASH EQUIVALENTS	**2,975.0**	2,514.5	**2,347.8**	2,092.9
The currency exposure profile of cash and bank balances is as follows:				
Ringgit Malaysia	**2,901.1**	2,407.4	**2,345.1**	2,065.5
US Dollar	**70.8**	86.2	**2.7**	27.4
Other currencies	**13.9**	21.3	**–**	–
	2,985.8	2,514.9	**2,347.8**	2,092.9

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. The credit quality of the financial institutions in which cash and deposits are placed is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
AAA	**1,129.2**	1,375.8	**625.9**	1,032.8
AA	**1,441.3**	631.7	**1,351.9**	585.2
A	**273.4**	481.5	**230.4**	459.2
NR (sub-note (a))	**141.9**	25.9	**139.6**	15.7
	2,985.8	2,514.9	**2,347.8**	2,092.9

(a) Mainly comprise deposits with other financial institutions with sovereign equivalent rating.

36. Cash and Bank Balances (continued)

Deposits have maturities ranging from overnight to 90 days (2013: from overnight to 90 days) for the Group and the Company. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits as at 31 December 2014 was 4.33% (2013: 3.65%) and 4.34% (2013: 3.65%) for the Group and the Company respectively.

37. Trade and Other Payables

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Trade payables and accruals	**2,218.5**	1,797.0	**1,766.4**	1,582.1
Payable for Universal Service Provision	**348.1**	317.1	**312.2**	310.4
Deferred revenue	**155.0**	109.0	**40.7**	21.8
Provision for Skim MESRA (sub-note (b))	**110.2**	–	**100.4**	–
Finance cost payable	**55.2**	66.2	**54.8**	66.1
Duties and other taxes payable	**43.4**	51.3	**29.2**	35.8
Deposits and trust monies	**80.8**	66.9	**54.8**	51.7
Payables to subsidiaries (sub-note (a))	**–**	–	**580.7**	671.5
Other payables and accruals	**729.8**	775.1	**410.9**	597.6
	3,741.0	3,182.6	**3,350.1**	3,337.0
Current portion	**3,605.2**	3,172.8	**3,315.8**	3,327.2
Non-current portion (sub-note (b) & (c))	**135.8**	9.8	**34.3**	9.8
TOTAL TRADE AND OTHER PAYABLES	**3,741.0**	3,182.6	**3,350.1**	3,337.0

(a) Include excess funds of subsidiaries managed and invested by the Company, which are interest bearing as disclosed in note 43(b) to the financial statements.

(b) Provision for Skim MESRA for eligible employees

On 13 October 2014, the Company announced the offering of a special optional retirement scheme, called Skim MESRA, to its employees aged 55 and above as at 31 December 2014. Eligible employees who accepts the optional retirement offer will be compensated through special incentives and designated benefits until they reach the age of 60. The expected financial impact of this scheme which involves a one-off compensation payment within the next 12 months of the current financial year end as well as pre-determine limited health-care benefits expected over the next 5 financial years has been recognised on the financial statements based on the number of employees who have accepted the offer as at the end of the current financial year.

37. Trade and Other Payables (continued)

(c) Include amount owing by a subsidiary to a supplier which is subject to interest of 4.2% per annum to be repaid over the remaining period of 2 years and is secured by the followings:

(i) a corporate guarantee from Green Packet Berhad (a non-controlling interest of the subsidiary) in favour of the supplier; and

(ii) debenture creating a fixed and floating charge upon the present and future assets and properties of the subsidiary in favour of the supplier. As at 31 December 2014, this debenture is being negotiated by both parties as such a formalised charge has not been made.

Certain amount of trade payables and accruals have been subjected to offsetting with trade receivables where these balances are from transactions transacted with the same counterparties and are settled on net basis, summarised as follows:

	2014			2013		
	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 34) RM	Net amount of trade payables and accruals RM	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 34) RM	Net amount of trade payables and accruals RM
The Group	**2,442.4**	**(223.9)**	**2,218.5**	1,992.8	(195.8)	1,797.0
The Company	**1,990.3**	**(223.9)**	**1,766.4**	1,777.9	(195.8)	1,582.1

Credit terms of trade and other payables excluding accruals vary from 30 to 90 days (2013: 30 to 90 days) depending on the terms of the contracts.

The currency exposure profile of trade and other payables is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	**3,197.7**	2,842.3	**3,057.8**	2,999.7
US Dollar	**505.8**	313.7	**287.0**	320.1
Special Drawing Rights	**0.9**	1.1	**0.9**	1.1
Other currencies	**36.6**	25.5	**4.4**	16.1
	3,741.0	3,182.6	**3,350.1**	3,337.0

38. Customer Deposits

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Telephone services	**479.4**	498.7	**479.4**	498.6
Data services	**3.0**	3.4	**1.2**	1.7
TOTAL CUSTOMER DEPOSITS	**482.4**	502.1	**480.6**	500.3

Customer deposits for telephone services are subject to rebate at 2.5% per annum effective 1 April 2010 in accordance with the provisions of Communications and Multimedia (Rates) Rules 2002. Customer deposits are repayable on demand as and when the customers terminate their services.

39. Cash Flows from Operating Activities

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Receipts from customers	**10,538.3**	10,063.6	**9,580.7**	8,991.5
Payments to suppliers and employees	**(7,110.1)**	(6,831.3)	**(6,270.8)**	(6,379.1)
Payments of finance cost	**(300.2)**	(363.7)	**(289.9)**	(363.4)
Payments of income taxes and zakat (net)	**(113.9)**	(72.9)	**(65.4)**	(26.6)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**3,014.1**	2,795.7	**2,954.6**	2,222.4

40. Cash Flows used in Investing Activities

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Contribution for purchase of property, plant and equipment	**79.4**	47.1	**79.4**	47.1
Disposal of property, plant and equipment	**11.0**	5.8	**10.7**	14.0
Purchase of property, plant and equipment	**(2,100.5)**	(2,415.2)	**(1,962.6)**	(2,268.4)
Acquisition of subsidiaries*	**(281.4)**	–	**(45.0)**	–
Subscription of shares in a subsidiary	**–**	–	**(350.0)**	–
Acquisition of an associate	**–**	(12.7)	**–**	–
Subscription of Exchangeable Medium Term Notes	**(119.3)**	–	**–**	–
Disposal of available-for-sale investments	**474.9**	337.8	**474.9**	337.8
Purchase of available-for-sale investments	**(319.5)**	(467.0)	**(319.5)**	(467.0)
Disposal of financial assets at fair value through profit or loss	**3.8**	0.8	**3.8**	0.8
Disposal of non-current assets held for sale	**24.9**	14.4	**24.9**	14.4
Long term deposits	**(16.6)**	(16.6)	**(16.6)**	(16.6)
Repayments from subsidiaries – loans and advances	**–**	–	**42.8**	93.5
– other receivables	**–**	–	**65.5**	80.0
Advances to subsidiaries	**–**	–	**(180.0)**	(37.7)
Repayments to subsidiaries for Inter-Company Fund Optimisation (ICFO)	**–**	–	**(2,691.4)**	(1,352.2)
Receipts from subsidiaries for ICFO	**–**	–	**2,544.1**	1,574.4
Repayments of loans by employees	**8.0**	8.4	**8.0**	8.4
Loans to employees	**(63.1)**	(26.0)	**(63.1)**	(26.0)
Disposal of housing loan	**8.5**	9.9	**8.5**	9.9
Interests received	**119.7**	137.6	**98.5**	130.7
Dividends received	**8.2**	13.3	**37.7**	119.4
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(2,162.0)**	(2,362.4)	**(2,229.4)**	(1,737.5)

* Net of cash and cash equivalents acquired

41. Cash Flows used in Financing Activities

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Proceeds from issuance of shares (note 14(c))	**778.9**	–	**778.9**	–
Proceeds from borrowings	**1,313.7**	1,553.5	**1,200.0**	1,543.5
Repayments of borrowings (net)	**(1,522.8)**	(2,379.5)	**(1,513.9)**	(2,379.5)
Repayments of finance lease	**(4.2)**	(3.8)	**(4.1)**	(3.8)
Dividends paid to shareholders	**(931.5)**	(787.0)	**(931.5)**	(787.0)
Dividends paid to non-controlling interests	**(25.4)**	(38.2)	**–**	–
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**(391.3)**	(1,655.0)	**(470.6)**	(1,626.8)

42. Significant Non-Cash Transactions

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	**–**	–	**2.2**	2.2
(b) Contra settlements with customers cum suppliers between trade receivables and trade payables	**208.3**	162.9	**208.3**	162.9
(c) Exchange building received as part consideration of the sale of land	**–**	7.1	**–**	7.1

43. Significant Related Party Disclosures

Set out below are the significant related party transactions and balances, in addition to related party transactions and balances mentioned elsewhere in the financial statements:

(a) Significant transactions with subsidiaries and associates

The Company has significant related party transactions with its subsidiaries and associate, as listed below:

BlueTel Networks Pte Ltd
Fiberail Sdn Bhd
Fibrecomm Network (M) Sdn Bhd
GITN Sdn Berhad
GTC Global Sdn Bhd
Meganet Communications Sdn Bhd
Menara Kuala Lumpur Sdn Bhd
Packet One Networks (Malaysia) Sdn Bhd
Telekom Applied Business Sdn Bhd
Telekom Malaysia (Australia) Pty Ltd
Telekom Malaysia (Hong Kong) Limited
Telekom Malaysia (S) Pte Ltd
Telekom Malaysia (UK) Limited
Telekom Malaysia (USA) Inc
Telekom Multi-Media Sdn Bhd
Telekom Research & Development Sdn Bhd
Telekom Sales and Services Sdn Bhd
TM ESOS Management Sdn Bhd
TM Facilities Sdn Bhd
TMF Autolease Sdn Bhd
TM Global Incorporated
TM Info-Media Sdn Bhd
TM Net Sdn Bhd
Universiti Telekom Sdn Bhd
VADS Berhad
VADS e-Services Sdn Bhd
VADS Solutions Sdn Bhd
VADS Business Process Sdn Bhd

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
(i) Sales of goods and rendering of services to subsidiaries and associates:				
– telecommunications related services	**35.5**	22.4	**627.2**	590.5
– lease/rental of buildings and vehicles	**–**	–	**23.4**	26.3
– other income*	**–**	–	**24.2**	19.7
(ii) Dividend and interest income from subsidiaries	**–**	–	**97.5**	123.7
(iii) Purchases of goods and services from subsidiaries and associates:				
– telecommunications related services	**41.3**	15.1	**877.5**	860.4
– lease/rental of buildings	**–**	–	**5.6**	5.6
– maintenance of vehicles and buildings	**–**	–	**47.3**	48.5
– other expenses	**–**	–	**93.8**	102.5
(iv) Finance cost paid/payable to a subsidiary	**–**	–	**63.1**	78.7

* Includes management fees, royalties, charges for security and other shared services, training and related activities.

43. Significant Related Party Disclosures (continued)

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
(b) Year end balances arising from:				
(i) Sales/Purchases of goods/services				
– receivables from subsidiaries	**–**	–	**248.1**	263.6
– receivables from associates	**34.4**	30.8	**34.4**	30.8
– payables to subsidiaries	**–**	–	**288.0**	249.9
– payables to associates	**18.1**	2.6	**18.1**	2.6
(ii) Other payables				
– subsidiaries	**–**	–	**292.7**	421.6

The above receivables from/payables to related parties arise mainly from sale/purchase transactions with credit terms of 30 to 90 days. The receivables/payables are unsecured and interest free.

Other payables to subsidiaries mainly comprise excess funds of subsidiaries managed and invested by the Company under the fund optimisation arrangement. This amount is repayable on demand and the interest paid to subsidiaries during the financial year ranges from 3.38% to 4.26% (2013: 3.19% to 3.55%).

	The Company	
	2014 RM	**2013 RM**
(c) Loans and advances to subsidiaries		
At 1 January	**166.9**	260.4
Cash advanced	**126.4**	–
Repayments (note 40)	**(42.8)**	(93.5)
Interest charged (note 8)	**11.6**	7.5
Reclassified as other receivables	**(11.6)**	(7.5)
At 31 December (note 26)	**250.5**	166.9

(d) Key management personnel

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Consistent with the previous financial year, key management personnel has been defined as the Directors (executive and non-executive) of the Company and heads or senior management officers who are members of the Management Committee for the Group and the Company respectively.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

43. Significant Related Party Disclosures (continued)

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
(d) Key management personnel (continued)				
Key management personnel compensation[@]				
– short term employee benefits				
– fees	**2.5**	2.2	**1.9**	1.8
– salaries, allowances and bonus	**21.3**	16.3	**21.2**	16.3
– contribution to Employees Provident Fund	**2.9**	2.3	**2.9**	2.3
– estimated money value of benefits	**1.1**	1.4	**1.1**	1.4

[@] Includes the Directors' remuneration (whether executive or otherwise) as disclosed in note 7(b) to the financial statements.

In addition, certain key management personnel have family members who are officers of subsidiaries of the Company with total remuneration amounting to RM0.2 million (2013: RM0.2 million).

(e) Government-related entities

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.95% (2013: 28.73%) equity interest and is a related party of the Group and the Company. Khazanah is a wholly-owned entity of MoF Inc, which is in turn owned by the Ministry of Finance, a ministry of the Federal Government of Malaysia. Therefore, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group and the Company.

The individually significant transactions that the Group and the Company entered into with identified related parties and their corresponding balances for the provision of telecommunications related services as at the respective reporting dates are as follows:

	Total amount of individually significant transactions		Corresponding outstanding balances	
	2014 RM	2013 RM	2014 RM	2013 RM
The Group				
Sales and Receivables	**945.7**	740.5	**77.5**	121.0
The Company				
Sales and Receivables	**303.2**	197.2	**12.7**	68.4

The Group and the Company also has individually significant contracts with other Government-related entities where the Group and the Company was provided funding for projects of which the amortisation of grants to the income statement in the current financial year was RM198.6 million (2013: RM170.2 million) with corresponding receivables of nil (2013: nil).

In addition to the above, the Group and the Company have transactions that are collectively, but not individually significant with other Government-related entities in respect of the provision of telecommunications related services as well as procurement of telecommunications and related equipments and services in the normal course of business.

44. Capital and Other Commitments

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
(a) Property, plant and equipment				
Commitments in respect of expenditure approved and contracted for	**3,271.0**	2,793.8	**3,199.9**	2,755.0
Commitments in respect of expenditure approved but not contracted for	**849.9**	1,119.7	**768.7**	1,029.7

(b) High Speed Broadband (HSBB) Project

On 25 July 2008, the Company received the Letter of Award from the Government of Malaysia (GoM) for the implementation of the HSBB project under a public-private partnership (PPP) arrangement. The PPP agreement was executed by the GoM and the Company on 16 September 2008.

The objective of the HSBB project is to develop the country's broadband infrastructure to increase broadband penetration and the competitiveness of the country in attracting foreign investments. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The estimated roll-out cost, to be incurred over a 10 years period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Sponsor of the project, the GoM has agreed to fund RM2.4 billion of the project cost. The remaining RM8.9 billion will be borne by the Company. The HSBB roll out has covered 1.3 million premises in 2012.

Under the above arrangement, the Company shall claim from the GoM fifty percent (50.0%) of the capital expenditure incurred for the HSBB project on a quarterly basis over a projected 3.5 years period up to the maximum amount of RM2.4 billion.

In conjunction with the arrangement, the Company has to fulfill certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred in relation to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for the GoM, develop certain number of telecentres, formulate a broadband package with low cost internet access and provide promotion and public awareness on HSBB which would contribute towards achieving the objective of the project.

	The Group and Company	
	2014 RM	**2013 RM**
(c) Donation to Yayasan Telekom Malaysia		
Amount approved and committed	**14.5**	21.7

	The Group and Company	
	2014 RM	**2013 RM**
(d) Future minimum lease payments of non-cancellable operating lease commitments		
Not later than one year	**75.2**	75.2
Later than one year and not later than five years	**323.4**	312.1
Later than five years	**259.4**	345.9
	658.0	733.2

The above lease payments relate to the non-cancellable operating lease of four office buildings from Menara ABS Berhad.

44. Capital and Other Commitments (continued)

(e) Funding Commitment

Pursuant to the Investment Agreement as disclosed in note 5(a) to the financial statements, a Convertible Medium Term Notes Programme (Programme) Agreement will be entered into between Mobikom Sdn Bhd (Mobikom) (and/or its related corporation), Packet One Sdn Bhd (and/or its related corporation), SK Telecom Co Ltd (and/or its related corporation) and Packet One Networks (Malaysia) Sdn Bhd (P1). The Programme provides P1 the avenue to raise future funds up to RM1.65 billion in tranches. Mobikom is entitled to subscribe up to RM990.0 million of the Programme. The proceeds raised under the Programme shall be utilised to finance and fund the implementation of P1's business plan which would involve the roll out of Long Term Evolution (LTE) network.

45. Segment Reporting

By Business Segments

The Group organises its business into the following segments, summarised as follows:

- Retail Business comprises the Company's retail arm and its subsidiaries which complement the retail business. Retail Business is further segregated into four specific segments, i.e. Consumer, Small and Medium Enterprise (SME), Enterprise and Government to focus on different market segments and customers' needs. This line of business is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.

- Global and Wholesale Business comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of wholesale telecommunications services delivered over the Group's networks to domestic and international carriers.

- Shared Services/Others include all shared services divisions, all business functions divisions such as information technology and network, and subsidiaries that do not fall under the above lines of business.

Segment profits represent segment operating revenue less segment expenses. Unallocated income/other gains comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Group Legal, Compliance & Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which are not allocated to a particular business segment. The accounting policies used to derive reportable segment profits are consistent with those as described in the Significant Accounting Policies.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables and inventories. Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets as well as cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to property, plant and equipment and intangibles, including additions resulting from acquisition of subsidiaries.

Significant non-cash expenses comprise mainly allowance for impairment of receivables and unrealised foreign exchange gains or losses on settlement as disclosed in note 7(b) to the financial statements.

45. Segment Reporting (continued)

	Retail Business							
	Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Global & Wholesale Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2014								
Operating revenue								
Total operating revenue	3,147.8	1,933.1	1,211.8	2,171.0	8,463.7	2,107.4	6,587.0	17,158.1
Inter-segment[@]	(40.4)	(0.3)	(8.5)	(3.1)	(52.3)	(331.6)	(5,539.1)	(5,923.0)
External operating revenue	3,107.4	1,932.8	1,203.3	2,167.9	8,411.4	1,775.8	1,047.9	11,235.1
Results								
Segment profits	204.3	281.8	212.8	653.2	1,352.1	422.0	(22.8)	1,751.3
Unallocated income/other gains								22.4
Unallocated costs								(474.6)
Operating profit before finance cost								1,299.1
Finance income								136.6
Finance cost								(291.6)
Foreign exchange loss on borrowings								(47.9)
Associates								
– share of results (net of tax)								9.3
Profit before taxation and zakat								1,105.5
Taxation and zakat								(263.0)
Profit for the financial year								842.5
At 31 December 2014								
Segment assets	289.3	163.3	263.3	833.0	1,548.9	1,295.0	16,454.1	19,298.0
Associates								6.5
Unallocated assets								3,318.7
Total assets								22,623.2
Segment liabilities	353.8	361.5	255.0	497.6	1,467.9	749.8	4,155.4	6,373.1
Borrowings								6,448.4
Unallocated liabilities								1,841.8
Total liabilities								14,663.3
Financial year ended 31 December 2014								
Other information								
Capital expenditure								
– additions during the financial year	1.9	0.2	9.5	102.6	114.2	102.1	2,733.4	2,949.7
Depreciation and amortisation	1.8	0.4	5.4	150.5	158.1	64.5	2,057.3	2,279.9
Write-off of property, plant and equipment	–	–	–	(0.8)	(0.8)	–	(52.0)	(52.8)
Significant non-cash expenses	109.0	132.4	(6.4)	(4.0)	231.0	(21.2)	34.6	244.4

45. Segment Reporting (continued)

	Retail Business							
	Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Global & Wholesale Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2013								
Operating revenue								
Total operating revenue	2,966.1	1,933.0	1,173.3	1,936.7	8,009.1	2,013.2	6,265.1	16,287.4
Inter-segment[@]	(37.2)	(1.1)	(6.1)	–	(44.4)	(307.3)	(5,307.0)	(5,658.7)
External operating revenue	2,928.9	1,931.9	1,167.2	1,936.7	7,964.7	1,705.9	958.1	10,628.7
Results								
Segment profits	150.6	357.8	234.2	580.9	1,323.5	305.7	3.0	1,632.2
Unallocated income/other gains								17.8
Unallocated costs								(276.4)
Operating profit before finance cost								1,373.6
Finance income								144.9
Finance cost								(371.2)
Foreign exchange loss on borrowings								(105.2)
Associates								
– share of results (net of tax)								3.9
Profit before taxation and zakat								1,046.0
Taxation and zakat								1.8
Profit for the financial year								1,047.8
At 31 December 2013								
Segment assets	305.4	237.5	223.0	882.4	1,648.3	1,059.0	15,252.6	17,959.9
Associates								10.7
Unallocated assets								3,175.9
Total assets								21,146.5
Segment liabilities	209.2	409.1	289.9	393.0	1,301.2	613.1	4,074.7	5,989.0
Borrowings								6,455.2
Unallocated liabilities								1,403.0
Total liabilities								13,847.2

45. Segment Reporting (continued)

	Retail Business							
	Consumer RM	SME RM	Enterprise RM	Government RM	Total Retail Business RM	Global & Wholesale Business RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2013								
Other information								
Capital expenditure								
– additions during the financial year	1.6	0.2	9.5	150.4	161.7	39.8	2,004.2	2,205.7
Depreciation and amortisation	2.0	0.3	4.8	123.7	130.8	64.7	1,954.9	2,150.4
Write-off of property, plant and equipment	–	–	–	0.8	0.8	–	8.5	9.3
Significant non-cash expenses	98.2	52.3	(19.2)	(9.6)	121.7	(7.9)	(23.6)	90.2

@ Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. These inter-segment trading arrangements are entered into in the normal course of business and are subject to periodic review.

By Geographical Location

The Group operates in a few countries as disclosed in note 52 to the financial statements. Accordingly, the segmentisation of the Group's operations by geographical location is segmentised into Malaysia and overseas. The overseas operation is not further segregated as no individual overseas country contributed more than 10.0% of the consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

	Operating Revenue		Total Assets		Capital Expenditure	
	2014 RM	2013 RM	2014 RM	2013 RM	2014 RM	2013 RM
Malaysia	**10,302.5**	9,724.4	**18,510.1**	17,103.9	**2,825.9**	2,089.7
Other countries	**932.6**	904.3	**794.4**	866.7	**123.8**	116.0
Unallocated assets	**–**	–	**3,318.7**	3,175.9	**–**	–
	11,235.1	10,628.7	**22,623.2**	21,146.5	**2,949.7**	2,205.7

46. Financial Instruments by Category

The Group	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2014						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	**–**	**9.0**	**138.3**	**–**	**–**	**147.3**
Available-for-sale investments (note 28)	**–**	**–**	**–**	**568.3**	**–**	**568.3**
Available-for-sale receivables (note 29)	**–**	**–**	**–**	**6.9**	**–**	**6.9**
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	**388.6**	**–**	**–**	**–**	**–**	**388.6**
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	**2,459.2**	**–**	**–**	**–**	**–**	**2,459.2**
Financial assets at fair value through profit or loss (note 35)	**–**	**9.2**	**–**	**–**	**–**	**9.2**
Cash and bank balances (note 36)	**2,985.8**	**–**	**–**	**–**	**–**	**2,985.8**
Total	**5,833.6**	**18.2**	**138.3**	**575.2**	**–**	**6,565.3**
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	**–**	**–**	**–**	**–**	**6,401.5**	**6,401.5**
Finance lease liabilities (note 17)	**–**	**–**	**–**	**–**	**46.9**	**46.9**
Derivative financial instruments (note 19)	**–**	**270.1**	**67.7**	**–**	**–**	**337.8**
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	**–**	**–**	**–**	**–**	**3,194.5**	**3,194.5**
Customer deposits (note 38)	**–**	**–**	**–**	**–**	**482.4**	**482.4**
Total	**–**	**270.1**	**67.7**	**–**	**10,125.3**	**10,463.1**
2013						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	–	27.1	80.3	–	–	107.4
Available-for-sale investments (note 28)	–	–	–	724.0	–	724.0
Available-for-sale receivables (note 29)	–	–	–	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	202.2	–	–	–	–	202.2
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	1,983.9	–	–	–	–	1,983.9
Financial assets at fair value through profit or loss (note 35)	–	17.2	–	–	–	17.2
Cash and bank balances (note 36)	2,514.9	–	–	–	–	2,514.9
Total	4,701.0	44.3	80.3	731.6	–	5,557.2
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	–	–	–	–	6,404.4	6,404.4
Finance lease liabilities (note 17)	–	–	–	–	50.8	50.8
Derivative financial instruments (note 19)	–	11.0	51.4	–	–	62.4
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	–	–	–	–	2,705.2	2,705.2
Customer deposits (note 38)	–	–	–	–	502.1	502.1
Total	–	11.0	51.4	–	9,662.5	9,724.9

46. Financial Instruments by Category (continued)

The Company	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2014						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	**–**	**–**	**138.3**	**–**	**–**	**138.3**
Loans and advances to subsidiaries (note 26)	**250.5**	**–**	**–**	**–**	**–**	**250.5**
Available-for-sale investments (note 28)	**–**	**–**	**–**	**568.2**	**–**	**568.2**
Available-for-sale receivables (note 29)	**–**	**–**	**–**	**6.9**	**–**	**6.9**
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	**194.6**	**–**	**–**	**–**	**–**	**194.6**
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	**1,838.9**	**–**	**–**	**–**	**–**	**1,838.9**
Financial assets at fair value through profit or loss (note 35)	**–**	**9.2**	**–**	**–**	**–**	**9.2**
Cash and bank balances (note 36)	**2,347.8**	**–**	**–**	**–**	**–**	**2,347.8**
Total	**4,631.8**	**9.2**	**138.3**	**575.1**	**–**	**5,354.4**
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	**–**	**–**	**–**	**–**	**5,566.9**	**5,566.9**
Finance lease liabilities (note 17)	**–**	**–**	**–**	**–**	**46.6**	**46.6**
Derivative financial instruments (note 19)	**–**	**–**	**67.7**	**–**	**–**	**67.7**
Payable to a subsidiary (note 18)	**–**	**–**	**–**	**–**	**575.7**	**575.7**
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	**–**	**–**	**–**	**–**	**2,968.0**	**2,968.0**
Customer deposits (note 38)	**–**	**–**	**–**	**–**	**480.6**	**480.6**
Total	**–**	**–**	**67.7**	**–**	**9,637.8**	**9,705.5**
2013						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	–	27.1	80.3	–	–	107.4
Loans and advances to subsidiaries (note 26)	166.9	–	–	–	–	166.9
Available-for-sale investments (note 28)	–	–	–	723.9	–	723.9
Available-for-sale receivables (note 29)	–	–	–	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	129.5	–	–	–	–	129.5
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	1,811.5	–	–	–	–	1,811.5
Financial assets at fair value through profit or loss (note 35)	–	17.2	–	–	–	17.2
Cash and bank balances (note 36)	2,092.9	–	–	–	–	2,092.9
Total	4,200.8	44.3	80.3	731.5	–	5,056.9
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	–	–	–	–	4,298.0	4,298.0
Finance lease liabilities (note 17)	–	–	–	–	50.8	50.8
Derivative financial instruments (note 19)	–	11.0	51.4	–	–	62.4
Payable to a subsidiary (note 18)	–	–	–	–	2,093.4	2,093.4
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	–	–	–	–	2,969.0	2,969.0
Customer deposits (note 38)	–	–	–	–	500.3	500.3
Total	–	11.0	51.4	–	9,911.5	9,973.9

47. Fair Values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date.

(a) Financial Instruments Carried at Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels of valuations are:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December.

The Group	2014 Level 1 RM	2014 Level 2 RM	2014 Level 3 RM	2014 Total RM	2013 Level 1 RM	2013 Level 2 RM	2013 Level 3 RM	2013 Total RM
Assets								
Financial assets at fair value through profit or loss								
– quoted securities	**9.2**	**–**	**–**	**9.2**	17.2	–	–	17.2
Derivatives at fair value through profit or loss	**–**	**9.0**	**–**	**9.0**	–	27.1	–	27.1
Derivatives accounted for under hedge accounting	**–**	**138.3**	**–**	**138.3**	–	80.3	–	80.3
Available-for-sale financial assets								
– investments	**–**	**519.9**	**48.4**	**568.3**	–	675.6	48.4	724.0
– receivables	**–**	**6.9**	**–**	**6.9**	–	7.6	–	7.6
Total	**9.2**	**674.1**	**48.4**	**731.7**	17.2	790.6	48.4	856.2
Liabilities								
Derivatives at fair value through profit or loss	**–**	**–**	**–**	**–**	–	11.0	–	11.0
Derivatives accounted for under hedge accounting	**–**	**67.7**	**–**	**67.7**	–	51.4	–	51.4
Put option liability over shares held by non-controlling interest	**–**	**–**	**270.1**	**270.1**	–	–	–	–
Total	**–**	**67.7**	**270.1**	**337.8**	–	62.4	–	62.4

47. Fair Values (continued)

(a) Financial Instruments Carried at Fair Value (continued)

The Company	2014 Level 1 RM	2014 Level 2 RM	2014 Level 3 RM	2014 Total RM	2013 Level 1 RM	2013 Level 2 RM	2013 Level 3 RM	2013 Total RM
Assets								
Financial assets at fair value through profit or loss								
– quoted securities	**9.2**	**–**	**–**	**9.2**	17.2	–	–	17.2
Derivatives at fair value through profit or loss	**–**	**–**	**–**	**–**	–	27.1	–	27.1
Derivatives accounted for under hedge accounting	**–**	**138.3**	**–**	**138.3**	–	80.3	–	80.3
Available-for-sale financial assets								
– investments	**–**	**519.8**	**48.4**	**568.2**	–	675.5	48.4	723.9
– receivables	**–**	**6.9**	**–**	**6.9**	–	7.6	–	7.6
Total	**9.2**	**665.0**	**48.4**	**722.6**	17.2	790.5	48.4	856.1
Liabilities								
Derivatives at fair value through profit or loss	**–**	**–**	**–**	**–**	–	11.0	–	11.0
Derivatives accounted for under hedge accounting	**–**	**67.7**	**–**	**67.7**	–	51.4	–	51.4
Total	**–**	**67.7**	**–**	**67.7**	–	62.4	–	62.4

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occuring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise equity securities quoted on the Bursa Malaysia Securities Berhad classified as fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- The fair value of the put option on non-controlling interest of a subsidiary is determined using expected future value of a subsidiary with the resulting value discounted to present value.
- The fair value of the call option on shares of a subsidiary held by non-controlling interest is determined through an option valuation model with the use of observable market inputs.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in Level 2 except for an investment in non-traded equity security and put option on shares of a subsidiary held by non-controlling interest.

47. Fair Values (continued)

(a) Financial Instruments Carried at Fair Value (continued)

The following table shows a reconciliation from the opening balance to the closing balance for fair value measurements in Level 3 of the fair value hierarchy:

	The Group and Company			
	Assets		Liabilities	
	2014 RM	2013 RM	2014 RM	2013 RM
At 1 January	**48.4**	49.3	**–**	–
Initial recognition (note 15 & 19(f)(i))	**–**	–	**267.6**	–
Unwinding of discount	**–**	–	**2.5**	–
Fair value changes transferred to other comprehensive income	**–**	(0.9)	**–**	–
At 31 December	**48.4**	48.4	**270.1**	–

The financial asset included in Level 3 of the fair value hierarchy is a non-traded equity investment for which its valuation is based on discounted future cash flows derived from the budgets and forecasts of the investee entity, duly approved by its Board of Directors. The future cash flows are discounted based on discount factors of comparable entities which are publicly listed whenever available, as well as industry benchmarks, having considered historical ability of the investee in meeting its previous budgets and forecasts. The Group also has Board representation in the investee through which due understanding of actual and forecasted performance are used by the Group in assessing the appropriateness of the estimates and assumptions used in arriving to the valuation. In estimating the fair value of the put option on shares of a subsidiary held by non-controlling interest, a financial liability included in Level 3, the Group has used valuation model in projecting the expected share price of the subsidiary cumulatively in year 2021 to 2022 using recently transacted price, comparable growth rates and discount factors specific to certain industry available at the reporting date.

Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, if the discount rate used in the discounted cash flow analysis is to differ by 10% from management's estimates, the carrying amount of available-for-sale financial assets would be approximately RM1.0 million (2013: RM1.0 million) lower or RM1.1 million (2013: RM1.3 million) higher. The carrying amount of the put option on shares of a subsidiary of the Group would be an estimated RM3.6 million lower or RM3.6 million higher if the discount rate used in the valuation were to differ by 5% from management's estimates.

47. Fair Values (continued)

(b) Financial Instruments Other Than Those Carried at Fair Value

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date reasonably approximate their fair values except as set out below:

	The Group				The Company			
	2014		2013		2014		2013	
	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM
Assets								
Staff loans	**82.6**	**79.7**	37.7	35.1	**82.5**	**79.6**	37.6	35.0
Redeemable Exchangeable Medium Term Notes receivable	**121.7**	**120.8**	–	–	**–**	**–**	–	–
Other non-current receivables (excluding tax recoverable)	**184.3**	**179.9**	164.5	148.7	**112.1**	**107.7**	91.9	76.1
Liabilities								
Borrowings	**6,448.4**	**6,953.0**	6,455.2	6,813.7	**5,613.5**	**6,086.8**	4,348.8	4,654.1
Payable to a subsidiary	**–**	**–**	–	–	**575.7**	**603.8**	2,093.4	2,146.6
Payable by a subsidiary to a vendor	**192.6**	**206.5**	–	–	**–**	**–**	–	–

Assets

In assessing the fair value of non-traded financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Where impairment is made in respect of any investment, the carrying amount net of impairment made is deemed to be a close approximation of its fair value.

The fair values of staff loans, Redeemable Exchangeable Medium Term Notes and other non-current receivables were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

Collaterals are taken for staff loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

Liabilities

The fair value of quoted bonds was estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity.

The financial liabilities will be realised at their carrying amounts and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term financial instruments maturing within 1 year or are repayable on demand, the carrying amounts reasonably approximate their fair values at the reporting date.

48. Liquidity Risk

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows:

The Group	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2014							
Borrowings	**(201.9)**	**(98.9)**	**(1,330.6)**	**(4,844.9)**	**(6,476.3)**	**27.9**	**(6,448.4)**
Put option liability over shares held by non-controlling interest	**–**	**–**	**–**	**(355.1)**	**(355.1)**	**85.0**	**(270.1)**
Unfavourable cross currency interest rate swaps	**(8.7)**	**(8.7)**	**(55.1)**	**–**	**(72.5)**	**4.8**	**(67.7)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(3,194.5)**	**–**	**–**	**–**	**(3,194.5)**	**–**	**(3,194.5)**
Customer deposits	**(482.4)**	**–**	**–**	**–**	**(482.4)**	**–**	**(482.4)**
Total	**(3,887.5)**	**(107.6)**	**(1,385.7)**	**(5,200.0)**	**(10,580.8)**	**117.7**	**(10,463.1)**
Interest	**(290.7)**	**(286.9)**	**(805.6)**	**(944.0)**	**(2,327.2)**		
2013							
Borrowings	(1,595.4)	(57.7)	(1,297.5)	(3,544.3)	(6,494.9)	39.7	(6,455.2)
Unfavourable forward contracts	(11.1)	–	–	–	(11.1)	0.1	(11.0)
Unfavourable cross currency interest rate swaps	(8.6)	(8.5)	(38.9)	–	(56.0)	4.6	(51.4)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(2,705.2)	–	–	–	(2,705.2)	–	(2,705.2)
Customer deposits	(502.1)	–	–	–	(502.1)	–	(502.1)
Total	(4,822.4)	(66.2)	(1,336.4)	(3,544.3)	(9,769.3)	44.4	(9,724.9)
Interest	(289.4)	(226.4)	(662.7)	(822.9)	(2,001.4)		

48. Liquidity Risk (continued)

The Company	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2014							
Borrowings	**(107.6)**	**(57.4)**	**(1,000.6)**	**(4,475.8)**	**(5,641.4)**	**27.9**	**(5,613.5)**
Payable to a subsidiary	**–**	**–**	**(227.7)**	**(348.0)**	**(575.7)**	**–**	**(575.7)**
Unfavourable cross currency interest rate swaps	**(8.7)**	**(8.7)**	**(55.1)**	**–**	**(72.5)**	**4.8**	**(67.7)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(2,968.0)**	**–**	**–**	**–**	**(2,968.0)**	**–**	**(2,968.0)**
Customer deposits	**(480.6)**	**–**	**–**	**–**	**(480.6)**	**–**	**(480.6)**
Total	**(3,564.9)**	**(66.1)**	**(1,283.4)**	**(4,823.8)**	**(9,738.2)**	**32.7**	**(9,705.5)**
Interest	**(280.8)**	**(280.8)**	**(792.7)**	**(939.5)**	**(2,293.8)**		
2013							
Borrowings	(57.7)	(57.7)	(1,054.8)	(3,218.3)	(4,388.5)	39.7	(4,348.8)
Payable to a subsidiary	(1,524.7)	–	(242.7)	(326.0)	(2,093.4)	–	(2,093.4)
Unfavourable forward contracts	(11.1)	–	–	–	(11.1)	0.1	(11.0)
Unfavourable cross currency interest rate swaps	(8.6)	(8.5)	(38.9)	–	(56.0)	4.6	(51.4)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(2,969.0)	–	–	–	(2,969.0)	–	(2,969.0)
Customer deposits	(500.3)	–	–	–	(500.3)	–	(500.3)
Total	(5,071.4)	(66.2)	(1,336.4)	(3,544.3)	(10,018.3)	44.4	(9,973.9)
Interest	(288.9)	(226.4)	(662.7)	(822.9)	(2,000.9)		

49. Interest Rate Risk/Maturity Analysis

The table below summarises the Group's and the Company's exposure to interest rate risk. Included in the tables are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of repricing or contractual maturity dates. As such the spread of balances between the ageing brackets in the table below may not necessarily coincide with those shown in the liquidity risk schedule in note 48 or the repayment schedules in note 17 to the financial statements. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

		Maturing or repriced (whichever is earlier)								
The Group	WARF*	1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2014										
Financial assets										
Derivative financial instruments	–	147.3	–	–	–	–	–	147.3	–	147.3
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	99.0	99.0
– fixed interest rate	4.47%	469.3	–	–	–	–	–	469.3	–	469.3
Available-for-sale receivables	8.04%	1.6	0.8	0.9	1.2	1.1	1.3	6.9	–	6.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	6.40%	0.2	2.1	0.1	0.1	0.1	185.2	187.8	70.2	258.0
– balances under Islamic principles	4.20%	51.3	1.3	1.6	2.4	2.0	72.0	130.6	–	130.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	2,459.2	2,459.2
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	9.2	9.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	943.0	943.0
– fixed interest rate										
– conventional	4.34%	1,088.4	–	–	–	–	–	1,088.4	–	1,088.4
– balances under Islamic principles	4.32%	954.4	–	–	–	–	–	954.4	–	954.4
Total		2,712.5	4.2	2.6	3.7	3.2	258.5	2,984.7	3,580.6	6,565.3
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.1	3.1
– floating interest rate	1.17%	–	–	–	–	–	347.9	347.9	–	347.9
– fixed interest rate										
– conventional	6.16%	196.8	57.1	278.1	5.3	129.2	1,102.3	1,768.8	–	1,768.8
– balances under Islamic principles	4.43%	–	–	–	928.6	–	3,400.0	4,328.6	–	4,328.6
Derivative financial instruments	–	67.7	–	–	–	–	270.1	337.8	–	337.8
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	3,001.9	3,001.9
– fixed interest rate	4.20%	–	192.6	–	–	–	–	192.6	–	192.6
Customer deposits	–	–	–	–	–	–	–	–	482.4	482.4
Total		264.5	249.7	278.1	933.9	129.2	5,120.3	6,975.7	3,487.4	10,463.1
Interest sensitivity gap		2,448.0	(245.5)	(275.5)	(930.2)	(126.0)	(4,861.8)			

49. Interest Rate Risk/Maturity Analysis (continued)

The Group	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2013										
Financial assets										
Derivative financial instruments	–	107.4	–	–	–	–	–	107.4	–	107.4
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	99.7	99.7
– fixed interest rate	4.53%	624.3	–	–	–	–	–	624.3	–	624.3
Available-for-sale receivables	7.78%	0.7	0.7	1.0	1.2	1.5	2.5	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.60%	0.2	0.2	0.2	0.1	0.1	44.1	44.9	72.6	117.5
– balances under Islamic principles	3.56%	48.7	1.2	1.8	2.4	3.1	27.5	84.7	–	84.7
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,983.9	1,983.9
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	17.2	17.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	755.4	755.4
– fixed interest rate										
– conventional	3.67%	831.7	–	–	–	–	–	831.7	–	831.7
– balances under Islamic principles	3.63%	927.8	–	–	–	–	–	927.8	–	927.8
Total		2,540.8	2.1	3.0	3.7	4.7	74.1	2,628.4	2,928.8	5,557.2
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.4	3.4
– floating interest rate	1.16%	326.0	–	–	–	–	–	326.0	–	326.0
– fixed interest rate										
– conventional	5.74%	1,586.2	45.8	43.6	284.6	0.1	1,032.9	2,993.2	–	2,993.2
– balances under Islamic principles	4.13%	–	–	–	–	932.6	2,200.0	3,132.6	–	3,132.6
Derivative financial instruments	–	62.4	–	–	–	–	–	62.4	–	62.4
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	–	–	–	–	–	–	2,705.2	2,705.2
Customer deposits	–	–	–	–	–	–	–	–	502.1	502.1
Total		1,974.6	45.8	43.6	284.6	932.7	3,232.9	6,514.2	3,210.7	9,724.9
Interest sensitivity gap		566.2	(43.7)	(40.6)	(280.9)	(928.0)	(3,158.8)			

* WARF – Weighted Average Rate of Finance as at 31 December

49. Interest Rate Risk/Maturity Analysis (continued)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

	2014		2013	
The Group	**USD**	**RM**	**USD**	**RM**
Financial assets				
Available-for-sale investments	**–**	**4.47%**	–	4.53%
Available-for-sale receivables	**–**	**8.04%**	–	7.78%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**–**	**5.50%**	–	3.59%
Cash and bank balances	**–**	**4.33%**	0.59%	3.66%
Financial liabilities				
Borrowings	**6.20%**	**4.48%**	5.69%	4.37%
Trade and other payables (excluding statutory liabilities and deferred revenue)	**4.20%**	**–**	–	–

49. Interest Rate Risk/Maturity Analysis (continued)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2014										
Financial assets										
Derivative financial instruments	–	138.3	–	–	–	–	–	138.3	–	138.3
Loans and advances to subsidiaries (net)										
– floating interest rate	4.42%	250.5	–	–	–	–	–	250.5	–	250.5
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	98.9	98.9
– fixed interest rate	4.47%	469.3	–	–	–	–	–	469.3	–	469.3
Available-for-sale receivables	8.04%	1.6	0.8	0.9	1.2	1.1	1.3	6.9	–	6.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.57%	0.1	0.1	0.1	0.1	0.1	63.5	64.0	–	64.0
– balances under Islamic principles	4.20%	51.3	1.3	1.6	2.4	2.0	72.0	130.6	–	130.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,838.9	1,838.9
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	9.2	9.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	451.5	451.5
– fixed interest rate										
– conventional	4.35%	1,028.0	–	–	–	–	–	1,028.0	–	1,028.0
– balances under Islamic principles	4.33%	868.3	–	–	–	–	–	868.3	–	868.3
Total		2,807.4	2.2	2.6	3.7	3.2	136.8	2,955.9	2,398.5	5,354.4
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.1	3.1
– fixed interest rate										
– conventional	7.35%	102.3	50.5	48.5	5.3	5.7	1,069.5	1,281.8	–	1,281.8
– balances under Islamic principles	4.43%	–	–	–	928.6	–	3,400.0	4,328.6	–	4,328.6
Payable to a subsidiary										
– fixed interest rate	0.91%	–	–	227.8	–	–	–	227.8	–	227.8
– floating interest rate	1.17%	–	–	–	–	–	347.9	347.9	–	347.9
Derivative financial instruments	–	67.7	–	–	–	–	–	67.7	–	67.7
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	2,675.3	2,675.3
– floating interest rate	4.26%	292.7	–	–	–	–	–	292.7	–	292.7
Customer deposits	–	–	–	–	–	–	–	–	480.6	480.6
Total		462.7	50.5	276.3	933.9	5.7	4,817.4	6,546.5	3,159.0	9,705.5
Interest sensitivity gap		2,344.7	(48.3)	(273.7)	(930.2)	(2.5)	(4,680.6)			

49. Interest Rate Risk/Maturity Analysis (continued)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2013										
Financial assets										
Derivative financial instruments	–	107.4	–	–	–	–	–	107.4	–	107.4
Loans and advances to subsidiaries (net)										
– floating interest rate	3.69%	166.9	–	–	–	–	–	166.9	–	166.9
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	99.6	99.6
– fixed interest rate	4.53%	624.3	–	–	–	–	–	624.3	–	624.3
Available-for-sale receivables	7.78%	0.7	0.7	1.0	1.2	1.5	2.5	7.6	–	7.6
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.60%	0.1	0.2	0.2	0.1	0.1	44.1	44.8	–	44.8
– balances under Islamic principles	3.56%	48.7	1.2	1.8	2.4	3.1	27.5	84.7	–	84.7
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,811.5	1,811.5
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	17.2	17.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	426.6	426.6
– fixed interest rate										
– conventional	3.67%	785.9	–	–	–	–	–	785.9	–	785.9
– balances under Islamic principles	3.63%	880.4	–	–	–	–	–	880.4	–	880.4
Total		2,614.4	2.1	3.0	3.7	4.7	74.1	2,702.0	2,354.9	5,056.9
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.4	3.4
– fixed interest rate										
– conventional	7.34%	48.5	45.8	43.6	41.9	0.1	1,032.9	1,212.8	–	1,212.8
– balances under Islamic principles	4.13%	–	–	–	–	932.6	2,200.0	3,132.6	–	3,132.6
Payable to a subsidiary										
– fixed interest rate	4.65%	1,524.7	–	–	242.7	–	–	1,767.4	–	1,767.4
– floating interest rate	1.16%	326.0	–	–	–	–	–	326.0	–	326.0
Derivative financial instruments	–	62.4	–	–	–	–	–	62.4	–	62.4
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	2,547.4	2,547.4
– floating interest rate	3.55%	421.6	–	–	–	–	–	421.6	–	421.6
Customer deposits	–	–	–	–	–	–	–	–	500.3	500.3
Total		2,383.2	45.8	43.6	284.6	932.7	3,232.9	6,922.8	3,051.1	9,973.9
Interest sensitivity gap		231.2	(43.7)	(40.6)	(280.9)	(928.0)	(3,158.8)			

49. Interest Rate Risk/Maturity Analysis (continued)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

	2014		2013	
The Company	**USD**	**RM**	**USD**	**RM**
Financial assets				
Loans and advances to subsidiaries (net)	**2.33%**	**5.04%**	2.35%	4.50%
Available-for-sale investments	**–**	**4.47%**	–	4.53%
Available-for-sale receivables	**–**	**8.04%**	–	7.78%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**–**	**3.99%**	–	3.59%
Cash and bank balances	**–**	**4.34%**	0.59%	3.66%
Financial liabilities				
Borrowings	**7.88%**	**4.46%**	7.88%	4.38%
Payable to a subsidiary	**1.17%**	**–**	4.53%	–
Trade and other payables (excluding statutory liabilities and deferred revenue)	**–**	**4.26%**	–	3.55%

50. Contingent Liabilities (Unsecured)

(a) On 26 November 2007, the Company and TESB were served with a Writ of Summons and Statement of Claim in respect of a suit filed by Mohd Shuaib Ishak (MSI). MSI is seeking from the Company, TESB and 12 others (including the former and existing directors of the Company) jointly and/or severally, inter alia, the following:

(i) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

(ii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2003 issued by Commerce International Merchant Bankers Berhad (now known as CIMB) are illegal and void and of no effect;

(iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

(iv) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed demerger of the mobile and fixed line businesses of the Group; and

(v) various damages to be assessed.

On 30 November 2007, the Company and TESB obtained leave to enter conditional appearance and subsequently on 17 December 2007, the Company and TESB filed the relevant application to strike out the suit (Striking Out Application).

On 20 July 2012, the High Court found in favour of the Company and granted an order in terms of the Striking Out Application.

On 13 August 2012, MSI filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal was dismissed on 30 October 2013.

50. Contingent Liabilities (Unsecured) (continued)

(a) On 28 November 2013, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above stated. The application is fixed for hearing on 3 March 2015.

The Directors, based on legal advice, are of the view that the Company and TESB have a good chance of success in defending the legal suit.

(b) On 11 August 2009, the Company and its wholly-owned subsidiary, TM Net Sdn Bhd (TM Net) were served with a Writ of Summons and Statement of Claim by Network Guidance (M) Sdn Bhd (NGSB) in connection with a purported joint venture in regard to a project described in the statement of claim as "Fine TV Services".

On 17 September 2009, the Company and TM Net filed the Amended Statement of Defence in Court.

On 13 October 2009, NGSB filed and served an Amended Statement of Claim to TM Net wherein NGSB have quantified their claim for aggravated damages at RM200.0 million and exemplary damages at RM200.0 million. Pursuant thereto, the Company and TM Net filed a re-amended Statement of Defence in Court on 23 October 2009.

On 10 December 2009, the Company and TM Net filed an application to strike out NGSB's claim. On 15 July 2010, the High Court proceeded with the hearing of the striking out application and dismissed the same with cost on 9 August 2010. On 3 September 2010, the Company and TM Net filed an appeal to the Court of Appeal against the abovestated decision of the High Court. On 11 January 2011, the Court of Appeal has dismissed appeal.

Meanwhile, NGSB's application to re-amend its Amended Statement of Claim was allowed by the High Court on 12 January 2011. Pursuant thereto, on 11 February 2011, NGSB's solicitors served on the Company and TM Net's solicitors an Amended Writ and Re-amended Statement of Claim (Re-amended Claim).

The reliefs sought by NGSB against the Company and TM Net in the Re-amended Claim are as follows:

(a) a declaration that:

(i) NGSB and the Company entered into an agreement whereby it was agreed that NGSB and the Company will commence with the Fine TV project on a joint venture basis (the Agreement);

(ii) the Company breached the Agreement;

(iii) as a result of the breach of the Agreement, NGSB suffered loss and damages.

(b) an order that the Company and TM Net pay NGSB the following special damages:

(i) RM0.15 million for the services of Fiberail Sdn Bhd;

(ii) RM0.3 million for the services of "MYLOCA" and/or the rental space of TM Net;

(iii) RM1.0 million for the cost of the tests conducted;

(iv) RM5.0 million for equipment such as the server, the router, Digital Video Encoder, Set Top Box and Digital Video Editing;

(v) RM3.0 million for license fees for the use of software;

(vi) RM3.0 million for license fees for the use of content;

50. Contingent Liabilities (Unsecured) (continued)

(b) (b) (vii) RM0.5 million for legal fees;

(viii) RM4.0 million for overheads; and

(ix) loan of RM7.0 million from Eurofine Sdn Bhd.

(c) interest at the rate of 8% per annum on the special damages from the date of judgment to the date of full and final settlement of the special damages;

(d) an order that the Company and TM Net pay general damages;

(e) an order that the general damages be assessed by the court;

(f) interest of 8% per annum on the general damages from the date of judgment to the date of full and final settlement of the general damages;

(g) cost; and

(h) any other relief which the court deems fit.

In the Re-amended Claim, NGSB has also reflected the change of NGSB's name to Fine TV Network Sdn Bhd.

The case proceeded for trial on 25, 26 and 27 January 2012 and thereafter on 7 and 8 May 2012. On 2 July 2012, the High Court dismissed NGSB's legal suit with cost.

On 1 August 2012, NGSB filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal is fixed for hearing on 28 October 2014.

On 28 October 2014, the Court of Appeal has dismissed NGSB's (now known as Fine TV Sdn Bhd) appeal against the decision of the High Court on 2 July 2012 to dismiss NGSB's claim against the Company and TM Net. The Court of Appeal also awarded costs in the sum of RM20,000.00 in favour of the Company and TM Net.

NGSB did not file the application for leave to appeal to Federal Court within the period prescribed by the law.

The Directors, based on legal advice, are of the view that the legal suit has ended.

(c) A legal suit was commenced by One Visa Sdn Bhd (OVSB) against the Company on 21 September 2012.

In brief, the legal suit is premised on the allegation that the Company is a trespasser on 5 pieces of land belonging to OVSB known as HS(D) 23474 Lot 3181, HS(D) 23475 Lot 3182, HS(D) 23477 Lot 3183, HS(D) 23478 Lot 3184 and HS(D) 23479 Lot 3185 of Pekan Ulu Temiang, Negeri Sembilan (the Land) due to the existence of the Company's network infrastructures thereon. OVSB further alleges that it was prevented from developing the Land to its full potential as a result of the supply of telecommunication services by the Company to certain illegal occupiers (Squatters) on the Land.

50. Contingent Liabilities (Unsecured) (continued)

(c) OVSB is claiming the following sums from the Company:

(i) damages amounting to RM23,077,116.00 which is the total rental value of the Land allegedly payable by the Company to OVSB, based on current prevailing market value rate calculated with effect from 22 March 2011 and continuing until cessation of the telecommunication services and the date of removal of the Company's offending infrastructure from the Land;

(ii) damages amounting to RM198,110,908.00 which OVSB alleges as being its loss of opportunity and/or loss of profit by reason of the continued wrongful occupation of the Squatters on the Land which was caused, encouraged or facilitated by the Company resulting in OVSB being prevented from developing the Land to its full potential;

(iii) quit rent and assessment for the Land for the year 2012 amounting to RM234,677.00 and RM49,360.00 respectively; and

(iv) general damages, aggravated/exemplary damages, interest and costs.

On 28 September 2012, the Company filed its Memorandum of Appearance in the High Court. The Statement of Defence was later filed on 22 October 2012. The legal suit went on full trial from 17 to 19 February 2014. The High Court will deliver its decision on 8 May 2014.

On 22 April 2014, OVSB's claim was dismissed for the claim under item 22(b) of the Statement of Claim where the High Court has allowed special damages in the sum of RM4,818.40 for rental of the Land for 10 months from 18 November 2011 until September 2012. The High Court has further awarded OVSB interest on this sum at 4% per annum from 18 November 2011 until the date of full realisation and cost of RM15,000.00.

The Company has duly complied with the above judgment. OVSB did not file any appeal within the period prescribed by the law.

The Directors, based on legal advice, are of the view that the legal suit has ended.

(d) On 6 March 2013, TM Facilities Sdn Bhd (TMF), a wholly-owned subsidiary of the Group, has through its solicitors, been served with a Writ and Statement of Claim by Menara Intan Langkawi Sdn Bhd (MIL) and HBA Development Bhd (HBA), through their solicitors.

The claim by HBA is premised upon an alleged wrongful termination of an Agreement to Lease dated 14 August 2003 between MIL and TMF (Agreement). Under the Agreement, TMF had agreed to take a lease of a telecommunication tower to be constructed at the Mukim of Kuah in Langkawi, from MIL, a joint venture company between Lembaga Pembangunan Langkawi and HBA, for a lease period of 15 years and at a lease rental of RM17.0 million per annum.

The Lease Agreement was subsequently terminated by TMF on 6 February 2007, as TMF was of the view that MIL has failed to secure the necessary approvals and commence construction of the telecommunication tower despite the time given.

Based on the Amended Writ and Statement of Claim (Statement of Claim), MIL and HBA are seeking for the following:

(a) Damages in respect of loss of profit of RM168,701,922.00;

(b) Damages in respect of works and expenses of RM86,298,078.60;

(c) Damages in respect of the value of a land measuring 28.49 acres of RM80,600,000.00;

(d) General damages;

50. Contingent Liabilities (Unsecured) (continued)

(d) (e) Interest; and

(f) Costs.

On 28 March 2013, TMF filed an application to strike out the Statement of Claim by the 2nd Plaintiff, HBA against TMF (Striking Out Application).

On 1 April 2013, TMF was served with an Amended Statement of Claim dated 29 March 2013 by both the Plaintiffs in the legal suit. In the Amended Statement of Claim, the Plaintiffs have amended their claim of loss of profits from RM168,701,922.00 to RM225,000,000.00.

On 17 May 2013, the Striking Out Application was allowed with cost by the High Court. On the same day, TMF filed its Defence to the Amended Statement of Claim by the 1st Plaintiff, MIL.

On 1 July 2013, the High Court ordered MIL to provide security for cost in the sum of RM175,000.00 within a period of 45 days and further ordered for the legal suit to be stayed pending payment of the same. On 26 August 2013, MIL paid the security for costs into TMF's solicitor's account.

On 18 November 2013, TMF's solicitors were served with a Summary Judgment Application in which MIL seeks for the following Orders from the High Court:

(i) An Order for declaration that TMF has wrongfully and unlawfully terminated the Agreement;

(ii) An Order for assessment of damages to be paid by TMF to MIL for all the damages and losses suffered by MIL as compensation for the termination of the Agreement wrongfully and unlawfully;

(iii) An Order for TMF to pay MIL immediately after the assessment of damages by the Court; and

(iv) Interest and cost.

The hearing date for the Summary Judgment Application is fixed on 26 May 2014.

On 26 May 2014, MIL withdrew the Summary Judgment Application. The legal suit then proceeded for trial on 26 – 27 May 2014 and on 23 – 24 June 2014.

On 31 October 2014, the High Court dismissed MIL's claim and awarded costs in the sum of RM50,000.00 in favour of TMF.

On 12 November 2014, MIL filed its appeal against the said decision of the High Court. The appeal has been fixed for case management on 17 March 2015.

The Directors, based on legal advice, are of the view that TMF has a good chance of success in dismissing the appeal.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of the Company and/or its subsidiaries.

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these, no material losses are anticipated.

51. Significant Subsequent Event

High Speed Broadband Phase 2 (HSBB2) and Sub Urban Broadband (SUBB) Projects

On 25 February 2015, the Company announced that it has accepted the Letter of Award (LoA) from the Government of Malaysia (the Government) for the implementation of the:

(a) HSBB2 project in collaboration with the Government to deploy the access and domestic core networks to deliver an end-to-end HSBB infrastructure. The total cost of the HSBB2 investment for a period of ten (10) years is RM1.8 billion.

(b) SUBB project in collaboration with the Government to deploy the access and domestic core networks to deliver an end-to-end HSBB infrastructure. The total cost of the SUBB investment for a period of ten (10) years is RM1.6 billion.

With the acceptance of the LoA by the Company, the parties will enter into a formal agreement (HSBB2 and SUBB Agreements) based on mutually agreed terms and conditions in due course.

52. List of Subsidiaries as at 31 December 2014

The subsidiaries are as follows:

	Group's Effective Interest		Paid-up Capital		
Name of Company	2014 %	2013 %	2014 Million	2013 Million	Principal Activities
Fiberail Sdn Bhd	**54**	54	**RM15.8**	RM15.8	Provision of network connectivity and bandwidth services in Malaysia and project management services in relation to telecommunications
Fibrecomm Network (M) Sdn Bhd	**51**	51	**RM75.0**	RM75.0	Provision of fibre optic transmission network services
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunication and information technology services
GTC Global Sdn Bhd (note 5(b))	**100**	–	**RM1.1**	–	Business of trading, leasing and installing cellular and telecommunication equipment and trading in related product accessories
Hijrah Pertama Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Intelsec Sdn Bhd	**100**	100	**RM3.0**	RM3.0	Provision of information and communications technology (ICT) services and cloud consumption by designing and leveraging the network and exchange platforms
Menara Kuala Lumpur Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Management and operation of Menara Kuala Lumpur
Mobikom Sdn Bhd	**100**	100	**RM610.0**	RM260.0	Provision of transmission of voice and data through the cellular system

52. List of Subsidiaries as at 31 December 2014 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2014 %	Group's Effective Interest 2013 %	Paid-up Capital 2014 Million	Paid-up Capital 2013 Million	Principal Activities
Parkside Properties Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
Tekad Mercu Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	**100**	100	**RM1.6**	RM1.6	Provision of software development and sale of software products
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding
Telekom Malaysia (Australia) Pty Ltd*	**100**	100	**AUD#**	AUD#	Provision of international telecommunications services
Telekom Malaysia (Hong Kong) Limited*	**100**	100	**HKD18.5**	HKD18.5	Provision of international telecommunications services
Telekom Malaysia (S) Pte Ltd*	**100**	100	**SGD#**	SGD#	Provision of international telecommunications services
Telekom Malaysia (UK) Limited*	**100**	100	**GBP#**	GBP#	Provision of international telecommunications services
Telekom Malaysia (USA) Inc*	**100**	100	**USD3.5**	USD3.5	Provision of international telecommunications services
Telekom Multi-Media Sdn Bhd	**100**	100	**RM1.7**	RM1.7	Investment holding
Telekom Research & Development Sdn Bhd	**100**	100	**RM20.0**	RM20.0	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	**100**	100	**RM14.5**	RM14.5	Provision of management of customers care services and trading of customer premises telecommunication equipment
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operations
TM Broadcasting Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
TM ESOS Management Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Special purpose entity
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of property development activities
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding

52. List of Subsidiaries as at 31 December 2014 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2014 %	Group's Effective Interest 2013 %	Paid-up Capital 2014 Million	Paid-up Capital 2013 Million	Principal Activities
TM Info-Media Sdn Bhd	**100**	100	**RM6.0**	RM6.0	Publication of printed and online telephone directories services as well as provision of multi platform solutions for advertising
TM International (Cayman) Ltd>	**–**	100	**–**	USD#	Struck off on 31 December 2014
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	**100**	100	**RM5.0**	RM5.0	Provision of managed network services, network system integration services and network centric services
Subsidiary held through Intelsec Sdn Bhd					
Inneonusa Sdn Bhd	**100**	–	**RM#**	–	Provision of ICT system security and smart building services including smart tenant services for building owners, operators, residents and visitors
Subsidiary held through Mobikom Sdn Bhd					
Packet One Networks (Malaysia) Sdn Bhd (note 5(a))	**55.3**	–	**RM16.7**	–	Providing last mile broadband network infrastructure facilities and services
Subsidiaries held through Packet One Networks (Malaysia) Sdn Bhd					
P1.Com Sdn Bhd	**100**	–	**RM#**	–	A collector of telecommunications revenue for fellow group companies
Millercom Sdn Bhd	**100**	–	**RM0.3**	–	Providing project management services
RuumzNation Sdn Bhd	**100**	–	**RM0.1**	–	Dormant
Packet One (L) Ltd	**100**	–	**RM#**	–	Investment holding

52. List of Subsidiaries as at 31 December 2014 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2014 %	Group's Effective Interest 2013 %	Paid-up Capital 2014 Million	Paid-up Capital 2013 Million	Principal Activities
Subsidiaries held through Tekad Mercu Berhad					
Mediatel (Malaysia) Sdn Bhd (in liquidation)[<]	**100**	100	**RM#**	RM#	Investment holding
Rebung Utama Sdn Bhd[~]	**–**	100	**–**	RM#	Dissolved on 10 June 2014
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Ceased operations
Subsidiaries held through TM Facilities Sdn Bhd					
TMF Autolease Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of fleet management services
TMF Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Ceased operations
Subsidiaries held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of training and related services
Multimedia College Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Managing and administering a private college known as Multimedia College
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	**100**	100	**RM#**	RM#	Provision of digital video and film production and post production services
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	**100**	100	**RM11.0**	RM11.0	To develop, operate and provide Intelligent Building Systems, Intelligent Security, Integrated Telecommunications and Information Technology Solutions to both the Government and private sectors
VADS Business Process Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Provision of managed contact centre services
VADS e-Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of managed information technology services, managed application services and contact centre service
VADS Professional Services Sdn Bhd	**100**	100	**RM#**	RM#	Dormant

52. List of Subsidiaries as at 31 December 2014 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2014 %	Group's Effective Interest 2013 %	Paid-up Capital 2014 Million	Paid-up Capital 2013 Million	Principal Activities
Subsidiaries held through VADS Berhad (continued)					
VADS Solutions Sdn Bhd	**100**	100	**RM1.5**	RM1.5	Provision of system integration services
Subsidiary held through VADS Business Process Sdn Bhd					
PT VADS Indonesia (collectively with VADS Berhad)^	**100**	100	**IDR17,052.8**	IDR17,052.8	Provision of managed contact centre services
Subsidiary consolidated through effective control as defined by MFRS 10					
Yayasan Telekom Malaysia	**-**	-	**^^**	^^	A trust established under the provision of Trustees (Incorporation) Act, 1952, for promotion and advancement of education, research and dissemination of knowledge

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
PT VADS Indonesia	– Indonesia
Telekom Malaysia (Australia) Pty Ltd	– Australia
Telekom Malaysia (Hong Kong) Limited	– Hong Kong
Telekom Malaysia (S) Pte Ltd	– Singapore
Telekom Malaysia (UK) Limited	– United Kingdom
Telekom Malaysia (USA) Inc	– USA
TM International (Cayman) Ltd	– British West Indies, USA

AUD	Australian Dollar
IDR	Indonesian Rupiah
HKD	Hong Kong Dollar
SGD	Singapore Dollar
GBP	Pound Sterling
USD	US Dollar

Amount less than 0.1 million in their respective currencies

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

< Notice of Final Meeting for the Members of Mediatel (Malaysia) Sdn Bhd (Mediatel) pursuant to Section 272(1) of the Companies Act, 1965 (CA 1965) dated 27 January 2015 was advertised via daily major newspaper on 27 January 2015. A Final Meeting of the Members of Mediatel will be held on 27 February 2015. Pursuant to Section 272(5) of the CA 1965, Mediatel would be dissolved upon the expiry of three (3) months after the lodgement of the Form 69 i.e. Return by Liquidator Relating to Final Meeting, with the Companies Commission of Malaysia ("CCM") and Official Receiver. The Form 69 shall be lodged with CCM after the conclusion of the Final Meeting.

52. List of Subsidiaries as at 31 December 2014 (continued)

˃ Application for striking off was submitted to the Registrar of Companies of Cayman Island pursuant to Section 156(2) of the Part VI of the Companies Law (as amended) of Cayman Island on 3 November 2014. Pursuant to the said Section, TM International (Cayman) Ltd was struck off on 31 December 2014.

˜ Rebung Utama Sdn Bhd was dissolved on 10 June 2014 upon the expiry of three (3) months after the lodgement of the Form 69 i.e. Return by Liquidator Relating to Final Meeting, with CCM and Official Receiver on 11 March 2014.

ˆ VADS Berhad and VADS Business Process Sdn Bhd hold a direct interest of 10.0% and 90.0% respectively in PT VADS Indonesia.

^^ As an entity established under the Trustees (Incorporation) Act, 1952, this entity has an initial contribution of RM13.0 million instead of paid-up capital.

53. List of Associates as at 31 December 2014

The associates are as follows:

	Group's Effective Interest		
Name of Company	**2014 %**	**2013 %**	**Principal Activities**
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd (in liquidation)	**49**	49	Granted Order for Creditors' winding up by the Kuala Lumpur High Court pursuant to Section 217 of the Companies Act, 1965
Mutiara.Com Sdn Bhd	**30**	30	Provision and promotion of Internet-based communications services
Associate held through Telekom Malaysia (S) Pte Ltd			
BlueTel Networks Pte Ltd	**29**	29	Provision of telecommunications and network solutions

All associates are incorporated in Malaysia, except BlueTel Networks Pte Ltd (BTN), which is incorporated in Singapore.

All associates have co-terminous financial year end with the Company.

54. Currency

All amounts are expressed in Ringgit Malaysia (RM).

55. Approval of Financial Statements

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 26 February 2015.

56. Supplementary Information pursuant to Bursa Malaysia Securities Berhad Listing Requirements

Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Retained profits:				
– realised	**2,473.8**	3,051.2	**4,024.5**	3,680.8
– unrealised – in respect of deferred tax recognised in the Income Statements	**(1,243.2)**	(1,131.7)	**(1,135.0)**	(1,030.9)
– in respect of other items of income and expense	**545.6**	860.8	**268.8**	576.2
Share of accumulated profits of associates				
– realised	**13.2**	3.9	**–**	–
	1,789.4	2,784.2	**3,158.3**	3,226.1
Add: consolidation adjustments	**2,526.3**	1,631.2	**–**	–
TOTAL RETAINED PROFITS	**4,315.7**	4,415.4	**3,158.3**	3,226.1

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

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

We, Tan Sri Dato' Seri Dr Sulaiman Mahbob and Tan Sri Dato' Sri Zamzamzairani Mohd Isa, two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 264 to 383 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 2014 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

The supplementary information set out in note 56 on page 384 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 26 February 2015.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
Director/Chairman

TAN SRI 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 264 to 383 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 26 February 2015.)

DATUK BAZLAN OSMAN

Before me:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Telekom Malaysia Berhad
Incorporated in Malaysia (Company No. 128740-P)

Report on the Financial Statements

We have audited the financial statements of Telekom Malaysia Berhad on pages 264 to 272 which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 273 to 383.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 52 to the financial statements.

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

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in note 56 on page 384 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965, in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
(No. 2910/02/17 (J))
Chartered Accountant

Kuala Lumpur
26 February 2015

AUTHORISED AND ISSUED SHARE CAPITAL

as at 13 March 2015

1. Authorised Share Capital

The authorised share capital of the Company is RM3,528,003,015.00 divided into 5,040,000,020 ordinary shares of RM0.70 each; One (1) Special Rights Redeemable Preference Share (Special Share) of RM1.00; 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each; and 1,000 Class D NCRPS of RM1.00 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 Redeemable Preference Share (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
01/08/2012	Class F RPS	0.01	(4,000,000,000)	5,000,003,021.00
	Ordinary Shares	0.70*	40,000,000	**3,528,003,015.00**

* Reduction of par value of each ordinary share from RM1.00 to RM0.70 pursuant to completion of a Capital Reduction exercise.

2. Issued and Paid-Up Share Capital

The issued and paid-up share capital is RM2,603,561,225.30 comprising 3,719,368,999 ordinary shares of RM0.70 each; One (1) Special Share of RM1.00; 2,000 Class C NCRPS of RM1.00 each; and 925 Class D NCRPS of RM1.00 each.

Each ordinary share carries one (1) vote. The Special Share, NCRPS C and NCRPS D have no voting rights other than those referred to in note 14 on page 311 of the financial statements.

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	2.00
31/12/1986	9,999,998	Cash	10,000,000.00
31/12/1987	490,000,000	Bonus issue on the basis of 49 ordinary shares for every 1 existing ordinary share held	500,000,000.00
11/09/1990	1,000,000,000	Bonus issue on the basis of 2 ordinary shares for every 1 existing ordinary share held	1,500,000,000.00
11/09/1990	1	Special Share	1,500,000,001.00

2. Issued and Paid-Up Share Capital (Cont'd.)

Date	No. of Shares Allotted	Description	Cumulative (RM)
29/10/1990 – 31/12/1990	470,500,000	Issued pursuant to the exercise of options under the Employees Share Option Scheme (ESOS)	1,970,500,001.00
31/12/1992	9,249,000	Cash	1,979,749,001.00
31/12/1993	6,067,000	Issued pursuant to the exercise of options under the ESOS	1,985,816,001.00
31/12/1994	3,555,000	Issued pursuant to the exercise of options under the ESOS	1,989,371,001.00
31/12/1995	2,832,000	Issued pursuant to the exercise of options under the ESOS	1,992,203,001.00
31/12/1996	6,877,000	Issued pursuant to the exercise of options under the ESOS	1,999,080,001.00
06/06/1997	10,920	Eurobond – Conversion of 4% Convertible Bonds due 2004	1,999,090,921.00
20/06/1997	999,545,460	Bonus issue on the basis of 1 ordinary share for every 2 existing ordinary shares held	2,998,636,381.00
31/12/1998	398,500	Issued pursuant to the exercise of options under the ESOS	2,999,034,881.00
31/12/1999	22,408,000	Issued pursuant to the exercise of options under the ESOS	3,021,442,881.00
31/12/2000	65,876,500	Issued pursuant to the exercise of options under the ESOS	3,087,319,381.00
31/12/2001	13,996,000	Issued pursuant to the exercise of options under the ESOS	3,101,315,381.00
31/12/2002	65,692,000	Issued pursuant to the exercise of options under the ESOS	3,167,007,381.00
01/01/2003 – 11/12/2003	71,503,000	Issued pursuant to the exercise of options under the ESOS	3,238,510,381.00
12/12/2003	1,000	Issuance of Class A RPS of RM0.01 each	3,238,510,391.00
	1,000	Issuance of Class B RPS of RM0.01 each	3,238,510,401.00
15/12/2003 – 31/12/2003	12,222,000	Issued pursuant to the exercise of options under the ESOS	3,250,732,401.00
31/12/2004	131,708,000	Issued pursuant to the exercise of options under the ESOS	3,382,440,401.00
31/12/2005	9,077,000	Issued pursuant to the exercise of options under the ESOS	3,391,517,401.00
31/12/2006	6,139,500	Issued pursuant to the exercise of options under the ESOS	3,397,656,901.00
04/01/2007 – 17/07/2007	37,605,000	Issued pursuant to the exercise of options under the ESOS	3,435,261,901.00
20/07/2007	(1,000)	Redemption of Class A RPS of RM0.01 each	3,435,261,891.00
	(1,000)	Redemption of Class B RPS of RM0.01 each	3,435,261,881.00
	2,000	Issuance of Class C NCRPS of RM1.00 each	3,435,263,881.00
	925	Issuance of Class D NCRPS of RM1.00 each	3,435,264,806.00
23/07/2007 – 31/12/2007	4,547,800	Issued pursuant to the exercise of options under the ESOS	3,439,812,606.00
17/03/2008	137,592,300	Issued to TM ESOS Management Sdn Bhd as Trustee for the implementation of TM Special ESOS	3,577,404,906.00
02/06/2009	3,577,401,980	Issuance of Class E RPS of RM0.01 each	3,613,178,925.80
	(3,577,401,980)	Redemption of Class E RPS of RM0.01 each	3,577,404,906.00
07/06/2011	3,577,401,980	Issuance of Class F RPS of RM0.01 each	3,613,178,925.80
	(3,577,401,980)	Redemption of Class F RPS of RM0.01 each	3,577,404,906.00
01/08/2012	–	Reduction of par value of each ordinary share from RM1.00 to RM0.70 pursuant to completion of a Capital Reduction exercise	2,504,184,312.00
04/07/2014	89,770,254	Issued pursuant to Dividend Reinvestment Scheme (DRS)	2,567,023,489.80
29/10/2014	52,196,765	Issued pursuant to DRS	**2,603,561,225.30**

Note: Increases in the issued and paid-up share capital pursuant to the ESOS are disclosed on annual basis.

ANALYSIS OF SHAREHOLDING STATISTICS

as at 13 March 2015

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	1,076,725,713	–	28.95	–
2.	Citigroup Nominees (Tempatan) Sdn Bhd – *Employees Provident Fund Board*	530,295,028	–	14.26	–
3.	AmanahRaya Trustees Berhad – *Skim Amanah Saham Bumiputera*	494,514,000	–	13.30	–
	TOTAL	**2,101,534,741**	**–**	**56.51**	**–**

Directors' Direct and Deemed Interest in the Company

as per Register of Directors' Shareholding

Interest in the Company	Number of ordinary shares of RM0.70 each		
	Direct	Deemed Interest	Percentage (%)
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	5,237	4,190#	*
Datuk Bazlan Osman	2,094	–	*

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	1,310	5.57	11	0.05	19,321	0.00	127	0.00
100 – 1,000	5,932	25.22	109	0.46	4,648,604	0.12	82,024	0.00
1,001 – 10,000	13,142	55.86	282	1.20	40,523,646	1.09	1,177,006	0.03
10,001 – 100,000	1,742	7.40	298	1.27	38,944,548	1.05	11,740,232	0.32
100,001 – 185,968,448*	335	1.42	361	1.53	1,023,784,280	27.53	553,410,298	14.88
185,968,449 and above**	3	0.01	0.00	0.00	2,045,038,913	54.98	0.00	0.00
Total	**22,464**	**95.49**	**1,061**	**4.51**	**3,152,959,312**	**84.77**	**566,409,687**	**15.23**

Notes:

* Less than 5% of issued shares.

** 5% and above of issued shares.

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 13 March 2015

No.	Name	No. of Ordinary Shares of RM0.70 each Held	% of Issued Shares
1	Khazanah Nasional Berhad	1,076,725,713	28.95
2	AmanahRaya Trustees Berhad *– Skim Amanah Saham Bumiputera*	494,514,000	13.30
3	Citigroup Nominees (Tempatan) Sdn Bhd *– Employees Provident Fund Board*	473,799,200	12.74
4	Kumpulan Wang Persaraan (Diperbadankan)	114,545,258	3.08
5	Maybank Nominees (Tempatan) Sdn Bhd *– Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)*	62,500,000	1.68
6	HSBC Nominees (Asing) Sdn Bhd *– Exempt An for The Bank of New York Mellon (Mellon Act)*	57,838,031	1.56
7	AmanahRaya Trustees Berhad *– Amanah Saham Wawasan 2020*	53,577,836	1.44
8	AmanahRaya Trustees Berhad *– Amanah Saham Malaysia*	52,134,039	1.40
9	Cartaban Nominees (Tempatan) Sdn Bhd *– Exempt An for Eastspring Investment Berhad*	44,648,930	1.20
10	AmanahRaya Trustees Berhad *– AS 1Malaysia*	37,706,969	1.01
11	Permodalan Nasional Berhad	36,556,038	0.98
12	AmanahRaya Trustees Berhad *– Public Islamic Dividend Fund*	36,479,914	0.98
13	Cartaban Nominees (Asing) Sdn Bhd *– Exempt An for State Street Bank & Trust Company (West CLT OD67)*	34,959,070	0.94
14	Malaysia Nominees (Tempatan) Sendirian Berhad *– Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	31,901,967	0.86
15	AmanahRaya Trustees Berhad *– Public Islamic Select Enterprise Fund*	25,538,911	0.69
16	Amsec Nominees (Tempatan) Sdn Bhd *– AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)*	24,610,330	0.66
17	Maybank Nominees (Tempatan) Sdn Bhd *– Maybank Trustees Berhad for Public Regular Savings Fund (N140111940100)*	24,153,977	0.65
18	AmanahRaya Trustees Berhad *– Amanah Saham Didik*	23,263,465	0.63
19	Citigroup Nominees (Tempatan) Sdn Bhd *– Employees Provident Fund Board (Nomura)*	22,760,844	0.61
20	Citigroup Nominees (Tempatan) Sdn Bhd *– Exempt An for AIA Bhd*	21,887,407	0.59
21	AmanahRaya Trustees Berhad *– Public Savings Fund*	21,742,967	0.58
22	HSBC Nominees (Asing) Sdn Bhd *– BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	20,443,640	0.55
23	HSBC Nominees (Asing) Sdn Bhd *– BBH and Co Boston for Matthews Asian Growth and Income Fund*	20,245,551	0.54
24	HSBC Nominees (Asing) Sdn Bhd *– Exempt An for JPMorgan Chase Bank, National Association (U.S.A)*	19,824,865	0.53
25	Citigroup Nominees (Tempatan) Sdn Bhd *– Employees Provident Fund Board (CIMB Prin)*	19,069,472	0.51
26	AmanahRaya Trustees Berhad *– Public Dividend Select Fund*	17,954,685	0.48
27	AmanahRaya Trustees Berhad *– Public Islamic Equity Fund*	17,406,539	0.47
28	Cartaban Nominees (Asing) Sdn Bhd *– RBC Investor Services Bank for Robeco Capital Growth Funds*	14,740,082	0.40
29	AmanahRaya Trustees Berhad *– Public Islamic Sector Select Fund*	14,324,649	0.39
30	AmanahRaya Trustees Berhad *– Public Growth Fund*	12,750,000	0.34
	Total	**2,928,604,349**	**78.74**

NET BOOK VALUE OF LAND & BUILDINGS

as at 31 December 2014

Location	Freehold		Leasehold		Other Land*		Excepted Land**		Net Book Value of Land*** (RM Million)	Net Book Value of Buildings# (RM Million)
	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)		
1. Federal Territory										
a. Kuala Lumpur	32	1,596	3	155	1	114	–	–	274.5	1,010.3
b. Labuan	–	–	6	511	–	–	–	–	–	–
c. Putrajaya	–	–	–	–	1	20	–	–	–	–
2. Selangor	10	9,940	21	1,335	2	144	70	6,150	506.2	416.1
3. Perlis	–	–	4	22	–	–	9	678	0.3	1.6
4. Perak	4	17	18	869	5	296	86	5,348	4.1	32.2
5. Pulau Pinang	3	5,015	15	919	–	–	36	7,132	4.7	25.0
6. Kedah	8	524	14	976	–	–	46	2,955	9.1	34.8
7. Johor	4	106	29	1,455	10	329	94	7,983	6.5	54.3
8. Melaka	2	3	24	2,109	–	–	24	4,287	15.3	153.3
9. Negeri Sembilan	4	162	11	397	4	200	49	2,289	33.5	18.6
10. Terengganu	–	–	16	809	–	–	43	5,950	0.6	23.1
11. Kelantan	1	20	12	598	1	22	36	2,060	0.5	8.6
12. Pahang	1	40	28	2,172	8	532	65	6,384	2.3	23.3
13. Sabah	–	–	14	184	4	162	55	5,744	3.9	33.0
14. Sarawak	5	58	28	1,023	10	400	96	10,712	16.5	45.8
15. Hong Kong	–	–	–	–	–	–	–	–	–	54.0
Total	**74**	**17,481**	**243**	**13,534**	**46**	**2,219**	**709**	**67,672**	**878.0**	**1,934.0**

* The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, the lands have not been classified according to their tenure and land areas are based on estimation.

** Excepted land are lands situated outside the Federal Territory which are either alienated land, reserved land owned by the Federal Government or land occupied, used, controlled and managed by the Federal Government for federal purposes (in Melaka, Pulau Pinang, Sabah and Sarawak) as set out in Section 3(2) of the Telecommunication Services (Successor Company) Act, 1985. The Government has agreed to lease these lands to Telekom Malaysia Berhad for a term of 60 years with an option to renew, under article 85 and 86 of the Federal Constitution.

*** Includes land held for property development and land held for sale of a wholly-owned subsidiary, and non-current assets held for sale of the Company.

Includes non-current assets held for sale of the Company.

USAGE OF PROPERTIES

as at 31 December 2014

Location	Exchanges/ Data Centres	Transmission Stations	Office Buildings	Residential	Stores/ Warehouses	Satellite/ Submarine Cable Stations	Resort	TMpoint/ Primatel/ Business Centre	University/ Training College	Telecom-munications/ Tourism Tower
1. Federal Territory										
a. Kuala Lumpur	13	2	6	6	–	–	–	–	1	–
b. Labuan	1	–	1	–	–	2	–	–	–	–
2. Selangor	75	8	6	7	3	–	–	4	1	–
3. Perlis	8	1	1	2	1	–	–	1	–	–
4. Perak	85	10	3	12	2	–	–	4	1	–
5. Pulau Pinang	40	1	3	4	2	1	1	4	–	–
6. Kedah	44	7	1	3	1	–	1	4	–	1
7. Johor	90	11	3	3	2	1	–	2	–	–
8. Melaka	29	1	1	1	1	2	–	2	1	–
9. Negeri Sembilan	45	8	3	2	–	–	–	2	–	–
10. Terengganu	44	4	2	3	2	–	–	2	1	–
11. Kelantan	30	2	2	4	2	–	–	–	–	–
12. Pahang	56	14	2	11	1	3	4	–	–	–
13. Sabah	46	18	1	3	2	3	1	4	–	–
14. Sarawak	76	24	2	8	2	3	–	3	1	–
15. Hong Kong	1	–	–	–	–	–	–	–	–	–

GROUP DIRECTORY

Head Office

Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia
Tel : +603-2240 9494
: 100, if you are calling from a fixed line in Malaysia
: 1 300 888 123 if you are calling fromm mobile
: +603-2241 1290 if you are calling from overseas
Fax : +603-2283 2415
Website : www.tm.com.my

Retail Business

Customer Service Management
Level 20, TM Annexe 2
No.1, Jalan Pantai Jaya
59200 Kuala Lumpur
Tel : +603-2240 2001
+603-2240 8960
Fax : +603-2241 2155

Network Management Command Centre
Ground Floor
Kompleks TM NOC
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya
Selangor
Tel : +61 800 88 9947

GITN Sdn Berhad
Head Office
Level 31, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : +603-2245 0000
Fax : +603-2240 0709

Network Operations Centre
Level 13
Annexe 1 TM Berhad
50672 Jalan Pantai Baharu
Kuala Lumpur
Tel : +603-2240 2948
Fax : +603-2241 1424

TM Info-Media Sdn Bhd
Level 36 (North Wing)
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : +61300 88 9355

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 : +603-7984 4989
Fax : +603-7980 1605

Cyberjaya Office
Level 2
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya, Selangor
Tel : +603-8318 1706
Fax : +603-8318 1721

Telekom Research & Development Sdn Bhd
Head Office
TM Innovation Centre
Lingkaran Teknokrat Timur
63000 Cyberjaya
Selangor
Tel : +603-8883 9595
Fax : +603-8883 9596

VADS Berhad
Level 15, Plaza VADS
No. 1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : +603-7712 8888
Fax : +603-7728 2584

PT VADS
Puri VADS
Jalan HR Rasuna Said
Kav H No 1-2, Setiabudi
Jakarta Selatan, 12920 Indonesia

Telekom Sales & Services Sdn Bhd
Head Office
Level 38 (North Wing)
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : +603-2240 3000
Fax : +603-2241 3000

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
	TMpoint @ UTC KL	Lot T3-17, Tingkat 3, UTC KL @ Pudu Sentral, Jalan Pudu 55100 Kuala Lumpur
Selangor	**TMpoint Setapak**	Ibusawat TM Setapak, 44, Persiaran Kuantan, 53200 Kuala Lumpur
	TMpoint Ampang	42, Jalan Mamanda 7, Ampang Point, 68000 Ampang, Selangor
	TMpoint Kepong	No. 67, Jalan Metro Perdana, Barat 1, Taman Usahawan Kepong 52100 Kepong, Kuala Lumpur
	TMpoint Kajang	No. 10 & 12, Jalan Metro Avenue 2, 43000, Kajang, Selangor
	TMpoint Rawang	Lot 21, Jalan Maxwell, 48000 Rawang, Selangor
	TMpoint Kuala Kubu Bahru	Bangunan TM, Jalan Dato' Balai, 44000 Kuala Kubu Bharu, Selangor
	TMpoint Bukit Raja	Jalan Meru, 41050 Kelang, Selangor
	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**	No. 91-93, Jalan SS 21/1A, Damansara Utama, 47400 Petaling Jaya, Selangor
	TMpoint Petaling Jaya	No. 22 & 24, Jalan Yong Shook Lin, 46050 Petaling Jaya, 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 & 1st Floor, Jalan PJU 5/17, Dataran Sunway 47810 Kota Damansara, Selangor
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

STATE	TMPOINT	ADDRESS
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
	TMpoint @ UTC Melaka	Aras 3, Bangunan UTC, Wisma DMDI, Jalan Hang Tuah, 75300 Melaka
Johor	TMpoint Johor Bahru	Jalan Abdullah Ibrahim, 80672 Johor Bahru, Johor
	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 Bahru, 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
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

STATE	TMPOINT	ADDRESS
Perak	TMpoint Ipoh Wisma	Wisma TM, Jalan Sultan Idris Shah, 30672 Ipoh, Perak
	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
	TMpoint @ UTC Perak	Lot No. LB-7, Urban Transformation Centre (UTC) Perak (known as Pasar Besar Ipoh), Off Jalan Dato' Onn Jaafar, 30300 Ipoh, Perak
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
	TMpoint Kuala Lipis	10, Jalan Bukit Bius, 27200 Kuala Lipis, Pahang
	TMpoint Raub	Jalan Kuala Lipis, 27600 Raub, Pahang
	TMpoint @ UTC Pahang	Lot 2.2, Level 2, Pusat Transformasi Bandar (UTC), Jalan Stadium, 25000 Kuantan, Pahang

STATE	TMPOINT	ADDRESS
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
	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
	TMpoint Miri	Jalan Pos, 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 Global & Wholesale

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Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : +603-2240 5500
+603-2240 5501
Fax : +603-7956 0208
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Fiberail Sdn Bhd

7th Floor, Wisma TM
Jalan Desa Utama
Pusat Bandar Taman Desa
58100 Kuala Lumpur
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Fax : +603-7980 9900
Website : www.fiberail.com.my

Fibrecomm Network (M) Sdn Bhd

Level 37, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : +603 2246 8400
Fax : +603 2246 8500
Website : www.fibrecomm.net.my

TM Regional Offices (TMRO)

USA

Telekom Malaysia (USA) Inc
8320 Old Courthouse Road
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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
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Hong Kong Office

Telekom Malaysia (Hong Kong) Limited
Suite 1502, 15th Floor
Malaysia Building, 50 Gloucester Road
Wanchai, Hong Kong
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Fax : +852 2992 0570

Australia Office

Telekom Malaysia (Australia) Pty Limited
Suite 1A Level 2
802 Pacific Highway
Gordon NSW 2072
Australia
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Fax : +61 298 445 445

Support Business

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50672 Kuala Lumpur
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Universiti Telekom Sdn Bhd

Jalan Multimedia
63000 Cyberjaya
Selangor
Tel : +603-8312 5018
+603-8312 5000
Fax : +603-8312 5022
Website : www.mmu.edu.my

Menara Kuala Lumpur Sdn Bhd

No. 2, Jalan Punchak
Off Jalan P. Ramlee
50250 Kuala Lumpur
Tel : +603-2020 5421
Fax : +603-2072 8409
Website : www.menarakl.com.my

TMF Autolease Sdn Bhd

Lot 1, Persiaran Jubli Perak
Seksyen 17
40000 Shah Alam
Selangor
Tel : +603-5548 9412
Fax : +603-5510 0286

Property Management

Level 11, Wisma TM
Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : +603-7987 5040
Fax : +603-7983 6390

Property Operations

Mezzanine Floor, Wisma TM
Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : +603-7987 1001
Fax : +603-7987 6006

Security Management

Level 1, TM Annexe 2
No. 1, Jalan Pantai Jaya
59200 Kuala Lumpur
Tel : +603-2240 5499
Fax : +603-2240 0996

GLOSSARY

3G
Third Generation

A

AC
Alternating Current

AAG
Asia-America Gateway

ABAC
Audit and Business Assurance Committee

ACE
Achieving Customer Excellence

AESP
Authorised Entrant and Stand-by Person

ALD
Access List Determination

APCN2
Asia Pacific Cable Network 2

APG
Asia-Pacific Gateway

AR
Abandonment Rate

ARD
Access Reference Document

ASE
Asia Submarine Express

ASP
Application Service Provider

B

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

BSS
Business Support System

C

CAMS
Credit Assessment and Management Systems

CAP
Cinematic Arts Programme

CAGR
Compound Annual Growth Rate

CAPEX
Capital Expenditure

CBC/PI1M
Community Broadband Centre/ *Pusat Internet 1Malaysia*

CBE
Code of Business Ethics

CBL
Community Broadband Library

CCI
Communications Content and Infrastructure

CDMA
Code Division Multiple Access

CEP
Customer Experience Programme

CI
Competency Index

CMA
Communications and Multimedia Act

CMS
Credit Management System

CoS
Class of Service

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

CSME
Confined Space Medical Examination

CSI
Customer Satisfaction Index

CSR
Corporate Social Responsibility

CTI
Computer Telephony Information

CUGs
Closed User Groups

CUSCN
China United States Cable Network

D

DBKL
Kuala Lumpur City Hall

DC
Direct Current

DCS 1 CLICK
Digital Subscriber Line Service Provisioning

DDN
Digital Data Network

DECT
Digital Enhanced Cordless Telecommunications

DEL
Direct Exchange Line

DMCS
Dumai (Sumatera) Melaka Cable System

DOME
Direct Over Metro-E

DOSH
Department of Occupational Safety & Health

DSL
Digital Subscribers Line

DVR
Digital Video Recording

DWDM
Dense Wavelength Division Multiplexing

E

EAC
Engineering Accreditation Council

EAP
Employee Assistance Programme

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation

EBM
Enterprise Business Management

EC
Everyone Connects

EEI
Employee Engagement Index

EES
Employee Engagement Survey

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

F

FCCAS
Financial Controls and Assurance Statement

FCR
First Contact Resolution

FCS
Full Channel Service

FGTC
Frontliner Goes To Customer

FLC
Federal Land Commissioner

FMA
Factories and Machinery Act

FTP
Fast Track Programme

FTTB
Fibre-to-the Building

FTTH
Fibre-to-the Home

FTTS
Fibre-to-the School

G

GES
Global Ethernet Services

GDL
Goods Driving Licence

GDP
Gross Domestic Product

GEOP
Graduate Employability Outreach Programme

GHCM
Group Human Capital Management

GHG
Greenhouse Gas

GHPC
Global High Performing Companies

GIS
Geographic Information System

GLC
Government-linked Companies

GLT
Group Leadership Team

GoM
Government of Malaysia

GRI
Global Reporting Initiative

GTM
Go-To-Market

GT
Global Telco

GTP
Government Transformation Programme

GVS
Global Voice Solutions

H

HCSSO
Human Capital Shared Services Organisation

HD
High-definition

HES
Hospitality Entertainment Solution

HEIGIP
High End Industries Graduate Internship Programme

HIRARC
Hazard Identification, Risk Assessment and Risk Control

HSBB
High Speed Broadband

I

IaaS
Infrastructure-as-a-Service

IBS
In-Building Broadband Service

ICI
Internal Control Incident

ICOP
Industry Code of Practice

ICP
iCARE Prime

ICT
Information & Communications Technology

IDD
International Direct Dialling

IDR
Iskandar Development Region

IEPL
International Ethernet Private Line

IFS
International Freephone Services

IIA
Institute of Internal Auditors

IIM
Institute of Integrity Malaysia

INCEIF
International Centre for Education in Islamic Finance

INFORMS
Integrated Fulfillment Order Management System

IMF
International Monetary Fund

IMS
IP Multimedia Service

IP
Internet Protocol

IPLC
International Private Leased Circuit

IPPF
International Professional Practices Framework

IPTV
Internet Protocol Television

IPVPN
Internet Protocol Virtual Private Network

IPVS
International Premium Voice Services

IR
Incident Rate

IRU
Indefeasible Right of Use

ISCS
ICT Security Compliance Scorecard

ISDN
Integrated Services Digital Network

ISMS
Information Security Management System

ISP
Internet Service Provider

ISVs
Independent Software Vendors

ITFS
International TollFree Services

ITG
IT Governance

IT&NT
IT and Network Technology

IVR
Interactive Voice Response

J

JKH
Jadual Kadar Harga

K

KCI
Keep Customers Informed

KPI
Key Performance Indicator

KPO
Knowledge Process Outsourcing

KKMM
Ministry of Communications and Multimedia Malaysia

KTS
Key Telephone System

L

LAN
Local Area Network

LDU
Leadership Development Unit

LOA
Limit of Authority

LOBs
Lines of Business

LPPKN
National Population and Family Development Board

LTE
Long-Term Evolution

LWDs
Lost in Work Days

M

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

MEF
Metro Ethernet Forum

MERS
Malaysia Emergency Response Services

MFA
Malaysian Franchise Association

MCMM
Ministry of Communications and Multimedia Malaysia

MIDA
Malaysia Industrial Development Authorities

MII
Malaysian Institute of Integrity

MIER
Malaysian Institute of Economic Research

MIHRM
Malaysian Institute of Human Resource Management

MITI
Ministry of International Trade and Industry

MKL
Menara Kuala Lumpur

MMP
Management and Maintenance Package

MMORPGs
Massively Multiplayer Online Role-Playing Games

MNS
Malaysian Nature Society

MoE
Ministry of Education

MOHE
Ministry of Higher 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

N

NaCOSH
National Council for Occupational Safety and Health

NADOPOD
Notification of Accidents, Dangerous Occurrences, Occupational Poisoning & Occupational Disease

NBI
National Broadband Initiative

NBN
National Broadband Network

NCSM
National Cancer Society Malaysia

NCSR
National Centre for Sustainability Reporting

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 Results Areas

NSC
National Sports Council

NSP
Network Service Provider

NTMSP
NIOSH – TM Safety Passport

NTT Com
NTT Communications Corporation

NUTE
National Union of Telecommunications Employees

O

OCM
Operation Committee Meeting

OHD
Occupational Health Doctor

OIAB
Office in a Box™

OJAs
On-the-Job Assessments

OJT
On the Job Training

OLNOs'
Other Licensed Network Operator

OP/HR
On Pole and High Rise

OSHA
Occupational Safety and Health Act

OSHE
Occupational Safety, Health and Environment

OSH-MS
Occupational Safety Hazard Management System

OSS
Operation Support System

OTT
Over-The-Top

P

PaaS
Platform-as-as-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

PLWS
Performance Linked Wage System

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

Q

QMS
Quality Management System

QoS
Quality of Service

R

RFID
Radio Frequency Identification

RFS
Request for Service

RNO
Regional Network Operations

RVL
Remote Virtual Learning

RWO
Recoverable Work Order

S

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

SIAB
Shop in a Box™

SIRIM
Standards and Industrial Research Institute of Malaysia

SL1M
Skim Latihan 1Malaysia

SL
Service Level

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 Relationship Management

SSAI
Security Service Availability Index

SSQS
Smart School Qualification Standards

SUTE
Sabah Union of Telekom Malaysia Berhad Employees

SUTEN
Sabah Union of Telecommunications Employees

T

TA
Technical Academy

TAD
TMpoint Authorised Dealer

TDM
Time-Division Multiplexing

TI
Transparency Index

TMCC
TM Convention Centre

TMFA
TMF Autolease Sdn Bhd

TMOW
TMpoint on Wheels

TMUC
TM UniFi Centre

TM MDS
TM Media Delivery Service

TMTC
TM Training Centre

TOMS
TNB Outage Management System

TOP
Towards Operational Perfection

TPX
TelePresence Exchange

TSCL
Technical Specialist Career Ladder

TSR
Total Return to Shareholders

TWP
Teaming With Passion

U

UC
Unified Communications

USP
Universal Service Provision

USP BBPC
Universal Service Provision Broadband PC

UTES
Union of Telekom Malaysia Berhad Employees Sarawak

V

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

W

WAN
Wide Area Network

WFFC
World Freestyle Football Championships

WiFi
Wireless Fidelity

WSE
Wholesale Ethernet

Y

YTM
Yayasan TM

Z

ZBC
Zone Business Council

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirtieth Annual General Meeting (30th AGM) of the Company will be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on **Thursday, 30 April 2015** at **10:00 a.m.** for the following purposes:

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon.
   Please refer to Explanatory Note A

2. To declare a final single-tier dividend of 13.4 sen per ordinary share in respect of the financial year ended 31 December 2014.
   (Ordinary Resolution 1)

3. To re-elect Tan Sri Dato' Seri Dr Sulaiman Mahbob, who retires pursuant to Article 98(2) of the Company's Articles of Association.
   Please refer to Explanatory Note B **(Ordinary Resolution 2)**

4. To re-elect the following Directors, who retire pursuant to Article 103 of the Company's Articles of Association:
   (i) Dato' Fauziah Yaacob **(Ordinary Resolution 3)**
   (ii) Datuk Zalekha Hassan **(Ordinary Resolution 4)**
   (iii) Dato' Ibrahim Marsidi **(Ordinary Resolution 5)**
   Please refer to Explanatory Note C

5. To re-appoint Dato' Danapalan T.P Vinggrasalam, who retires pursuant to Section 129(2) of the Companies Act, 1965.
   Please refer to Explanatory Note D **(Ordinary Resolution 6)**

6. To re-appoint Messrs PricewaterhouseCoopers (PwC), having consented to act as Auditors of the Company for the financial year ending 31 December 2015 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**
   Please refer to Explanatory Note E

7. To approve Directors' fees of RM1,887,193.54 payable to Non-Executive Directors (NED) for the financial year ended 31 December 2014.
   Please refer to Explanatory Note F **(Ordinary Resolution 8)**

8. To approve the payment of the following Directors' fees with effect from 1 January 2015 until the next Annual General Meeting of the Company:
   (i) Director's fee of RM23,000.00 per month for the Non-Executive Chairman (NEC);
   (ii) Director's fee of RM15,000.00 per month for each NED; and
   (iii) Director's fee of RM2,250.00 per month for Senior Independent Director (SID).
   Please refer to Explanatory Note F **(Ordinary Resolution 9)**

As Special Business

9. To consider and if thought fit, to pass the following Resolutions:

   9.1 Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965 (CA 1965)

   "**THAT** subject always to the CA 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, where such approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the capital of the Company pursuant to Section 132D of the CA 1965, to any person other than a Director or major shareholder of the Company or person connected with any Director or major shareholder of the Company, at any time until the conclusion of the next annual general meeting, in such number and to such person and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the issued and paid up share capital of the Company for the time being **AND THAT** the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued, **AND FURTHER THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next annual general meeting of the Company."
   (Ordinary Resolution 10)

9.2 Proposed Renewal of the Authority for Directors to Allot and Issue New Ordinary Shares of RM0.70 each in the Company (TM Shares) in relation to the Dividend Reinvestment Scheme (DRS)

"**THAT** pursuant to the DRS approved at the Extraordinary General Meeting held on 8 May 2014, approval be and is hereby given to the Company to allot and issue such number of new TM Shares for the DRS until the conclusion of the next annual general meeting, upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit and in the interest of the Company **PROVIDED THAT** the issue price of the said new TM Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price (VWAMP) of TM Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price and not less than the par value of TM Shares at the material time;

AND THAT the Directors and the Secretaries of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRS with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, as they, in their absolute discretion, deemed fit and in the best interest of the Company." **(Ordinary Resolution 11)**

9.3 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Renewal of Shareholders' Mandate)

"**THAT** in accordance with paragraph 10.09 of the Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities), approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Appendix I of the Company's Circular to Shareholders dated 6 April 2015, which are necessary for the day-to-day operations **PROVIDED THAT** such transactions are entered into in the ordinary course of business of the Company and/or its subsidiaries, are carried out on terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT such approval shall continue to be in full force and effect until:

(i) the conclusion of the next annual general meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at such general meeting;

(ii) the expiration of the period within which the Company's next annual general meeting is required to be held under Section 143(1) of the CA 1965 (but shall not extend to such extension as may be allowed under Section 143(2) of the CA 1965; or

(iii) revoked or varied by resolution passed by the shareholders of the Company at a general meeting,

whichever is earlier;

AND THAT the Board of Directors of the Company be and is hereby empowered and authorised to do or procure to be done all acts, deeds and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) to give effect to the Proposed Renewal of Shareholders' Mandate." **(Ordinary Resolution 12)**

10. To transact any other ordinary business for which due notice has been given in accordance with Section 151 of the CA 1965.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a Member who shall be entitled to attend, speak and vote at this 30^{th} 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 (AA) and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 (SICDA) to issue a General Meeting Record of Depositors (ROD) as at 22 April 2015. Only a depositor whose name appears on the Register of Member/ROD as at 22 April 2015 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

By Order of the Board

Idrus Ismail (LS0008400)
Hamizah Abidin (LS0007096)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
6 April 2015

NOTES:

Proxy and/or Authorised Representative

1. A Member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy or representative may but need not be a Member of the Company. A Member may appoint any person to be his/her proxy without restriction to the proxy's qualification and the provisions of Section 149(1)(a) and (b) of the CA 1965 shall not apply to the Company.

2. A Member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account. Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportions of the holdings to be represented by each proxy are specified.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney. If the proxy form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, and no notice of revocation has been received". If the proxy form is signed under the attorney duly appointed under a Power of Attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, and no notice of revocation has been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the proxy form.

5. A corporation which is a Member, may by resolution of its Directors or other governing body authorises such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's AA.

6. The instrument appointing the proxy together with the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. The Share Registrar will also provide a box at the ground floor of its office building for drop-in of proxy forms.

7. **Explanatory Note A**
The audited financial statements are laid before the shareholders pursuant to the provisions of Section 169(1) and (3) of the CA 1965. The same is for discussion and not put forward for voting.

8. **Explanatory Notes B and C**
Tan Sri Dato' Seri Dr Sulaiman Mahbob, Dato' Fauziah Yaacob, Datuk Zalekha Hassan and Dato' Ibrahim Marsidi are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this 30th AGM.

   The Board has conducted an assessment on the independence of the independent directors who are seeking re-election and re-appointment at this 30th AGM of the Company and is satisfied that the incumbents have complied with the independence criteria applied by the Company.

   As stated in the Statement Accompanying the Notice of the AGM, the profiles of the retiring Directors are set out in the Profile of the Board of Directors on pages 92 to 97 inclusive, of the Annual Report.

   Details of the assessment of all the directors standing for re-election and re-appointment are provided on page 140 of the Nomination and Remuneration Committee Report in the 2014 Annual Report.

9. **Explanatory Note D**
Dato' Danapalan T.P Vinggrasalam, who has attained the age of 72 years, has offered himself for re-appointment as a Director of the Company and to hold office until the conclusion of the next annual general meeting. The re-appointment, shall take effect if the proposed Ordinary Resolution 6 is passed by a majority of not less than three-fourths of such members as being entitled to vote in person or, where proxies are allowed, by proxy at this 30th AGM of which not less than 21 days' notice has been given.

10. **Explanatory Note E**
The Board Audit Committee and the Board have considered the re-appointment of PwC as Auditors of the Company and collectively agreed that PwC has met the relevant criteria prescribed by Paragraph 15.21 of the Main LR of Bursa Securities.

11. **Explanatory Note F**
Article 99(1) of the Company's AA provides that the fees payable to the Directors shall be such fixed sum as may be determined by the Company in general meeting. Such fees cannot be increased except pursuant to an ordinary resolution passed at the Company's general meeting.

    In relation thereto, the shareholders, at the 28th AGM of the Company held on 7 May 2013, has approved the Directors' fee of RM276,000 per annum for the NEC, RM180,000 per annum for the NED; and SID's fee of RM27,000 per annum effective 1 January 2012.

    Whilst there is no proposed revision to the existing Directors' fees, the resolutions for the total directors' fees for the financial year ended 31 December 2014 and payment of the fees from 1 January 2015 until the conclusion of the next AGM are tabled herewith for good corporate governance and in ensuring a full disclosure.

    Details of the fees paid to the Directors for the financial year ended 31 December 2014 are enumerated on page 119 of the Statement on Corporate Governance in the 2014 Annual Report.

EXPLANATORY NOTES ON SPECIAL BUSINESS

12. The Company has not issued any new shares under the general mandate for allotment and issuance of shares up to 10% of the issued and paid-up capital of the Company, which was approved at the 29th AGM held on 8 May 2014 and which shall lapse at the conclusion of the 30th AGM to be held on 30 April 2015.

    The proposed Ordinary Resolution 10 is a renewal of the general mandate pursuant to Section 132D of the CA 1965 obtained from the shareholders of the Company at the previous AGM. The renewal is sought from shareholders for Directors to allot and issue new shares in the Company of up to an amount not exceeding 10% of the issued and paid up share capital of the Company for such purposes as the directors may deem fit in the best interest of the Company including for any possible fund raising activities for the Company's working capital requirements and strategic investments.

    This resolution, if approved, will give the Company and its Directors the mandate and flexibility to allot and issue new shares in the Company for possible fund raising activities without the need to seek shareholders' approval via a general meeting subsequent to this 30th AGM, which may delay the capital raising initiatives and incur relevant cost in organising the general meeting.

    The authorisation, unless revoked or varied by the Company at a general meeting, will be valid until the next AGM of the Company.

13. The proposed Ordinary Resolution 11 is for the proposed renewal of the authority for Directors to allot and issue new ordinary shares of RM0.70 each in the Company in respect of dividends to be declared, if any, under the DRS, until the conclusion of the next AGM.

14. The proposed Ordinary Resolution No. 12, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions with related parties in the ordinary course of business which are necessary for the Group's day-to-day operations and are on normal commercial terms not more favourable to the related parties than those generally available to the public and shall lapse at the conclusion of the next AGM unless authority for its renewal is obtained from shareholders of the Company at a general meeting.

    Detailed information on the Proposed Renewal of Shareholders' Mandate is set out in the Circular to Shareholders despatched together with the Company's 2014 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF 30TH ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

The following are Directors retiring pursuant to Articles 98(2) and 103 of the Company's Articles of Association and Section 129 of the Companies Act, 1965 (CA 1965):

1. Article 98(2): Retirement after Appointment to fill Casual Vacancy
   Tan Sri Dato' Seri Dr Sulaiman Mahbob

2. Article 103: Retirement by Rotation
   (i) Dato' Fauziah Yaacob
   (ii) Datuk Zalekha Hassan
   (iii) Dato' Ibrahim Marsidi

3. Section 129 of the CA 1965: Re-appointment of Director
   Dato' Danapalan T.P Vinggrasalam

The profiles of the respective Directors who are standing for re-election (as per Ordinary Resolutions 2 to 5) and re-appointment (as per Ordinary Resolution 6) as stated in the Notice of 30th AGM are set out in the Profile of the Board of Directors on pages 92 to 97 inclusive, of this annual report.

None of the abovenamed Directors has any interest in the securities of the Company.

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» GAME CHANGER «

PROXY FORM

(Before completing the form, please refer to the notes overleaf)

TELEKOM MALAYSIA BERHAD
(Company No. 128740-P)
(Incorporated in Malaysia)

"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 Thirtieth Annual General Meeting (30th AGM) of the Company to be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Thursday, 30 April 2015 at 10:00 a.m. and at any adjournment thereof.

"B" 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 30th AGM of the Company to be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Thursday, 30 April 2015 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%**

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" For	Proxy "A" Against	Proxy "B" For	Proxy "B" Against
	Ordinary Business:					
1.	Declaration of a final single-tier dividend of 13.4 sen per share	– Ordinary Resolution 1				
2.	Re-election of Tan Sri Dato' Seri Dr Sulaiman Mahbob pursuant to Article 98(2)	– Ordinary Resolution 2				
3.	Re-election of Dato' Fauziah Yaacob pursuant to Article 103	– Ordinary Resolution 3				
4.	Re-election of Datuk Zalekha Hassan pursuant to Article 103	– Ordinary Resolution 4				
5.	Re-election of Dato' Ibrahim Marsidi pursuant to Article 103	– Ordinary Resolution 5				
6.	Re-appointment of Dato' Danapalan T.P Vinggrasalam pursuant to Section 129 of the Companies Act, 1965	– Ordinary Resolution 6				
7.	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company and authorisation for Directors to fix their remuneration	– Ordinary Resolution 7				
8.	Payment of Directors' fees 2014	– Ordinary Resolution 8				
9.	Payment of Directors' fees from 1 January 2015 until next AGM	– Ordinary Resolution 9				
	Special Business:					
10.	Authority for Directors to Allot and Issue Shares under Section 132D of the Companies Act, 1965	– Ordinary Resolution 10				
11.	Proposed Renewal of the Authority for Directors to Issue Shares in relation to the Dividend Reinvestment Scheme	– Ordinary Resolution 11				
12.	Proposed Renewal of Shareholders' Mandate	– Ordinary Resolution 12				

Signed this ____________ day of ____________________ 2015.

No. of Ordinary Shares Held	
CDS Account No. of the Authorised Nominee*	
Telephone No.	

____
Signature(s)/Common Seal of Member(s)

**Applicable to shares held under nominee account only*

Notes:

Proxy and/or Authorised Representatives

1. A Member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy or representative may but need not be a Member of the Company. A Member may appoint any person to be his proxy without restriction to the proxy's qualification and the provisions of Section 149(1)(a) and (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, speak and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of 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.

   Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the 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 Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. The Share Registrar will also provide a box at the ground floor of its office building for drop-in of proxy forms.

Members entitled to Attend

7. For the purpose of determining a member who shall be entitled to attend the 30th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 74(3) 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 22 April 2015. Only a depositor whose name appears on the Register of Members/ROD as at 22 April 2015 shall be entitled to attend, speak and vote at the said meeting or appoint proxy/proxies to attend, speak and/or vote on his/her behalf.

Personal Data Privacy

8. By submitting the duly executed proxy form, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

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The Share Registrar
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Malaysia

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GROUP BRAND & COMMUNICATION

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