



2009 ANNUAL REPORT

2009 | ANNUAL REPORT

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Group Corporate Communications  
**TELEKOM MALAYSIA BERHAD** (128740-P)  
Level 8 (South Wing), Menara TM  
Jalan Pantai Baharu, 50672 Kuala Lumpur  
Malaysia

TELEKOM MALAYSIA BERHAD (128740-P)

**CONNECTIONS  
MAKE ANYTHING  
POSSIBLE**

# CONNECT COMMUNICATE COLLABORATE

Connections make anything possible  
At TM, we're about bringing people together. We connect and rally behind them to communicate their ideas, and collaborate with each other to ultimately make the idea bigger than ever imagined. Today it's about an idea. Tomorrow it can be anything. Preparations for an exam. Relationships. An invention. A business presentation. A party. Anything you can imagine. Connections make anything possible.



# CONNECTIONS MAKE ANYTHING POSSIBLE





IN LINE WITH BEING MALAYSIA'S LEADING NEW-GENERATION COMMUNICATIONS PROVIDER, WE HAVE INTRODUCED AND IMPLEMENTED A PERFORMANCE IMPROVEMENT PROGRAMME (PIP 2.0) TO EMBRACE OUR CUSTOMERS' NEEDS THROUGH CONSTANT INNOVATION AND EXECUTION EXCELLENCE.

THE FOUR STRATEGIC THRUSTS OF PIP 2.0:

# TAKING SUCCESS FURTHER WITH



## **CUSTOMER**

### **CENTRICITY AND QUALITY IMPROVEMENTS**

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

## **ONE**

### **COMPANY MINDSET WITH EXECUTION ORIENTATION**

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



## OPERATIONAL

EXCELLENCE AND CAPITAL PRODUCTIVITY

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



## LEADERSHIP

THROUGH INNOVATION AND COMMERCIAL  
EXCELLENCE

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

## KRISTAL SONG

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

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

### NOTICE OF ANNUAL GENERAL MEETING

#### DATE

6 May 2010, Thursday

#### TIME

10.00 a.m.

#### VENUE

Multi Purpose Hall  
Menara TM, Jalan Pantai Baharu  
50672 Kuala Lumpur, Malaysia

#### Chorus:

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

TM continues to succeed

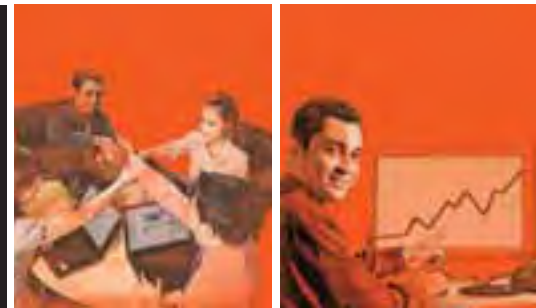
Led by an esteemed leadership  
Armed with a solid foundation  
TM is the pride of the Nation

#### Chorus:

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

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## VISION

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

## MISSION

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

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

## KRISTAL VALUES

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



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# NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN THAT THE TWENTY-FIFTH ANNUAL GENERAL MEETING (25<sup>TH</sup> AGM) OF THE COMPANY WILL BE HELD AT 10:00 A.M., ON THURSDAY, 6 MAY 2010, AT THE MULTI PURPOSE HALL, MENARA TM, JALAN PANTAI BAHARU, 50672 KUALA LUMPUR, MALAYSIA, FOR THE FOLLOWING PURPOSES:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon.

**(Ordinary Resolution 1)**

2. To declare a final gross dividend of 13.0 sen per share (less 25.0% Income Tax) in respect of the financial year ended 31 December 2009.

**(Ordinary Resolution 2)**

3. To re-elect Datuk Dr Halim Shafie, who was appointed to the Board during the year and retires pursuant to Article 98(2) of the Company's Articles of Association.

**(Ordinary Resolution 3)**

4. To re-elect the following Directors, who retire by rotation pursuant to Article 103 of the Company's Articles of Association:-

- i. Dato' Zalekha Hassan **(Ordinary Resolution 4)**

- ii. YB Datuk Nur Jazlan Tan Sri Mohamed **(Ordinary Resolution 5)**

5. To approve the payment of Directors' fees of RM1,116,000.00 for the financial year ended 31 December 2009.

**(Ordinary Resolution 6)**

6. To re-appoint Messrs PricewaterhouseCoopers having consented to act as Auditors of the Company for the financial year ending 31 December 2010 and to authorise the Directors to fix their remuneration.

**(Ordinary Resolution 7)**

## AS SPECIAL BUSINESSES

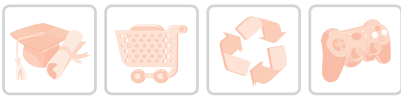
To consider and if thought fit, to pass the following Resolutions:-

7. i. **Proposed Renewal of the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Renewal of Shareholders' Mandate)**

"**THAT** subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), approval be and is hereby given for Telekom Malaysia Berhad (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 Circular to Shareholders dispatched together with the Company's 2009 Annual Report, which are necessary for the day-to-day operations provided such transactions are entered into in the ordinary course of business and are on normal commercial 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:

- a. 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;
- b. the expiration of the period within which the Company's next Annual General Meeting is required to be held under Section 143(1) of the Companies Act, 1965 (Act) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or



- c. 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 authorised to complete and do all such 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 the Shareholders' Mandate." **(Ordinary Resolution 8)**

ii. **Proposed Amendments to the Articles of Association of the Company**

"**THAT** the Articles of Association of the Company be and are hereby altered, modified, added and deleted in the form and manner as set out in APPENDIX II of the Circular to Shareholders dispatched together with the Company's 2009 Annual Report;

**AND THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments to the Articles with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities."

**(Special Resolution)**

8. To transact any other business of the Company of which due notice has been received.

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this 25<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd (Bursa Depository) in accordance with Article 74(3)(a) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 (SICDA) to issue a General Meeting Record of Depositors (ROD) as at 27 April 2010. Only a depositor whose name appears on the Register of Members/ROD as at 27 April 2010 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

**NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND**

**NOTICE IS ALSO HEREBY GIVEN THAT** subject to the approval of Members at the 25<sup>th</sup> AGM to be held on 6 May 2010, a final gross dividend of 13.0 sen (less 25.0% Income Tax) for the financial year ended 31 December 2009 will be paid on 9 June 2010 to Depositors whose names appear in the ROD on 20 May 2010.

**FURTHER NOTICE IS HEREBY GIVEN THAT** a Depositor shall qualify for entitlement to the dividend only in respect of:-

- Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 18 May 2010 (in respect of shares which are exempted from Mandatory Deposit);
- Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 20 May 2010 (in respect of Ordinary Transfers); and
- Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

Shareholders are reminded that pursuant to SICDA, all shares not deposited with Bursa Depository by 12:30 p.m. on 1 December 1998 and not exempted from Mandatory Deposit, have been transferred to the Ministry of Finance (MoF). Accordingly, the dividend for such undeposited shares will be paid to MoF.

By Order of the Board

**Idrus Ismail (LS0008400)**  
**Zaiton Ahmad (MAICSA 7011681)**  
Secretaries

Kuala Lumpur  
12 April 2010

# NOTICE OF ANNUAL GENERAL MEETING



## NOTES:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A Proxy need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
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, 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, no notice of revocation has been received*". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the Proxy Form.
5. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association.
6. The instrument appointing the proxy together with the duly registered power of attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrars, Tricor Investor Services Sdn Bhd (*formerly known as Tenaga Koperat Sdn Bhd*), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

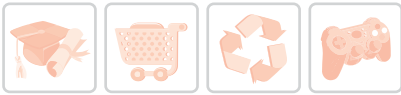
## EXPLANATORY NOTES ON SPECIAL BUSINESS

7. The proposed Ordinary Resolution 8, 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 Annual General Meeting 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 Appendix I of the Circular to Shareholders dispatched together with the Company's 2009 Annual Report.

8. The proposed Special Resolution, if passed, will bring the Articles of Association of the Company in line with the recent amendments of the Main Market Listing Requirements of Bursa Securities as well as for better clarity and administrative efficiency.

Detailed information on the Proposed Amendments to the Articles of Association of the Company is set out in Appendix II of the Circular to Shareholders dispatched together with the Company's 2009 Annual Report.



# STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Annual Report  
2009

TELEKOM MALAYSIA BERHAD

7

DIRECTORS RANKING FOR RETIREMENT AND RE-ELECTION AT THE 25<sup>TH</sup> ANNUAL GENERAL MEETING.

The following are Directors retiring pursuant to Article 98(2) and Article 103 of the Company's Articles of Association:-

Article 98(2): Retirement after appointment to fill casual vacancy

Datuk Dr Halim Shafie

Article 103: Retirement by rotation

Dato' Zalekha Hassan

YB Datuk Nur Jazlan Tan Sri Mohamed

The respective profiles of the above Directors are set out in the Profile of the Board of Directors on pages 52 to 55 inclusive, of this Annual Report. None of the above directors, save for Datuk Dr Halim Shafie, has any interest in the securities of the Company and its related corporation. The securities holdings of Datuk Dr Halim Shafie are disclosed on page 313 of this Annual Report.

# FINANCIAL CALENDAR



## 24 FEBRUARY 2009

Announcement of the audited consolidated results and the declaration of final gross dividend of 14.25 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2008.

## 13 APRIL 2009

Issuance of Notice of the 24<sup>th</sup> Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) together with the Annual Report for the financial year ended 31 December 2008 and Circular to Shareholders.

## 7 MAY 2009

24<sup>th</sup> AGM and EGM of the Company. Approval of capital repayment of 98.0 sen per share (Capital Repayment) to shareholders was duly obtained at the said EGM.

## 21 MAY 2009

Announcement of the unaudited consolidated results for the 1<sup>st</sup> quarter ended 31 March 2009.

## 22 MAY 2009

Date of entitlement to the final gross dividend of 14.25 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2008.

## 29 MAY 2009

Date of entitlement for the Capital Repayment.

## 12 JUNE 2009

Date of payment of the final gross dividend of 14.25 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2008 and Capital Repayment.

## 21 AUGUST 2009

Announcement of the unaudited consolidated results for the 2<sup>nd</sup> quarter ended 30 June 2009 and the declaration of an interim tax exempt dividend of 10.0 sen per share for the financial year ended 31 December 2009.

## 10 SEPTEMBER 2009

Date of entitlement to the interim tax exempt dividend of 10.0 sen per share for the financial year ended 31 December 2009.

## 29 SEPTEMBER 2009

Date of payment of the interim tax exempt dividend of 10.0 sen per share for the financial year ended 31 December 2009.

## 20 NOVEMBER 2009

Announcement of the unaudited consolidated results for the 3<sup>rd</sup> quarter ended 30 September 2009.

## 22 FEBRUARY 2010

Announcement of the audited consolidated results and the declaration of final gross dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2009.

## 12 APRIL 2010

Issuance of Notice of the 25<sup>th</sup> AGM together with the Annual Report for the financial year ended 31 December 2009 and Circular to Shareholders.

## 6 MAY 2010

25<sup>th</sup> AGM of the Company.

## 20 MAY 2010

Date of entitlement to the final gross dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2009.

## 9 JUNE 2010

Date of payment of the final dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2009.



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# CORPORATE FRAMEWORK





TM is the largest integrated communications solutions provider in Malaysia, and one of Asia's leading communications companies, with market capitalisation of RM11 billion and an employee force of 24,744. Established as the Telecommunications Department of Malaya in 1946, it was privatised in 1987, and listed on Bursa Securities in 1990. Since then, its growth has been phenomenal. In 2007, it was decided that a demerger of the mobile and fixed services would be strategic. This exercise was completed in April 2008, allowing TM to focus more intently on its core business of providing communication services and solutions in Internet and multimedia, data and the fixed line.

TM has always been a partner in nation-building, enabling Malaysia's development with the latest technologies. As it transformed its network infrastructure from analog to digital and, now, to an IP base, the nation has benefitted from new communication possibilities as well as better and faster connectivity. TM was one of the pioneering companies in facilitating Malaysia's entry into the Internet age with Streamyx, its broadband service introduced in 2001. Serving 1.43 million customers as at end 2009, TM today is Malaysia's leading broadband service provider.

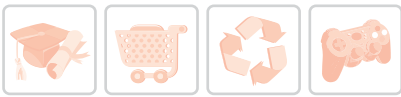
TM's latest nation-building endeavour involves rolling out the most exciting telecommunications service to date: High Speed Broadband (HSBB). In September 2008, it signed a Public-Private Partnership to develop an HSBB network and services that will deliver speeds of 10Mbps (Megabits per second) and beyond via fibre optic infrastructure, to high economic impact areas. Under this initiative, 1.3 million premises are to have high speed broadband access by 2012. The infrastructure needed will be developed over 10 years, with the Government co-investing RM2.4 billion and TM, RM8.9 billion.

HSBB is an end-to-end project encompassing access, core and international infrastructure network. The initial roll-out will be in March 2010, in four exchange areas of Shah Alam, Subang Jaya, Taman Tun Dr Ismail and Bangsar. HSBB will offer triple play service of video, high speed Internet and voice. With HSBB as an enabler, there are many, many potential high bandwidth next-generation applications such as video-on-demand, online

gaming, interactive shopping, Internet Protocol Television (IPTV), etc., that can be made available which would make the overall experience engaging for consumers. It heralds a digital revolution enabling people to work together and collaborate more effectively than ever before.

Complementing the all-IP HSBB network is enhanced global capacity via new international gateways. The latest consortium cable spearheaded by TM, the Asia America Gateway (AAG), is the first high-bandwidth optical fibre submarine cable system to directly link South East Asia with the United States (US). With an initial equipped capacity of 500Gbps, the submarine cable network is upgradeable for future transmission facilities that support higher Internet and e-commerce traffic. Commercial traffic has begun in 20,000km of the network which positions TM as a regional IP hub for Internet service providers (ISPs) to gain connectivity to the US.

Committed to universal service excellence, TM has adopted a business model that is tuned in to the marketplace. Operationally, it is aligned to six principal customer segments: Consumer, Small Medium Enterprise (SME), Enterprise, Government, Wholesale and Global. Wholesale focuses on bandwidth and other infrastructure to telcos, ISPs, managed network service providers, application service providers, global operators and data centre providers; while Global provides satellite, terrestrial and submarine fibre optic connectivity across Asia, Europe, the Americas, Oceania, the Middle East and Africa.



The new business model creates greater synergies between the various divisions, and allows TM to target its product and service offerings more specifically to the needs of the different niches. To further enhance the customer experience, TM focuses on accessibility, simplicity and convenience of transactions via its extensive network of TMpoints and the secure, customised self-service portal, TM Online.

Underlining all TM's operations is a deep commitment to corporate responsibility (CR), which guides its actions and behaviour towards stakeholders. TM's CR initiatives cover the four dimensions of marketplace, workplace, community and the environment. These initiatives have been recognised. TM in 2009 won the Starbiz-ICR Malaysia Corporate Responsibility Award for the Community; and the Prime Minister's CSR Award for best Workplace Practices.

In the community, TM has a tradition of capacity-building through education and bridging the digital divide. In 2009, TM spent 2.5% of profit before tax for its community activities, higher than the global best practice of 1.0%. Yayasan TM, the Group's foundation, offers scholarships to outstanding and deserving students to pursue their studies at local and international institutes of higher learning. Its Multimedia University is a training ground for the development of a knowledge-generation; while at the school level, it introduces children to the powerful benefits of ICT. TM also provides disaster relief and caters for the needy and underprivileged by donating to welfare homes, Non-Governmental Organisations (NGOs) and charitable organisations.

As a responsible company, TM is conscious of playing its part towards sustainable development. Its green agenda includes the ISO 14001:2000 Environmental Management System to minimise waste, and protect and preserve the environment and the nation's natural resources. The Company has also piloted a teleworking initiative for its Sales staff and enforces remote meetings via teleconferencing and live streaming between regional offices nationwide. Employees are further encouraged to contribute towards environmental efforts via active participation in an internal green campaign, Bumiku.

TM believes that commitment to CR contributes to greater shareholder value. It enhances the TM brand, encourages the best people to want to work for TM and serves as a powerful reason for customers and business partners to do business with TM.

TM is a pillar of integrity and innovation in the Malaysian telecommunications landscape, built on a foundation spanning more than 100 years. Based on its history of excellence, TM will continue to open up new possibilities to Malaysians, enabling them to use new-generation connectivity to make anything possible.





# MILESTONES OVER TWO CENTURIES



12

## 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

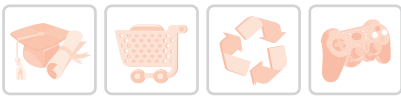
## 1900s

- 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 merge 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 commission 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 TMOUCH cellular services
- 1997** Introduction of Corporate Information Superhighway (COINS), Telekom Malaysia's state-of-the-art, high-capacity enterprise solution

## 2000s

- 2001**
  - Launch of BlueHippo.com, Telekom Malaysia's lifestyle Internet portal, which records more than 290 million searches a year
  - Introduction of broadband services
  - Telekom Malaysia becomes a major partner in the launch of the state-of-the-art submarine cable Asia Pacific Cable Network 2 (APCN2)
  - Establishment of TM Net as the largest Internet Service Provider in the South-East Asian region
  - Launch of CDMA fixed wireless telephony service
- 2002** Award of the 3G spectrum to Telekom Malaysia
- 2003** Merger of Celcom and TMOUCH 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 4 groupings – 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 Smart 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, linking South-East Asia and USA
- 2007**
- TM becomes the first Malaysian company to be named Service Provider of the Year at 2007 Frost & Sullivan Asia Pacific ICT Awards
  - The first commemorative book titled Transforming a Legacy, is launched by Dato' Seri Abdullah Hj Ahmad Badawi, Prime Minister of Malaysia
  - Divestment of TM's Payphone business to Pernec Corporation Berhad
  - TM's affiliate in India, Spice Communications Limited, commences trading on the Bombay Stock Exchange and receives the National and International Long Distance licences
  - TM Group undertakes a Demerger exercise resulting in two distinct entities – TM and TM International (TMI)
- 2008**
- TM Group is officially demerged in April and TMI listed as a separate entity on Bursa Securities
  - IRDA and TM sign an MOU for TM to be the preferred Telecommunications Provider for the Iskandar Malaysia region
  - TM privatises VADS as part of its strategic growth plan
  - TM bags three awards at 2008 Frost & Sullivan Malaysia Telecom Awards including The Alternative Voice Service Provider of The Year for the first time
  - TM signs a Public-Private Partnership (PPP) agreement with the Government to roll out the High Speed Broadband (HSBB) project
  - TM grabs five NACRA 2008 awards, including the Gold Award for Overall Excellence, Silver for Corporate Social Responsibility and Best Designed Annual Report
  - TM and Verizon collaborate to develop and improve Local IP capabilities
- 2009**
- TM discloses Indicative Terms & Conditions for HSBB (Wholesale) service
  - TM wins three awards at the 2009 Frost & Sullivan Malaysia Telecom Awards, including Broadband Service Provider of the Year for the fifth year
  - MMU makes the Top 200 Asian Universities in QS.com Asia Universities Rankings 2009
  - TM signs Wi-Net on as its first HSBB (Wholesale) customer
  - TM joins a new submarine cable consortium to develop the Asia Pacific Gateway (APG)
  - TM's core network infrastructure is upgraded to Next-Generation-Network (NGN) technology
  - TM commences physical work for HSBB access infrastructure
  - Asia-America Gateway (AAG), a new undersea cable linking South-East Asia to USA, starts commercial traffic
  - TM wins four awards at NACRA 2009, including Gold for Overall Excellence, Corporate Social Responsibility and Best Annual Report in Bahasa Malaysia



Noni (second from right) and Raja Nang (third from left), Nabil (fourth from left) and Limanawati (fifth from left) at the launch of physical work for MBBB game infrastructure in Sarawak picture.

## TM in talks with 13 firms on broadband wholesale services

TELEKOM Malaysia Bhd (TM) is in discussion with 13 potential competitors for its high-speed broadband (HBB) wholesale services.

TM group chief executive officer (CEO) Tan Sri Dr. Hashim Shafie said the HBB wholesale services are expected to be completed by

December as it exchange some around the country that would be covered by the initial rollout of the services.

The rollout will reach to Sarawak, Penang, Ipoh, Seremban, Kuala Lumpur and Klang. It was expected to be completed by

## Telekom Malaysia to lure more SMEs

It hopes more will use ICT solutions to widen market outreach

KUALA LUMPUR: Telekom Malaysia Bhd (TM) hopes to lure more small and medium enterprises (SMEs) to use ICT solutions and infrastructure services.

TM president and managing director (MD) Raja Nang (right) said the aim was to help SMEs use ICT solutions to widen their market outreach.



Dr. Hashim Shafie (left) from left) shaking hands with Gresham Heng (right) from TM, TM group manager Mohamed Yusoff (second from left) and TM group manager Mohamed Yusoff (right) from TM.



## TM appoints Halim chairman

TELEKOM Malaysia Bhd (TM) has appointed Datuk Dr Halim Shafie (above) as the chairman of its board from July 31 2009, succeeding Tan Sri Mohamed Rafei Masnan.



## TM chalks up higher 4Q net profit

Proposes 13 sen final dividend, giving 38.5% return, the highest among regional peers

By Joseph Chin & Siti Sakinah Abdul Latif

KUALA LUMPUR: Telekom Malaysia Bhd (TM) posted a net profit of RM170.25 million in the fourth quarter ended Dec 31, 2009 (Q4).

highest among all listed peers in the region," said CEO Datuk Zam Zam Yusoff.

TM said excluding revenue from MIBS 999, the current quarter revenue was only 1.5% lower as compared to the preceding year quarter.

Interest and multimedia revenue registered a 7.8% growth at RM482 million in Q409 from RM451.8 million recorded in Q408 due to growth

and the absence of loss on disposal of equity investments.

For FY09, the net profit contributed RM4 billion or 46.5% of total revenue, a decline from RM4.4 billion or 50.9% in FY08. Meanwhile, the net value segment is increasing its contribution to 53.5% in FY09 or RM4.6 billion from 49.1% or RM4.28 billion in FY08.

Aided by the decline of the value segment, Zam Yusoff said that the situation is not unique, adding that TM played a role in

## TM to launch more products

Company remains upbeat on telecommunications industry

By Sharon Koh

In two statements to analysts, the chairman of investment bank and analyst firm Citigroup said that the telecom industry is "not in a bad position to improve the business. The industry will grow over the next few years as the market continues to expand."

TM is targeting 1.8% revenue growth, said CEO Datuk Zam Yusoff, in a statement to analysts on Dec 31, 2009.

"We believe the year 2010 is a very bright time for the telecom industry. It will be good for companies to invest in the industry as the market continues to expand."



## Auditors group president

THE Institute of Internal Auditors Malaysia, which represents internal auditors in Malaysia, has appointed Hashim Mohammed as its president. Hashim is a chartered fellow of The Institute of Internal Auditors Malaysia and is the group chief internal auditor and the secretary to the Board Audit



# TM reveals HSBB access rates

## TM sees strong take-up for HSBB wholesale

By Goh Thian Eu

TELEKOM Malaysia (TM) CEO Goh Thian Eu has revealed the pricing for its High Speed Broadband (HSBB) access to service providers, underlining the group's strong commitment to the growth of this new service. This means that service providers, including mobile operators, broadband

service providers and pay-TV operators will now have more choice in using TM's HSBB access to work in other services, like video-on-demand, Internet protocol television (IPTV) over-cable and Internet gaming. TM sees its more than 100 industry partners in Kuala Lumpur yesterday generally looking at the price. TM also said its indication prices and conditions (TTC)

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Goh Thian Eu, CEO of Telekom Malaysia, says the group is committed to the growth of this new service.

TM CEO Goh Thian Eu says that customers will see value in High Speed Broadband pricing after studying it in detail.

# TM in 'deep discussion' with 13 potential clients for HSBB

Talks are being held with mobile telecommunication companies, WiMAX service providers and content providers

By IRISDA NG

TELEKOM Malaysia (TM) is in negotiations with 13 potential clients for various services under its new High Speed Broadband (HSBB) access.



# TM unveils all new Hypptunes music portal

## RMI.3b spent on TM's HSBB so far



TM unveils all new Hypptunes music portal. RMI.3b spent on TM's HSBB so far.



Different service providers can offer different types of services downstream.



TM group CEO Goh Thian Eu (second from left) and Telekom Malaysia (TM) group CEO Goh Thian Eu (second from left) after the signing ceremony marking the collaboration between TM and Telekom Malaysia (TM) to provide Malaysia's first IPTV broadband service in Kuala Lumpur yesterday. Also present were TM's Group CEO Goh Thian Eu and TM's Group CEO Goh Thian Eu.

# Council to integrate iMalaysia into business

**BANGI:** A council will be set up to integrate the concept of iMalaysia into business, according to International Trade and Industry Minister Datuk Seri Anwar Ibrahim. The council will be set up to integrate the concept of iMalaysia into business operations, he said yesterday after launching the iMalaysia Authorized Dealership in Bangi yesterday. Anwar said the council will be made up of representatives from industry and IT associations two days ago. The council would investigate the Government and the private sector with the aim of providing



Goh Thian Eu is the first to visit...

with the support and guidance from TM and its wholly-owned subsidiary, Telekom Sales and Services Sdn Bhd. "TAD outlets are similar with the MS TMyview outlets currently located across the country. It will offer the same products and services provided by TMyview outlets but on a smaller operational scale," said TM group chief executive officer Goh Thian Eu. He said the first five TAD outlets were those converted from TM's earlier market dealership scheme, Click'n Authorized Service Centre (KASCI). "TAD Bangi is the first outlet

# IPTV offering

TM looks into broadband connections for TV viewing

By S.A. SITI

TM is offering a 10Mbps (megabits per second) broadband connection with 24x7 support, to be a first-class HSBB connection. TM is offering a 10Mbps (megabits per second) broadband connection with 24x7 support, to be a first-class HSBB connection. TM is offering a 10Mbps (megabits per second) broadband connection with 24x7 support, to be a first-class HSBB connection.



TM CEO Goh Thian Eu says the group is committed to the growth of this new service.



TM CEO Goh Thian Eu says the group is committed to the growth of this new service.



16 January



6 February



11 February



20 February



2 March

## 16 JANUARY

### Bridging the Digital Divide through e-Masjid

TM launched e-Masjid, a programme to equip selected mosques in rural Terengganu with ICT technologies worth RM20,000. Each mosque was provided with a telephone line and a free one-year broadband service.

## 6 FEBRUARY

### TM MSC Malaysia PG

TM launched its new TM MSC Malaysia Performance Guarantees (PG). TM MSC Malaysia PG is a set of minimum standards that TM has to comply with in delivering telecommunications services to MSC Malaysia status companies.

## 6 FEBRUARY

### TM Manages MOE Call Centre

The Ministry of Education (MOE) appointed TM to manage its newly launched contact centre. Under the three-year service

agreement, TM is to provide the communications infrastructure required as well as its expertise in contact centre operations and management services.

## 10 FEBRUARY

### TM and Verizon Business to Build New IP Hub

TM and Verizon Business are developing a new Internet Protocol (IP) node to support the delivery of advanced data services to Malaysian-headquartered companies throughout the region.

## 11 FEBRUARY

### TM Manages JPS Call Centre

The Department of Irrigation and Drainage, Ministry of Natural Resources and Environment (JPS), appointed TM to manage its call centre, JPS Careline, through which the general public are able to make enquiries, lodge complaints and make suggestions on all JPS-related matters.

## 20 FEBRUARY

### PINTAR Students Honoured

TM honoured 20 top UPSR 2008 students from its adopted schools, Sekolah Kebangsaan Seri Penanti (SKSP) and Sekolah Kebangsaan Bukit Indera Muda (SKBIM), both in Penang.

## 2 MARCH

### TM and MIMOS Deal

TM and MIMOS Berhad entered into a partnership that allows each party to utilise the other's grid computing and semantics technology, wireless access and Internet Protocol Version 6 (IPv6). Under the three-year agreement, TM will commercialise MIMOS' technology platforms in order to meet customers' demands for even more innovative and enhanced offerings.

## 14 MARCH

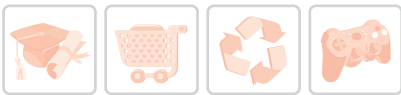
### The New BlueHippo Portal

TM revealed an all-new BlueHippo Kidz Portal and BlueHippo Kidz Club. The portal offers highly interactive, engaging and relevant online edutainment for children aged 12 years and below.

## 28 MARCH

### Earth Hour

TM supported the global Earth Hour on 28 March 2009 by switching off all non-essential lights at Menara TM, Menara KL, TM offices nationwide and selected exchanges.



**6 APRIL**

**TM and NTV7 Deal**

TM and NTV7 signed an agreement on broadcast service under which TM was to provide the service from the NTV7 studio in Bandar Utama to 11 TM exchanges nationwide.



**9 APRIL**

**MERS 999 Project**

The Ministry of Information, Communications and Culture (MICC) pledged a total of RM334.1 million for the MERS 999 Project. The project commenced in May 2007 and will be completed on June 2010.

**7 MAY**

**Annual General Meeting**

TM's 24<sup>th</sup> Annual General Meeting saw shareholders vote in favour of the proposed final dividend as well as the recommendations by the Board of Directors on all the other resolutions, including a re-election of directors and their fees.

**20 MAY**

**First HSBB Wholesale Customer**

Wi-Net Sdn Bhd became the first High Speed Broadband (HSBB) wholesale customer by signing a five-year contract to leverage on TM's HSBB network in order to provide its own broadband wireless service.

**20 MAY**

**Harlem Globetrotters in Malaysia**

World-famous basketball team Harlem Globetrotters stopped in Malaysia as part of its *Spinning the Globe* tour, thanks to TM.

**25 MAY**

**Asia Pacific Gateway**

TM announced plans to increase the scope and resiliency of its global network by joining a consortium to plan and develop an international undersea cable system, the Asia Pacific Gateway (APG). APG will provide an alternative route and restoration paths to the existing cable system in the region. It is designed to provide a high degree of inter-connectivity with existing and planned high bandwidth systems.

**27 MAY**

**TM sells staff housing loans to AmBank**

TM and AmMortgage One Berhad, a wholly-owned subsidiary of AmBank,



sealed a Sale and Purchase (S&P) Agreement and a Servicing Agreement under which all staff housing loans will be sold to AmMortgage One.

**3 JUNE**

**Launch of mybizpoint**

mybizpoint, an online portal that connects sellers and buyers of commercial goods and services was launched by the Deputy Prime Minister. It is designed to aid SMEs to mass-market their products. The portal also creates greater efficiencies as processes such as payments and cost-management are automated.

**16 JUNE**

**New IP Node in Cyberjaya**

TM, in collaboration with Verizon Business, launched a new Internet Protocol (IP) node planted in Cyberjaya. TM expects this to help position Malaysia as an Internet hub in the Asia-Pacific region.



8 July



17 July



24 July



14 August



4 September



13 September

## 8 JULY

### TM One of the Main Sponsors of MU Asia Tour

TM became the official telecommunication partner for the Malaysian leg of the Manchester United Asia Tour 2009.

## 17 JULY

### TAD Launch

Minister of International Trade and Industry, Dato' Mustapa Mohamed, launched the TMpoint Authorised Dealership Programme (TAD). The programme allows entrepreneurs to become TM dealers and extends the Company's customer service reach.

## 24 JULY

### Projek Sekolah Angkat

In collaboration with the Ministry of Information, Communications and Culture (MICC), TM adopted three schools Sekolah Kebangsaan Teriang in Jelebu, Negeri Sembilan, Sekolah Menengah Kebangsaan Pakan in Sibul, Sarawak and Sekolah Menengah Rendah Agama Repah in Tampin, Negeri Sembilan.

## 31 JULY

### New TM Chairman

Datuk Dr Halim Shafie was appointed TM's new Chairman. Prior to this, Datuk Dr Halim was Chairman of the Malaysian Communications and Multimedia Commission (MCMC) from 2006 till 2009.

## 14 AUGUST

### New Online Directories by TMIM

TM Info-Media Sdn Bhd (TMIM) sealed a deal with three strategic partners, namely International Islamic University Malaysia (IIUM), Firefly Sdn Bhd and FriedChillies Media Sdn Bhd to publish three new online directories under the Yellow Pages brand: e-Halal, e-Holiday and e-Dining.

## 18 AUGUST

### TM and F&N Deal

TM sealed a deal with Fraser & Neave Holdings Bhd's subsidiary, Brampton Holdings Sdn Bhd's, for the provision of infrastructure and communications facilities to the Fraser Business Park in Kuala Lumpur.

## 19 AUGUST

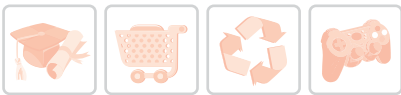
### Partnership Agreements with KJS and D'Harmoni

TM entered into two separate Partnership Agreements with Konsortium Jaringan Selangor (KJS) and D'Harmoni Telco Infra Sdn Bhd (D'Harmoni) for the provision of Connectivity Services to KJS's and D'Harmoni's telecommunication tower facilities and to network operators residing in Selangor and Johor.

## 4 SEPTEMBER

### Program Sejahtera

Three single-parent families in Pahang, were adopted by TM as part of the Company's involvement in *Program Sejahtera*, to eradicate poverty and bridge the economic gap between rural and urban communities.



8 October



8 October



23 October



28 October



21 November



1 December

### 13 SEPTEMBER

#### Ops Sikap 2009

TM was the main sponsor of the *Ops Sikap 2009* campaign, which ran from 13 to 27 September. TM has been supporting the campaign to increase public awareness of the need to drive safely for 12 consecutive years.

### 8 OCTOBER

#### Infobelia

Infobelia, a Facebook messaging service that connects local communities with state authorities in Negeri Sembilan, was unveiled.

### 8 OCTOBER

#### IT Corner for Students

TM established a "Sudut IT" at SK Panglima Adnan in Port Dickson, Negeri Sembilan. It also upgraded the school's computer lab and contributed five new computers. In addition, TM's subsidiary, GITN Sdn Bhd provided the school with 10 Tutor.com accounts, an online revision portal.

### 8 OCTOBER

#### TM Sponsors Pilgrims to Mecca

Malaysian pilgrims to Mecca were well equipped with necessities such as iTalk cards, sling bags and plastic mats worth RM1.8 million, sponsored by TM.

### 23 OCTOBER

#### Free WiFi at Pizza Hut

WiFi service was launched at 163 Pizza Hut outlets nationwide, allowing customers to get connected and surf for free.

### 28 OCTOBER

#### Shang Qun for SMEs

TM took another step closer to its Chinese-speaking small-medium enterprise (SME) community via TM SME's new Chinese-language micro-site, *Shang Qun*, which means 'business community'. With *Shang Qun*, TM is able to give Chinese-speaking SME users in Malaysia a range of SME.biz services tailored to meet their needs.

### 5 NOVEMBER

#### TM and Global Crossing Agreement

TM joined Global Crossing's Global Partner Programme (GPP) in line with its aim to extend its capabilities beyond the Asia-Pacific region. Global Crossing is a leading global IP solutions provider.

### 21 NOVEMBER

#### EveryoneConnects

More than 6,000 people from all walks of life gathered at Jalan Bukit Bintang for the biggest sing-along event ever held in the country. This was part of TM's campaign, *EveryoneConnects*, to bring people together and build on each other's strength to ultimately make anything possible.

### 1 DECEMBER

#### TM Official Service Provider for LIMA 2009

TM was the official communications service provider for Langkawi International Maritime & Aerospace Exhibition (LIMA) 2009, held from 1-5 December in Langkawi.





**The Brand Laureate Award 2008-2009**

– Best Brands **1**  
31 March 2009

**Hewitt Best Employers**

– 10 Best Employers in Malaysia 2009 **2**  
2 April 2009

**Frost & Sullivan Malaysia Telecoms Awards**

– Data Communications Service Provider  
of the Year **3**  
– Broadband Service Provider of the Year  
**4**  
5 May 2009

**Reader's Digest Award**

– Trusted Brand (Platinum) **5**  
5 May 2009

**Malaysian Association of Risk and  
Insurance Management (MARIM) Award**

– Risk Management Award of Excellence  
**6**  
16 June 2009

**ABU Asia-Pacific Robot Contest 2009**

**Tokyo – TOYOTA Award** **7**  
22 August 2009

**Malaysian Business-CIMA Enterprise  
Governance Awards**

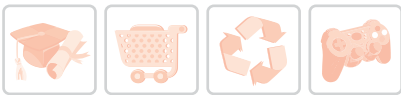
– 1st Runner Up Overall **8**  
– 1st Runner Up CSR Category **9**  
6 November 2009

**ContactCenterWorld.com Award**

– Best Contact Center (250 + Agents) **10**  
6 November 2009

**CISCO Award**

– Managed Services Partner of the Year  
(Revenue) **11**  
10 November 2009



**International Business Review Awards**  
– Excellence in the Telecommunications Sector **12**

19 November 2009

**Anugerah Pelancungan LIBUR**  
– The Best Monument Award **13**

2 December 2009

**NACRA Awards For**

- ❑ Industry Excellence – Trading & Services **14**
- ❑ Most Outstanding Annual Report of the Year – Gold **15**

❑ Overall Excellence – Gold **16**

❑ Best Corporate Responsibility – Gold **17**

❑ Best Annual Report in Bahasa Malaysia – Gold **18**

3 December 2009

**Malaysian Corporate Governance Index Award**

– Distinction **19**

– Best AGM Conducted in 2009 **20**

10 December 2009

**Starbiz-ICRM CR Awards 2009**

– Community Category **21**  
5 March 2010

**2009 Prime Minister's CSR Award**

– Workplace Category **22**  
8 March 2010



#### 31 MARCH 2009

TM was honoured with The BrandLaureate Conglomerate Award 2008-2009 in recognition of its stable of successful brands that have strengthened the Group's brand identity, while also contributing to Malaysia's equity. The BrandLaureate is the number one branding awards in Asia-Pacific.

#### 2 APRIL 2009

TM was acknowledged as the Best Employer in Malaysia 2009 by Hewitt Associates, following a survey to determine the 10 most desirable workplaces in the country. More than 60 organisations were surveyed between 28 October to 21 November 2008.

#### 5 MAY 2009

TM was named the Broadband Service Provider of the Year for the fifth consecutive year at the annual Frost & Sullivan Malaysia Telecoms Award. TM also bagged the 2009 Data Communications Service Provider of the Year and 2009 Managed Service Provider of the Year awards.

#### 5 MAY 2009

Thousands of *Reader's Digest* readers voted TM's Streamyx as their most trusted Internet Service Provider. With these votes, TM was awarded with the Platinum award. Streamyx received the highest number of votes for its high-speed, reliability and cost-effective broadband access.

#### 15-17 MAY 2009

TM Research & Development Sdn Bhd (TM R&D) won 21 awards at the ITEX '09. It had registered 13 products in five categories: Telecommunications, Multimedia, Material, Industrial Design and Electricity/Electronic.

#### 14 MAY 2009

Multimedia University (MMU) was ranked No. 171 in the QS.com Asian Universities Rankings 2009. This was the first regional ranking to be conducted by QS Quacquarelli Symonds Ltd, compilers of the Times Higher Education-QS World University Rankings.

#### 16 JUNE 2009

TM, through its Service Assurance Centre, Network Operations, won the Risk Management Award of Excellence 2009 by the Malaysian Association of Risk and Insurance Management (MARIM).

#### 25 JUNE 2009

TM ranked 8<sup>th</sup> out of Malaysia's Top 10 Most Valuable Brands 2008, with a brand value of RM2.0 billion. The ranking was done by Brand Finance, an independent brand valuation advisory firm, based on publicly available information.

#### 26 JUNE 2009

TM Enterprise Business Process Outsourcing (BPO) won five awards at the 2009 APAC Contact Center World Award Gala Dinner. The 2009 Top Performers Awards recognise the very best in the contact centre industry from the Asia-Pacific region.

#### 11 AUGUST 2009

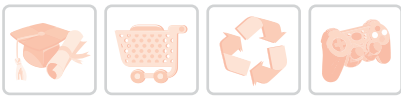
TM Enterprise BPO won second prize at the 5th Global Emerging Knowledge Organization (GEKO) Award 2009. GEKO recognises knowledge-based and innovation-driven organisations that adopt a structured roadmap to pioneer, sustain and innovate.

#### 22 AUGUST 2009

Multimedia University (MMU) represented Malaysia at the Asia Pacific Broadcasting Union (ABU) ROBOCON 2009 robot building competition in Tokyo, Japan and won the Toyota Award. MMU competed against 19 other teams from the region.

#### 7 OCTOBER 2009

TM received the Data Centre & Hosting Services Provider and Managed Connectivity Services awards for the second consecutive year at the 8th Annual Computerworld Malaysia Readers Choice Awards.



#### 6 NOVEMBER 2009

VADS BPO clinched four Corporate Awards, while three team members were recognised for their outstanding performance, by the Customer Relationship Management and Contact Centre Association of Malaysia (CCAM).

#### 6 NOVEMBER 2009

VADS BPO won the Silver Award for Best Contact Centre (Above 250 Agents Category) at the 2009 World Top Ranking Performers Awards, organised by ContactCentreWorld.com in Las Vegas. TMIS Project, meanwhile, was the Gold Medal Winner for the Best Contact Centre in Asia Pacific (Above 250 Agents); and the Celcom Technical Helpdesk won the Silver Medal for Best Contact Centre in Asia Pacific (Less Than 50 Agents).

#### 6 NOVEMBER 2009

TM emerged as first runner-up at the Malaysian Business-CIMA Enterprise Governance Awards 2009; and was awarded the first runner-up in the Corporate Social Responsibility (CSR) category.

#### 7 NOVEMBER 2009

TM was placed among the Top 5 in *Malaysia 1000*, a corporate directory that provides comprehensive information on leading Malaysian companies.

#### 10 NOVEMBER 2009

VADS Berhad was named Cisco's top partner for Managed Services and ranked third for the Cisco Whole Year 2009 (August 2008 to end July 2009). VADS was also the partner that delivered the most Cisco managed services; it was the only partner to deliver Managed Unified Communication and Managed Security services to Malaysian customers in 2009.

#### 11 NOVEMBER 2009

TM was presented with the Best Virtualization Strategy Award by Hitachi Data System (HDS) for its use of storage virtualisation to compress data at its data centres.

#### 19 NOVEMBER 2009

Telekom Sales and Services Sdn Bhd (TSSSB) won the International Business Review Corporate Award in the Telecommunications Retail Services category at the International Business Review Awards 2009.

#### 2 DECEMBER 2009

Menara Kuala Lumpur once again received the *Anugerah Mercu Tanda Terbaik 2009* at the Anugerah Pelancongan *LIBUR 2009*, organised by *LIBUR* magazine distributed by Karangkrak Group.

#### 3 DECEMBER 2009

TM won four awards in the National Annual Corporate Report Awards (NACRA) 2009: three Gold Awards for Overall Excellence for Most Outstanding Annual Report of the Year, Best Corporate Social Responsibility Award and Best Annual Report in Bahasa Malaysia; and the Industry Excellence Award for Main Board Companies in the Trading and Services category.

#### 10 DECEMBER 2009

TM received a Distinction from the Minority Shareholders Watchdog Group (MSWG) and an award for the Best AGM Conducted in 2009.

#### 5 MARCH 2010

TM took name the Starbiz-ICR Malaysia Corporate Responsibility (CR) Awards 2009 for community category in recognition of its best CR practices in carrying out its community efforts.

#### 8 MARCH 2010

TM received the Prime Minister's CSR Award 2009 for Best Workplace Practises Category.



## 2008

### STRATEGIC PARTNERSHIP & ENTREPRENEURSHIP DEVELOPMENT FOR ICMC BUSINESS AWARD

- Fixed Telephone Line Category

### FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

### MSC MALAYSIA 'CYBERCENTRE'

- TM's operational headquarters, Menara TM, was awarded MSC Malaysia 'Cybercentre' status

### MALAM ANUGERAH CEMERLANG KESELAMATAN DAN KESIHATAN PEKERJAAN 2007

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

### THE BRAND LAUREATE AWARDS 2007 – 2008

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

### MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS 2008

- Merit Award winner
- Corporate Social Responsibility Category winner

### MALAYSIA 1000 TOP TEN AWARDS

- TM received recognition for its outstanding financial performance

### STARBUZ-ICR MALAYSIA CORPORATE RESPONSIBILITY AWARD 2008

- TM came out top in the Workplace category

### COMPUTERWORLD MALAYSIA READERS CHOICE AWARDS

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

### THE TECHNOLOGY BUSINESS REVIEW ASEAN AWARDS 2008

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

### DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA MALAYSIA 2007

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

### NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2008

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

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

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

### MULTIMEDIA DEVELOPMENT CORPORATION (MDEC)

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

### LIBUR MAGAZINE

- Menara KL won the award for The Best Monument

## 2007

### THE BRAND LAUREATE AWARD 2006-2007

- Corporate Brand – Telecommunications Industry Category

### PC.COM MAGAZINE

- Most Popular Broadband Internet Service Provider

- Best Broadband Internet Service Provider of 2006

### GSM GLOBAL MOBILE AWARDS

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

### LANKA MONTHLY DIGEST

- Dialog won top spot in the Finance Brand Index

### STANDARD CHARTERED-FINANCIAL EXPRESS CSR AWARD 2006

- Won by TM International Bangladesh Ltd

### FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

### READER'S DIGEST TRUSTED BRANDS 2007 SURVEY

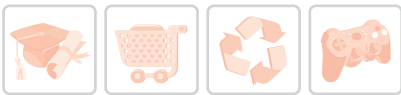
- Trusted Brand in Telecommunications – Platinum Award

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

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

### MALAYSIA BRAND EQUITY AWARD 2007

- Celcom took 4th place for the Brand Visibility Award category



#### 2007 FROST & SULLIVAN ASIA PACIFIC ICT AWARDS

- Service Provider of the Year Award

#### ADASIA

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

#### CUSTOMER RELATIONSHIP EXCELLENCE (CRE) AWARDS – Asia Pacific Customer Service Consortium (APCSC)

- Dialog won the Outstanding Achievement in Customer Relationship Excellence

#### MOST ADMIRED KNOWLEDGE ENTERPRISE (MAKE) AWARD

- Won by PT Excelcomindo Pratama Tbk (XL)

#### ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

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

#### DEWAN BAHASA DAN PUSTAKA – ANUGERAH CITRA WANGSA MALAYSIA 2006

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

#### UNI-APRO OUTSTANDING EMPLOYEE-PARTNER AWARD

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

#### RED HERRING ASIA TOP 100 TECHNOLOGY COMPANIES AWARD

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

#### BEST OUTSOURCED SERVICE CONTACT CENTRE ASSOCIATION OF MALAYSIA (CCAM)

- Gold Award for the Celcom Customer Premier Service Team
- Bronze Award for the TM Net Customer Interaction Centre Management Team

- Additionally, VADS secured five individual achievements:
  - Best Contact Centre Manager – Bronze and Gold Awards
  - Best Contact Centre Team Leader – Silver Award
  - Best Contact Centre Professional Outsourced – Gold and Bronze Awards

#### MINISTER OF ENERGY, WATER AND COMMUNICATIONS, MALAYSIA

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

#### SIXTH OSKAR AWARDS 2007 – FILM WORKERS ASSOCIATION OF MALAYSIA

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

#### MALAYSIA'S MOST VALUABLE BRANDS 2007

- Celcom secured fifth place

#### CORPORATE GOVERNANCE SURVEY REPORT 2007

- TM was ranked second

#### NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2007

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

#### PIKOM ICT SERVICE PROVIDER OF THE YEAR AWARD

- Won by VADS Berhad

#### NATIONAL AWARD FOR MANAGEMENT ACCOUNTING (NAFMA) EXCELLENCE AWARD

2006

#### PC.COM MAGAZINE

TM Net won:

- Best Wi-Fi Hotspot Operator of 2005

- Broadband Internet Service Provider of 2005
- Most Popular Broadband Internet Service Provider

#### THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

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

#### READER'S DIGEST "TRUSTED BRAND PLATINUM AWARD 2006"

- Telecom Company Category

#### THE READER'S DIGEST TRUSTED BRANDS AWARD

- Mobile Service Provider Category – Gold Award

#### FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

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

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

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

- KenalMuka – Gold Award
- XstreamX P2P – Gold Award
- "Innovative Product Award" "Genius Prize Budapest"
- TMR&D also won the Bronze Award for two of its products which were competing in the Expo
  - the EPON Network Solution and the Micro Probes

#### MALAYSIAN BUSINESS MAGAZINE

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



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

- Won by TMpoint in Alor Star, Kedah

**NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2006**

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

**THE BRAND LAUREATE AWARD 2006-2007**

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

**TELELINK TELECOMMUNICATION AWARD 2006**

- Best Mobile Service Provider in Bangladesh, won by AKTEL

**JFB PERFORMANCE AWARD 2005**

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

**GSM GLOBAL MOBILE AWARDS**

- Commendation Award won by Dialog Telekom, Sri Lanka

2005

**DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA 2005**

- Anugerah Citra Iklan Radio won by Celcom

**GSM ASSOCIATION AWARDS 2005**

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

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

- Hadiah Utama Anugerah Kualiti YB Menteri Tenaga, Air dan Komunikasi 2004 won by Kedai Telekom Pelangi, Johor Bahru

- Excellent Customer Service Counter won by Celcom's Bandar Baru Klang Branch and TM Net Clickers in Kelana Jaya Park View

**ASIAMONEY MALAYSIA'S BEST ANNUAL AWARD CEREMONY**

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

**ACCA MALAYSIA ENVIRONMENTAL AND SOCIAL REPORTING AWARDS 2004**

- Commended for Social Corporate Reporting in Annual Report

**EUROMONEY MAGAZINE**

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

**FROST & SULLIVAN AWARD 2005**

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

**INNOVATIVE LEARNING & DEVELOPMENT AWARD 2004**

- Won by TM R&D

**MALAYSIAN BOOK OF RECORDS**

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

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

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

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

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

**ARTHAKANTA BUSINESS MAGAZINE**

- Arthakanta Business Award for Most Outstanding Company won by AKTEL

**IBM AWARDS**

- IBM Platinum Club Award
- IBM Strategic Win Award

**MICROSOFT IMAGINE CUP MALAYSIA 2005 – SOFTWARE DESIGN CHALLENGE**

- Top 3 prizes won by Multimedia University

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

- New and Existing Building Category – 2nd place

**BEST INTERNAL AUDIT PRACTICE AWARD (BIAPA)**

- Company with Shareholders Equity of more than RM200 million

**ASEAN COMMUNICATIONS EXPO AND FORUM 2005**

- Best Booth Design Award

**CISCO BEST MANAGED SERVICES PARTNER AWARD FOR MALAYSIA**

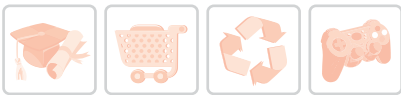
- Won by VADS

**NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2005**

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

**10 AWARDS WON BY TM REGIONAL COMPANY – AKTEL:**

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



## 2004

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

- Largest Paymaster of Service Taxes Award

### CHINA PRESS AND THE NANYANG SIANG PAU

- Award for Corporate Chinese New Year Advertisement – Moved

### READER'S DIGEST

- Superbrands of 2004 – Gold Award

### SUPERBRANDS MALAYSIA MAGAZINE

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

### CISCO SYSTEMS

- Silver Certification

### THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA (IIA MALAYSIA)

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

### COMPUTERWORLD MAGAZINE – CORPORATE BROADBAND SERVICE READERS CHOICE AWARD 2004

- Won by TM Net

## 2003

### INTERNATIONAL ARCH OF EUROPE AWARD

- Platinum Award by Telekom Networks Malawi Limited (TNM)

### GSM AWARD FOR BEST USE OF WIRELESS FOR EMERGENCY SITUATIONS

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

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

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

### LAUNCH OF THE MALAYSIA 1,000 DIRECTORY

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

### NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2003

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

### DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA IKLAN

- Bill Board Advertisement Good 2 Talk

### PUSPAKOM (PUSAT PEMERIKSAAN KENDERAAN BERKOMPUTER SDN BHD)

- TM Facilities Sdn Bhd won the Anugerah Emas Juara Keseluruhan

### MALAYSIAN ROYAL CUSTOMS MAJLIS PERASMIAN SAMBUTAN HARI KASTAM SEDUNIA XXII

- Largest Paymaster of Service Taxes Award

### ANUGERAH KUALITI MENTERI TENAGA KOMUNIKASI & MULTIMEDIA

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

## 2002

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

- Highest Service Tax Payer

### GSM WORLD AWARDS 2002

- Won by MTN Network

### DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA

- Most Outstanding Award for the Private Sector Annual Report 2001

### NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2002

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

## 2001

### GSM ASSOCIATION WORLD AWARD 2001

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

### NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2001

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

### DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA

#### Laporan Tahunan Sektor Swasta 2001

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

## 2000

### NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2000

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

### DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA

#### Laporan Tahunan Sektor Swasta 2000

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

### KLSE CORPORATE SECTOR AWARD 2000

- Main Board Trading and Services Category





### BOARD OF DIRECTORS

**Datuk Dr Halim Shafie**  
Chairman  
(Non-Independent  
Non-Executive Director)

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

**Datuk Bazlan Osman**  
Executive Director/  
Group Chief Financial Officer  
(Non-Independent Executive Director)

**Dato' Zalekha Hassan**  
(Non-Independent  
Non-Executive Director)

**Tunku Dato' Mahmood Fawzy  
Tunku Muhiyiddin**  
(Non-Independent  
Non-Executive Director)

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

**YB Datuk Nur Jazlan  
Tan Sri Mohamed**  
(Independent Non-Executive Director)

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

**Ibrahim Marsidi**  
(Independent Non-Executive Director)

**Quah Poh Keat**  
(Independent Non-Executive Director)

**Riccardo Ruggiero**  
(Independent Non-Executive Director)

**Eshah Meor Suleiman**  
(Alternate Director to  
Dato' Zalekha Hassan)  
(Non-Independent Non-Executive  
Alternate Director)

**Dr Farid Mohamed Sani**  
(Alternate Director to  
Tunku Dato' Mahmood Fawzy Tunku  
Muhiyiddin)  
(Non-Independent Non-Executive  
Alternate Director)

### SENIOR INDEPENDENT DIRECTOR

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

### SECRETARIES

**Idrus Ismail**  
(LS0008400)

**Zaiton Ahmad**  
(MAICSA 7011681)

### REGISTERED OFFICE

Level 51, North Wing, Menara TM  
Jalan Pantai Baharu  
50672 Kuala Lumpur  
Malaysia  
Tel : 603-2240 1221/1225  
Fax : 603-2283 2415

### HEAD OFFICE

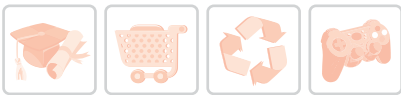
Menara TM, Jalan Pantai Baharu  
50672 Kuala Lumpur  
Malaysia  
Tel : 603-2240 9494

### WEBSITE

[www.tm.com.my](http://www.tm.com.my)

### STOCK EXCHANGE LISTING

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



## SHARE REGISTRAR

### **Tricor Investor Services Sdn Bhd**

*(formerly known as Tenaga Koperat Sdn Bhd)*

Level 17, The Gardens, North Tower  
Mid Valley City

Lingkar Syed Putra

59200 Kuala Lumpur

Malaysia

Tel : 603-2264 3883

Fax : 603-2282 1886

Website : [www.tricorglobal.com](http://www.tricorglobal.com)

## AUDITORS

### **Messrs PricewaterhouseCoopers**

[Chartered Accountants]

Level 10, 1 Sentral

Jalan Travers

Kuala Lumpur Sentral

50706 Kuala Lumpur

Malaysia

Tel : 603-2173 1188

Fax : 603-2173 1288

Website : [www.pwc.com](http://www.pwc.com)

## PRINCIPAL BANKERS

- CIMB Bank Berhad
- Malayan Banking Berhad

## HEAD OF INVESTOR RELATIONS

### **Mohd Khalid Yusof**

Responsible for investor relations and reporting to the Executive Director/

Group Chief Financial Officer

Tel : 603-2240 4848

Fax : 603-7956 5651

Email : [ykhalid@tm.com.my](mailto:ykhalid@tm.com.my)

## GROUP CHIEF INTERNAL AUDITOR

### **Hashim Mohammed**

Responsible for management of internal controls and review of its effectiveness, adequacy and integrity. Profile as disclosed on page 63 of this Annual Report

Profile as disclosed on page 63 of this Annual Report

Tel : 603-2240 1919

Fax : 603-7955 6235

Email : [hashimhm@tm.com.my](mailto:hashimhm@tm.com.my)

## CHIEF LEGAL, COMPLIANCE AND COMPANY SECRETARY

### **Idrus Ismail**

Responsible for legal, compliance and company secretarial matters. Profile as disclosed on page 63 of this Annual Report

Profile as disclosed on page 63 of this Annual Report

Tel : 603-2240 1700

Fax : 603-2240 6791

Email : [idrus.ismail@tm.com.my](mailto:idrus.ismail@tm.com.my)

## VICE PRESIDENT, GROUP STRATEGY & REGULATORY

### **Dr Fadhlullah Suhaimi Abdul Malek**

Responsible for the Group's strategy and regulatory matters. Profile as disclosed on page 64 of this Annual Report

Tel : 603-2240 7134

Fax : 603-2240 0555

Email : [drfazul@tm.com.my](mailto:drfazul@tm.com.my)

## CARELINE & FEEDBACK

- For any enquiries, please call 100 or 1 300 888 123 or Email: [help@tm.com.my](mailto:help@tm.com.my)
- For telephone directory, please call 103

# GROUP CORPORATE STRUCTURE

AS AT 15 MARCH 2010



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



## WHOLESALE

- FIBERAIL SDN BHD (54.0%)
- TELEKOM ENTERPRISE SDN BHD (100.0%)
  - FIBRECOMM NETWORK (M) SDN BHD (51.0%)

## GLOBAL

- TELEKOM MALAYSIA (USA) INC (100.0%)
- TELEKOM MALAYSIA (UK) LTD (100.0%)
- TELEKOM MALAYSIA (HONG KONG) LTD (100.0%)
- TELEKOM MALAYSIA (S) PTE LTD (100.0%)

## SUPPORT BUSINESS

- TM FACILITIES SDN BHD (100.0%)
  - TMF AUTOLEASE SDN BHD (100.0%)
- MENARA KUALA LUMPUR SDN BHD (100.0%)
- TELEKOM MULTI-MEDIA SDN BHD (100.0%)
  - TELEKOM SMART SCHOOL SDN BHD (51.0%)
  - MUTIARA.COM SDN BHD (30.0%)
- UNIVERSITI TELEKOM SDN BHD (100.0%)
  - UNITELE MULTIMEDIA SDN BHD (100.0%)
    - MMU CREATIVISTA SDN BHD (100.0%)
  - MULTIMEDIA COLLEGE SDN BHD (100.0%)
- MOBIKOM SDN BHD (100.0%)
- PROPERTY MANAGEMENT
- PROPERTY OPERATIONS
- SECURITY MANAGEMENT

## RETAIL

### CONSUMER

- TM INFO-MEDIA SDN BHD (100.0%)
- TM NET SDN BHD (100.0%)
- TELEKOM SALES & SERVICES SDN BHD (100.0%)

### SMALL MEDIUM ENTERPRISE (SME)

### ENTERPRISE

- VADS BERHAD (100.0%)
  - VADS BUSINESS PROCESS SDN BHD (100.0%)
    - ↓ [90.0%]
    - PT VADS INDONESIA ← [10.0%]
  - VADS PROFESSIONAL SERVICES SDN BHD (100.0%)
  - VADS SOLUTIONS SDN BHD (100.0%)
  - VADS E-SERVICES SDN BHD (100.0%)
  - MEGANET COMMUNICATIONS SDN BHD (100.0%)

### GOVERNMENT

- GITN SDN BHD (100.0%)

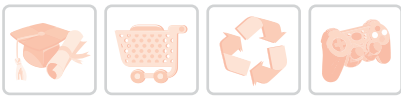
### PRODUCT\*

- TELEKOM APPLIED BUSINESS SDN BHD (100.0%)

### NETWORK/IT

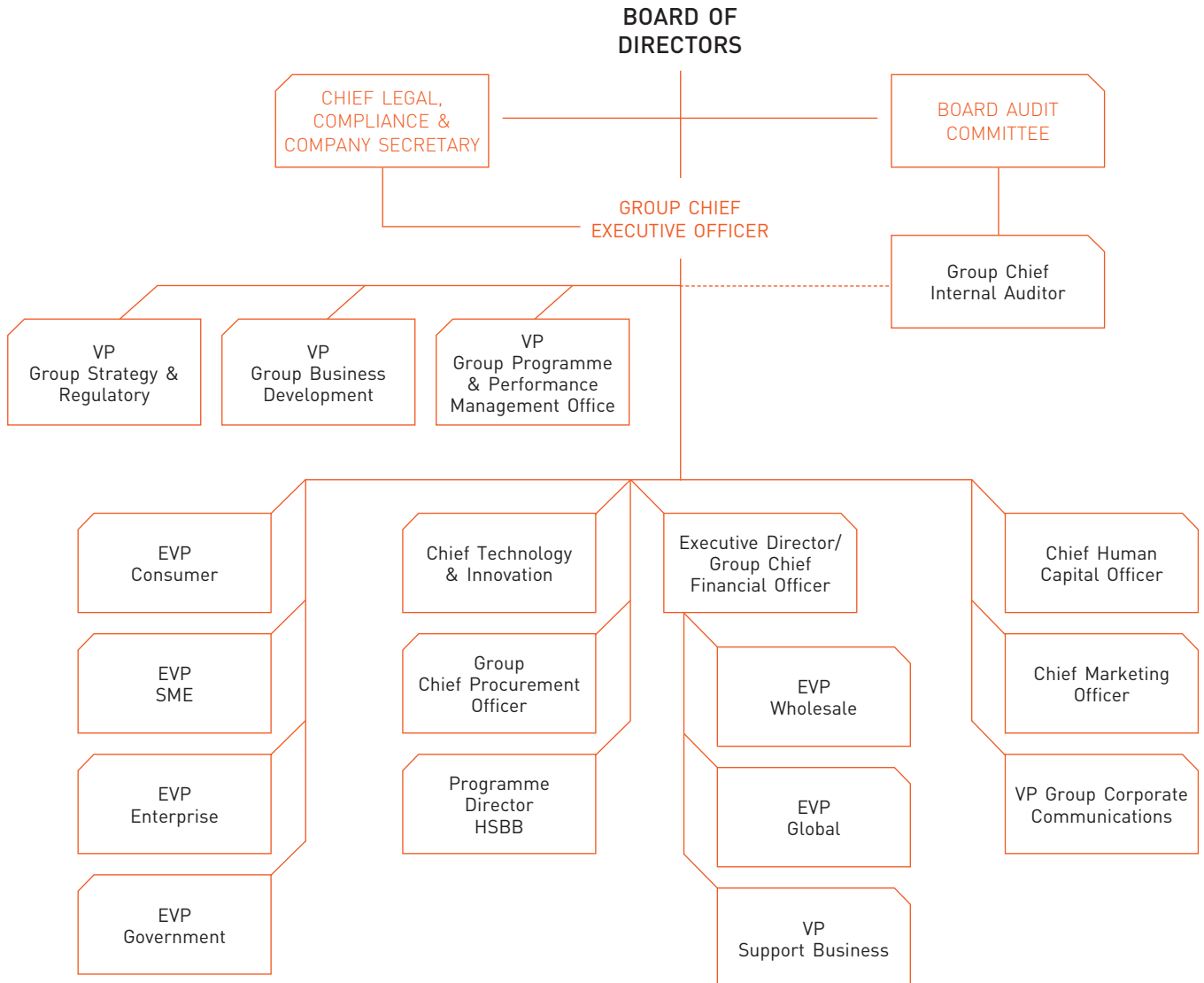
- TELEKOM RESEARCH & DEVELOPMENT SDN BHD (100.0%)

\* Business Functions



# GROUP ORGANISATION STRUCTURE

AS AT 15 MARCH 2010



**Note:** EVP : Executive Vice President  
VP : Vice President



## COMMITMENT TO SHAREHOLDERS

In our pursuit to become Malaysia's leading next-generation communications provider, we have always remained focused on creating value for our shareholders.

In 2009, we fulfilled our commitment by declaring a paid and proposed total net dividend payout of RM706.5 million to our shareholders, which consisted of:

- Interim dividend of 10.0 sen (tax exempt) per share which was paid in September 2009; and
- A proposed final gross dividend of 13.0 sen per share less tax at 25.0%

In addition, we had made a capital repayment of RM3,505.8 million in cash to the shareholders in June 2009.

## SHAREHOLDER BASE

TM has a large shareholder base comprising 34,891 institutional and private/retail shareholders. TM substantial shareholders are Khazanah National Berhad, Employees Provident Fund Board (EPF) and Amanah Raya Nominees Sdn Bhd – Skim Amanah Saham Bumiputera, with a combined holding of 62.9%, while the foreign shareholding base is 9.1% as of December 2009.

TM has been listed on Bursa Malaysia since 1990. TM demerged its mobile business under Axiata Berhad (formerly known as TM International Berhad) on 25 April 2008. In 2009, TM shares recorded a total turnover of RM6,864.0 million and was among the top 20 highly traded stocks on the exchange.

## TRANSPARENCY

TM has a long-standing record of applying a high standards of transparency in financial reporting. TM maintains the same approach in corporate governance and applies the Malaysia Code of Corporate Governance, Listing Rules of Bursa Malaysia as well as international best practices.

As a responsible corporate citizen committed to conserving the environment, TM published its first Sustainability Report in 2009, which was accorded Global Reporting Initiative (GRI) score A+.

In 2009, a survey was conducted by the Minority Shareholder Watchdog Group (MSWG) on the level of governance and transparency among public listed companies (PLC) in Malaysia. TM was honoured with the "Distinction Award" for scoring high marks on the Malaysian Corporate Governance (MCG) Index.

## DIVIDEND POLICY

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

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

*Our Company intends to distribute yearly dividends of RM700.0 million or up to 90.0% of our normalised PATAMI, whichever is higher.*

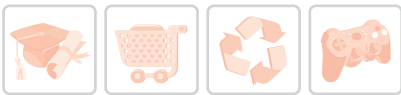
*Dividends will be paid only if approved by our Board out of funds available for such distribution. The actual amount and timing of dividend payments will depend upon our level of cash and retained earnings, results of operations, business prospects, monetisation of non-core assets, projected levels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

## TM CREDIT RATING

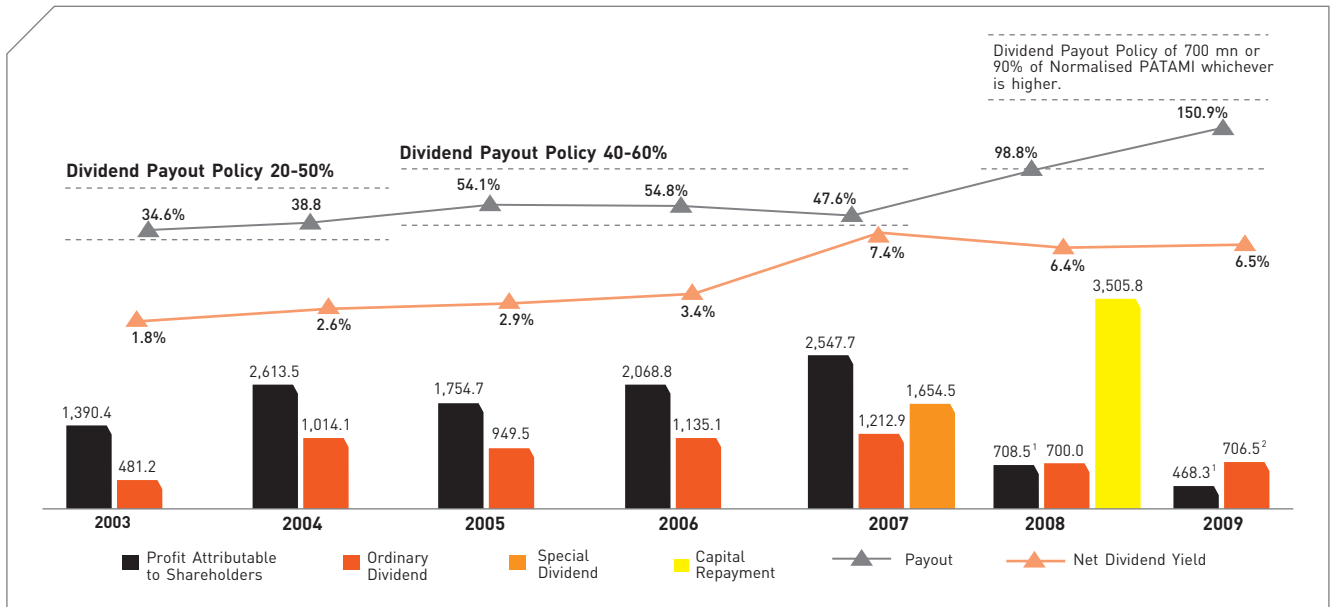
TM continues to exhibit strong fundamentals and a sound balance sheet. This is evident from the credit rating accorded by both local and international rating agencies. The credit ratings are as follows:

- |                                     |     |
|-------------------------------------|-----|
| • Rating Agency of Malaysia         | AAA |
| • Moody's Investors Service         | A3  |
| • Standard & Poor's Rating Services | A-  |
| • Fitch                             | A-  |

TM remains committed to maintaining its investment grade credit ratings and will continue with its prudent approach to financial and capital management initiatives.



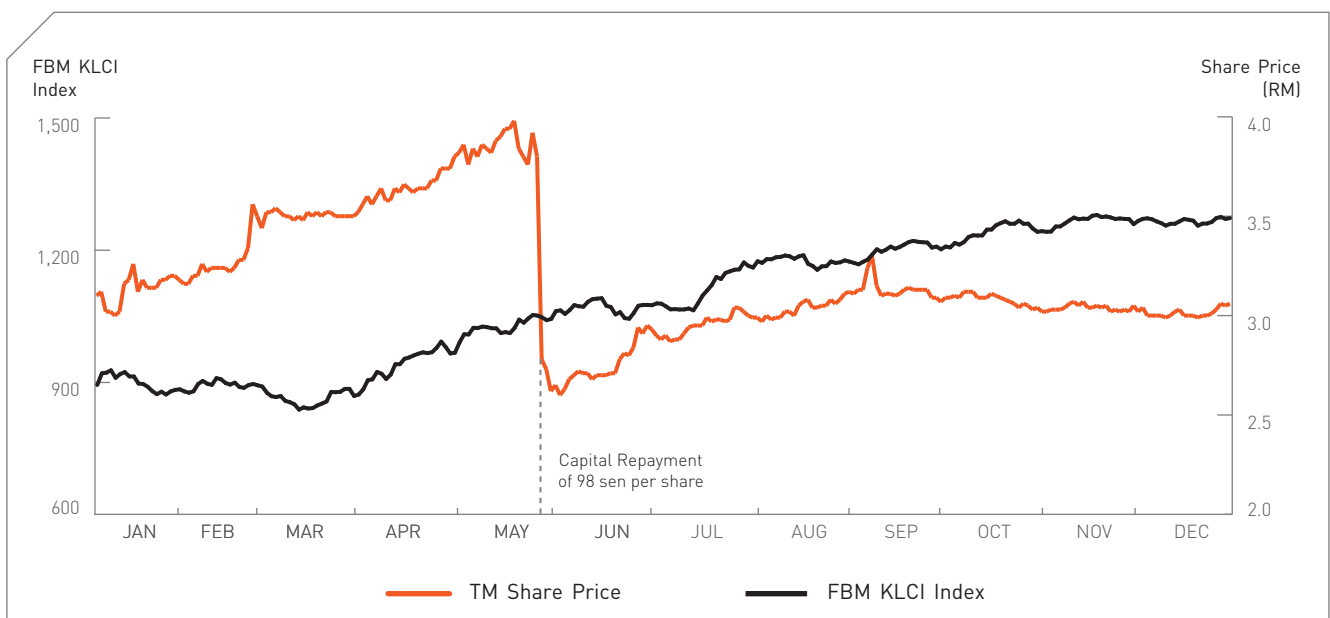
### SHAREHOLDERS' RETURN



<sup>1</sup> Normalised PATAMI

<sup>2</sup> 2009 interim dividend of 10 sen tax exempt & final dividend for 13 sen (less tax 25.0%)  
Net Dividend Yield based on closing price at year-end

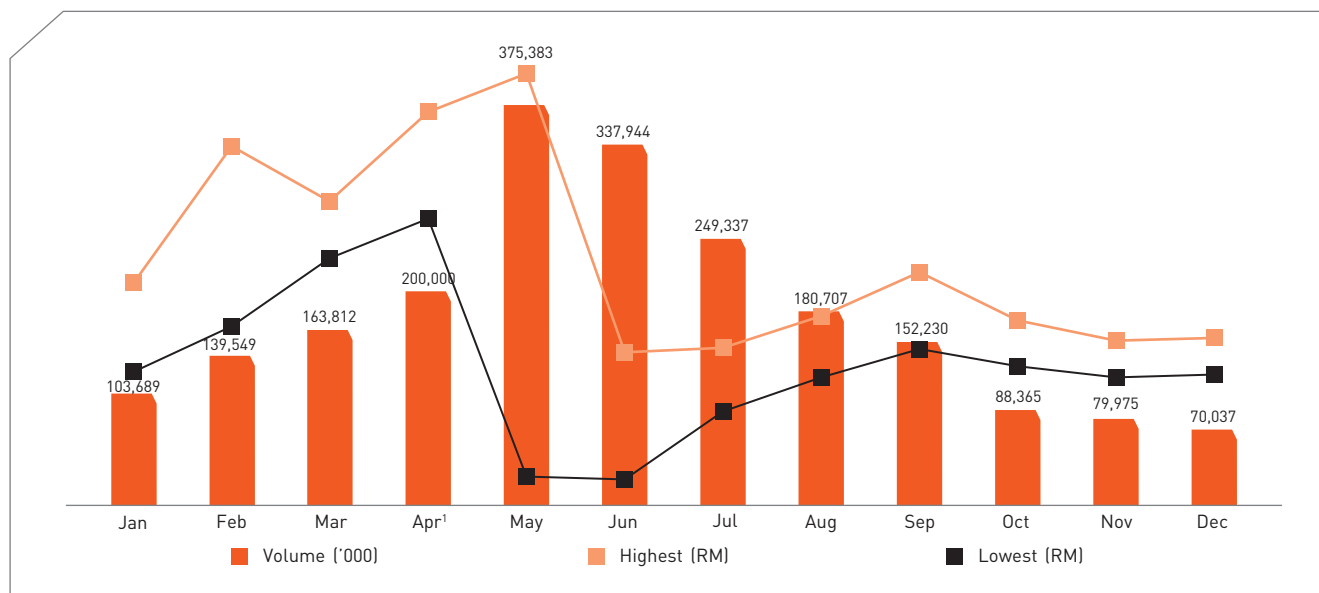
### TM SHARE PRICE PERFORMANCE VS FBM KLCI 2009





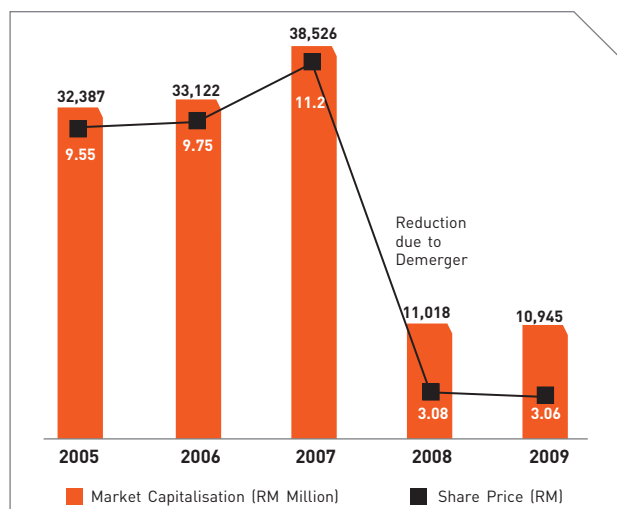
**SHARE PRICE & VOLUME TRADED**

2009 Monthly Trading Volume & Highest-Lowest Share Price



|               | Jan     | Feb     | Mar     | Apr     | May     | Jun     | Jul     | Aug     | Sep     | Oct    | Nov    | Dec    |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|--------|--------|
| Volume ('000) | 103,689 | 139,549 | 163,812 | 200,000 | 375,383 | 337,944 | 249,337 | 180,707 | 152,230 | 88,365 | 79,975 | 70,037 |
| Highest (RM)  | 3.28    | 3.76    | 3.56    | 3.88    | 4.00    | 3.04    | 3.06    | 3.16    | 3.31    | 3.14   | 3.08   | 3.08   |
| Lowest (RM)   | 2.98    | 3.14    | 3.38    | 3.52    | 2.61    | 2.60    | 2.84    | 2.96    | 3.06    | 3.00   | 2.96   | 2.97   |

**MARKET CAPITALISATION/SHARE PRICE**



**TM'S EXISTING DEBTS**

**LOCAL CURRENCY DEBT**

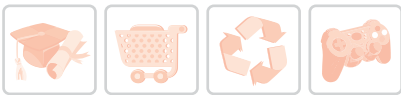
|                | TMISIS A      | TMISIS B    |
|----------------|---------------|-------------|
| Coupon         | 6.20%         | 4.193%      |
| Tenure         | Due 2013      | Due 2018    |
| Principal (RM) | 2,000,000,000 | 925,000,000 |

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

**FOREIGN CURRENCY DEBT**

|                 | Global Bond 2010 | Global Bond 2014 | Global Bond 2025 |
|-----------------|------------------|------------------|------------------|
| Coupon          | 8.00%            | 5.25%            | 7.875%           |
| Yield           | 2.494            | 3.946            | 6.245            |
| Price           | 104.971          | 105.552          | 116.078          |
| Principal (USD) | 260,275,000      | 465,055,000      | 300,000,000      |

Note: Bond price as of 31 December 2009



TM is committed to clearly communicating its strategy and activities regularly to its shareholders and, towards that end, maintains an active dialogue with investors through a planned programme of investor relations activities and engagement.

The key role of the Investor Relations Unit is to proactively disseminate relevant and timely information to the investment community. These efforts are to ensure that stakeholders are abreast of TM's strategies, performance updates and key business activities.

In ensuring best practices are adhered to, all communications with the capital market is governed by the Investor Relations Policy and Guidelines. This is to maintain fairness and timeliness of disclosure of information to all shareholders.

Key Investor Relations initiatives are aimed at improving TM's relationship with stakeholders, the quality of disclosure and timeliness of information distributed.

#### **QUARTERLY FINANCIAL RESULTS ANNOUNCEMENT AND BRIEFING**

TM conducts briefing sessions to analysts and fund managers via teleconferencing subsequent to the release of its quarterly earnings disclosure to Bursa Securities. These sessions are chaired by the Group CEO and attended by Senior Management representing TM's key Lines of Business. These are aimed at providing an avenue for a clear understanding of the financial and operational performance of the Group.

#### **PRESENTATION SLIDES ON FINANCIAL RESULTS**

In our quest to continuously improve our disclosure, presentation material is important to reflect TM's key business operations. Presentation slides of the announced results are prepared in an investor-friendly manner to aid understanding of the Group's financial results and performance. These are made available promptly on the Company's website following the release of information first to Bursa Securities. A copy of the presentation slides is also distributed by e-mail to analysts and investors who are on the Investor Relations distribution list.

#### **ENGAGING INVESTORS**

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

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

We have reached out to a wider investor audience by participating globally in Non-Deal Roadshows to Singapore, Hong Kong, London, Frankfurt, Amsterdam and Edinburgh, while also attending an investors' conference in London.

Domestically, TM participated in small group meetings organised by local research houses and attended the annual Malaysia investment conference, Invest Malaysia 2009. Throughout the year, close to 300 in-house meetings and conference calls with investors and analysts were conducted.

- **Annual Analyst Day**

To further improve our communications with investors and analysts, TM organises a yearly Analyst Day, which is normally held to coincide with the full-year financial results announcement. Invited participants include local and foreign analysts, fund managers as well as major shareholders. The main idea of having this event is to provide participants the opportunity to interact and engage directly with the management team.

During the Analyst Day 2009, participants were taken on a tour of the TM Digital Home. The home concept was set up to showcase an ideal digital lifestyle through the availability of High Speed Broadband (HSBB).

#### **INVESTOR RELATIONS PORTAL**

In our efforts to enhance access between stakeholders and the company, the Investor Relations team maintains a portal which can be found on TM's corporate website. The address is:

<http://www.tm.com.my/about-tm/investor-relations>

The Investor Relations portal, which has been improved in 2009, designed to provide an excellent platform of communication and act as a source of information to the shareholders and the general public. This platform has always been comprehensively and timely updated with the Group's annual reports, financial results, investor presentations, capital structure information, press releases and disclosures to Bursa Securities.

#### **FEEDBACK**

TM recognises and highly values any feedback from the investing community. This is to ensure important information required by shareholders is addressed accordingly. To further enhance the Investor Relations function, we continuously seek constructive ideas through ongoing meetings with stakeholders.





## RETAIL BUSINESS

### Voice Services

- Homeline
- Mobile Homeline (CDMA)
- Homeline Wireless (CDMA)
- Businessline
- Businessline Wireless
- ISDN Primary Rate Interface (PRI)
- Infoblast
- One Number Services
- Malaysia Direct
- iTalk
- TM Calling Card
- Centrex
- Home prepaid
- VOBB (Voice over broadband)
- Tollfree 1300/1800
- International Tollfree Services (ITFS)
- Voicemail
- SmartPIN

### Data Services

- Coins VPN
- IPVPN
- IPVPN Lite
- IPVPN Value
- METRO-e
- DLL-Digitaline I (DG)
- DLL-Wideband (DQ)
- DLL-Broadband (BLL)
- TM Hyperband
- VSAT StarNet
- VSAT Ku Band

### Solution Added Services/ Managed Services

- Conferencing Services
  - i. Audio with Data Conferencing
  - ii. Video Conferencing
  - iii. Audio Conferencing
- Disaster Recovery Call Centre (DRCC)
- Managed Internet Access (MIA)
- Transaction Network Services (TNS)

### Access Services

- EZnet 1315
- 1515
- Streamyx
- Streamyx ZONE
- Business Broadband
  - i. SOHO
  - ii. 1 IP
  - iii. 5 IP
- Direct
- Hotzone
- In-building Broadband Service (IBS)

### Application Services

- e-health
- e-secure
- mybizpoint
- HyppMall & CyberMall
- Webmail

### Value Added Services

- Global Roaming
- Corporate Roaming
- Xfilter E-scan
- Online Guard
- Powersurf
- Virus Shield & Anti-Spamming
- Xfilter Ishield
- Xblocker

### Content Services

- Bluehyppo.com
- Netmyne
- Hypp.tv

## WHOLESALE BUSINESS

### Voice Services

- PSTN Minutes
- Voice over Internet Protocol (VoIP)
- Interconnect Minutes

### Access Services

- Payphone Access
- DSL Access
- Wholesale Line Rental
- Local Loop Unbundling
- High Speed Broadband (Access) Service

### Data Services

- High Speed Broadband (Transmission) Service
- Domestic Bandwidth
- Interconnect Bandwidth
- IP Wholesale
- Wholesale Ethernet
- Wavelength Service

### Infra Services

- Infrastructure Sharing
- Network Co-Location
- Tenancy
- Carrier Hotel

### Project Management & Consultancy

## GLOBAL BUSINESS

### Voice Services

- Bilateral Voice
- Wholesale Voice
  - i. VoIP
  - ii. PSTN
- International VAS
  - i. Mobile Matrix
  - ii. Global Voice Solution (GVS)

### Data Services

- Global VPN Services
  - i. Global IPVPN
  - ii. Global Ethernet
- Global IP Services
  - i. Global IP Transit
- International Bandwidth Services
  - i. International Private Leased Circuit (IPLC)
  - ii. Bandwidth Transit
  - iii. Bandwidth Backhaul
  - iv. Bandwidth Interconnect
  - v. Global VSAT
  - vi. International Ethernet Private Line (IEPL)



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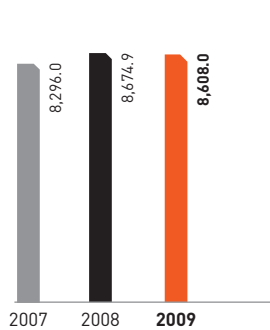
# PERFORMANCE REVIEW



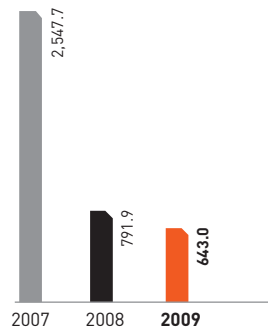
PERFORMANCE REVIEW  
**GROUP FINANCIAL  
HIGHLIGHTS**



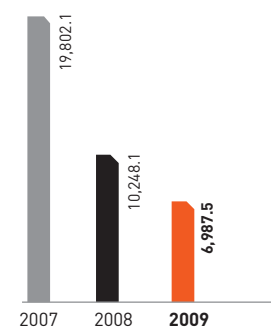
**OPERATING REVENUE**  
(RM Million)



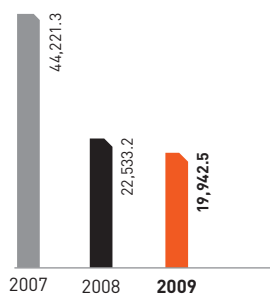
**PROFIT ATTRIBUTABLE TO  
EQUITY HOLDERS OF  
THE COMPANY**  
(RM Million)



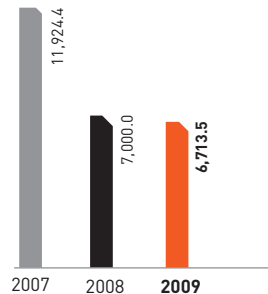
**TOTAL SHAREHOLDERS'  
EQUITY**  
(RM Million)



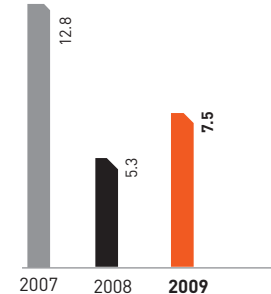
**TOTAL ASSETS**  
(RM Million)



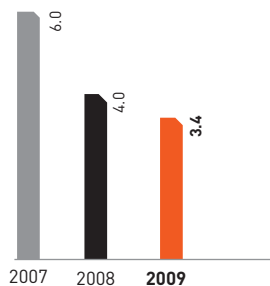
**TOTAL BORROWINGS**  
(RM Million)



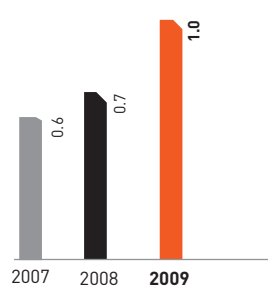
**RETURN ON  
SHAREHOLDERS' EQUITY**  
(%)

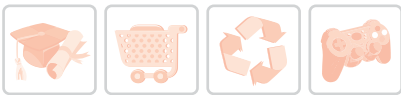


**RETURN ON TOTAL ASSETS**  
(%)



**DEBT EQUITY RATIO**





| In RM Million   | 2007      | 2008      | 2009      |
|---|-----------|-----------|-----------|
| <b>OPERATING RESULTS</b>                                |           |           |           |
| 1. Operating revenue <sup>^</sup>                       | 8,296.0   | 8,674.9   | 8,608.0   |
| 2. Profit before taxation and zakat <sup>^</sup>        | 918.7     | 353.8     | 921.6     |
| 3. Profit for the financial year                        |           |           |           |
| – Continuing operations                                 | 892.9     | 276.2     | 673.3     |
| – Discontinued operations                               | 1,738.7   | 624.9     | —         |
| 4. Profit attributable to equity holders of the Company |           |           |           |
| – Continuing operations                                 | 856.7     | 229.3     | 643.0     |
| – Discontinued operations                               | 1,691.0   | 562.6     | —         |
| <b>KEY BALANCE SHEET DATA</b>                           |           |           |           |
| 1. Total shareholders' equity#                          | 19,802.1  | 10,248.1  | 6,987.5   |
| 2. Total assets#  | 44,221.3  | 22,533.2  | 19,942.5  |
| 3. Total borrowings#                                    | 11,924.4  | 7,000.0   | 6,713.5   |
| <b>SHARE INFORMATION</b>                                |           |           |           |
| 1. Per share  |           |           |           |
| Earnings (basic)  | 74.4 sen  | 23.0 sen  | 18.3 sen  |
| Gross dividend*   | 113.0 sen | 26.3 sen  | 23.0 sen  |
| Net assets  | 575.7 sen | 296.5 sen | 197.2 sen |
| 2. Share price information                              |           |           |           |
| High>   | RM11.80   | RM3.70    | RM4.00    |
| Low   | RM9.20    | RM2.54    | RM2.60    |
| <b>FINANCIAL RATIO</b>                                  |           |           |           |
| 1. Return on shareholders' equity                       | 12.8%     | 5.3%      | 7.5%      |
| 2. Return on total assets                               | 6.0%      | 4.0%      | 3.4%      |
| 3. Debt equity ratio                                    | 0.6       | 0.7       | 1.0       |
| 4. Dividend cover*                                      | 0.7       | 0.9       | 0.8       |

<sup>^</sup> Operating revenue and profit before taxation and zakat for 2007 were re-presented to exclude the results of Axiata Group (formerly known as TMI Group) pursuant to the demerger.

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

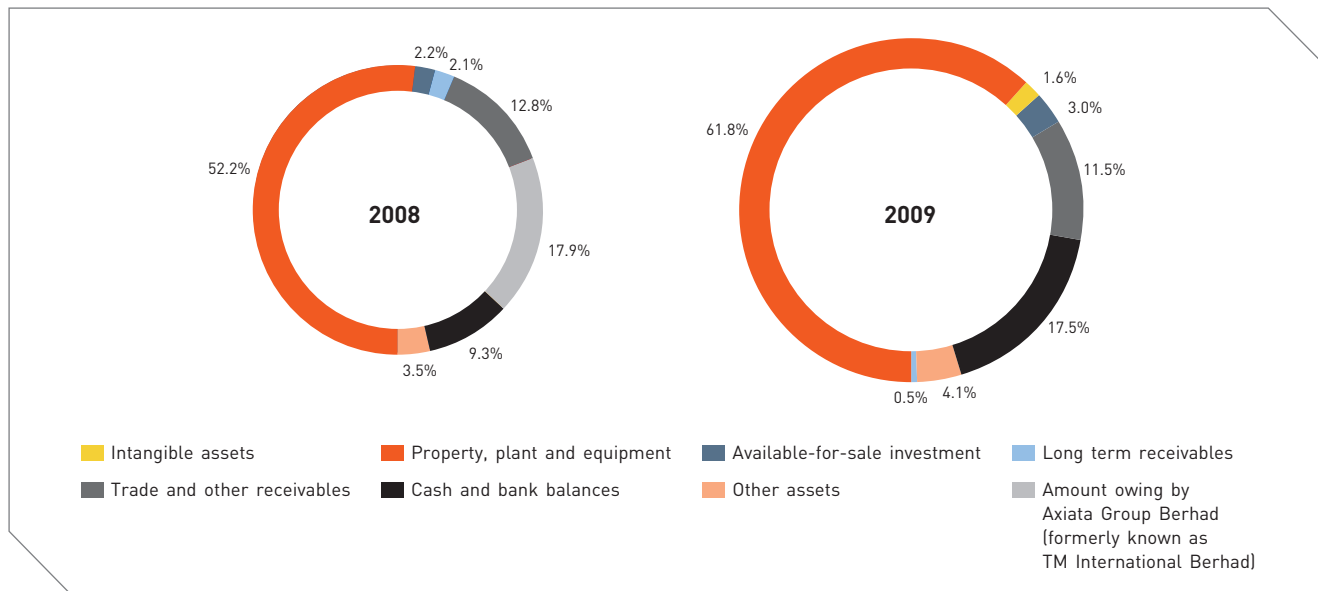
\* 2007 includes special gross dividend of 65.0 sen per share declared on 10 December 2007 and paid on 31 January 2008.

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

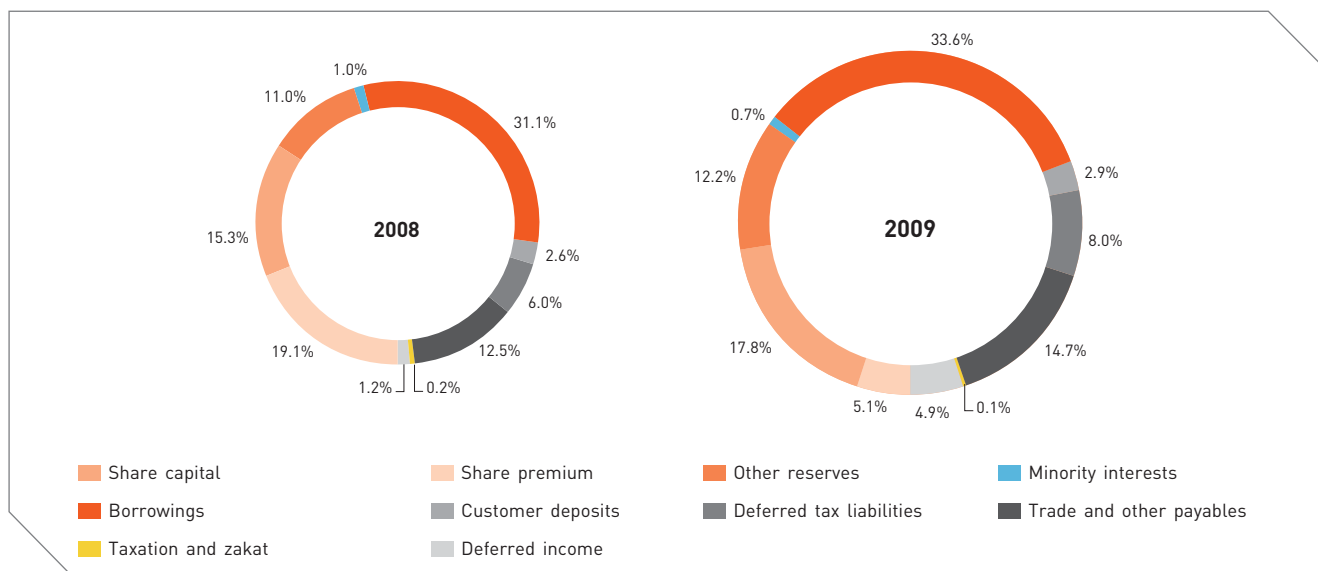
# SIMPLIFIED GROUP BALANCE SHEETS & SEGMENTAL ANALYSIS

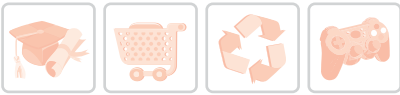


## TOTAL ASSETS

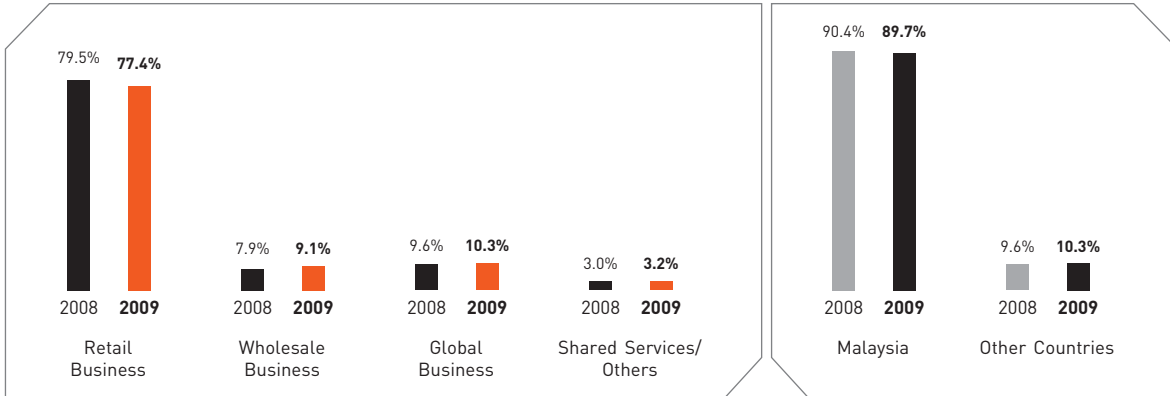


## TOTAL LIABILITIES & SHAREHOLDERS' EQUITY

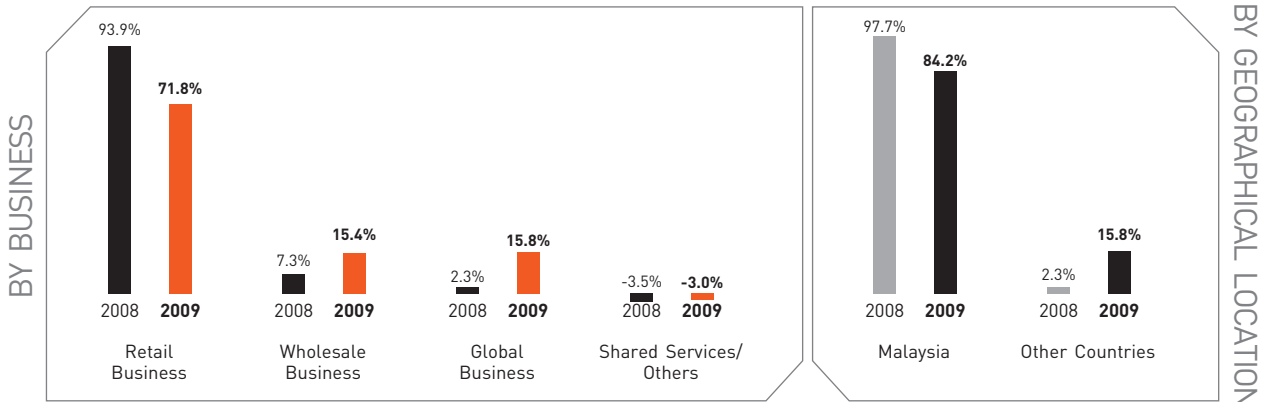




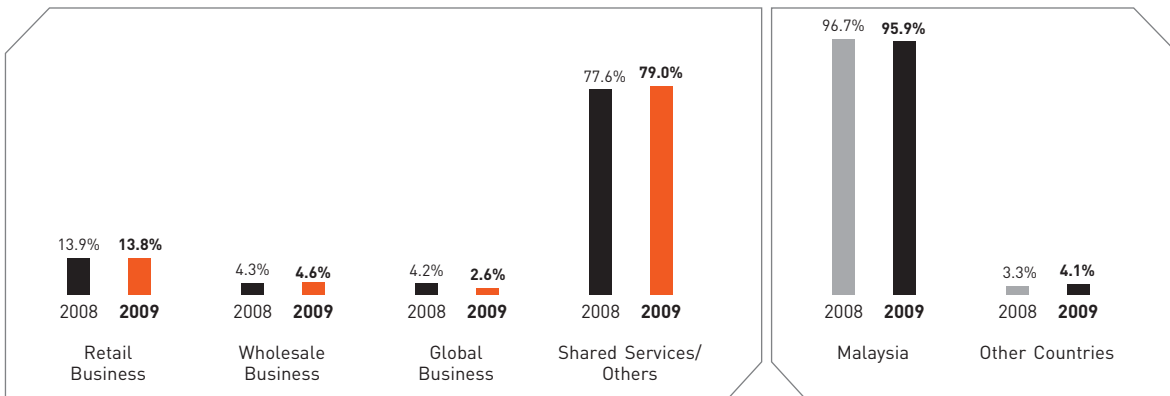
SEGMENT OPERATING REVENUE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER



SEGMENT RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER



SEGMENT ASSETS AS AT 31 DECEMBER



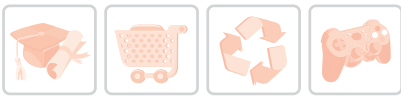
# GROUP QUARTERLY FINANCIAL PERFORMANCE



| In RM Million   | 2009          |                |               |                |                |
|---|---------------|----------------|---------------|----------------|----------------|
|   | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year 2009      |
| Operating revenue   | 2,105.4       | 2,129.0        | 2,101.0       | 2,272.6        | <b>8,608.0</b> |
| Operating profit before finance cost  | 296.5         | 293.0          | 212.3         | 262.8          | <b>1,064.6</b> |
| Profit before taxation and zakat  | 91.3          | 358.9          | 217.8         | 253.6          | <b>921.6</b>   |
| Profit attributable to equity holders of the Company from continuing operations | 27.7          | 266.0          | 179.1         | 170.2          | <b>643.0</b>   |
| Basic earnings per share (sen) from continuing operations                       | 0.8           | 7.6            | 5.1           | 4.8            | <b>18.3</b>    |
| Gross dividend per share (sen)  | —             | 10.0           | —             | 13.0           | <b>23.0</b>    |

| In RM Million   | 2008          |                |               |                |                |
|---|---------------|----------------|---------------|----------------|----------------|
|   | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year 2008      |
| Operating revenue   | 2,005.9       | 2,109.2        | 2,062.0       | 2,497.8        | <b>8,674.9</b> |
| Operating profit before finance cost                        | 116.6         | 246.1          | 74.2          | 292.5          | <b>729.4</b>   |
| Profit/(loss) before taxation and zakat                     | 109.3         | 128.8          | (138.1)       | 253.8          | <b>353.8</b>   |
| Profit/(loss) attributable to equity holders of the Company |               |                |               |                |                |
| – Continuing operations                                     | 114.4         | 114.7          | (165.8)       | 166.0          | <b>229.3</b>   |
| – Discontinued operations                                   | 405.3         | 158.5          | —             | (1.2)          | <b>562.6</b>   |
| Basic earnings per share (sen) #                            |               |                |               |                |                |
| – Continuing operations                                     | 3.3           | 3.3            | (4.8)         | 4.8            | <b>6.7</b>     |
| – Discontinued operations                                   | 11.8          | 4.6            | —             | —              | <b>16.3</b>    |
| Gross dividend per share (sen)                              | —             | 12.0           | —             | 14.3           | <b>26.3</b>    |

# Includes effect of cumulative rounding.



# GROUP FINANCIAL REVIEW

## OPERATING REVENUE

For the financial year ended 31 December 2009, the Group's operating revenue decreased marginally by 0.8% to RM8,608.0 million from RM8,674.9 million registered in 2008. The decrease in revenue was largely attributed to lower revenue from voice services and special project, MERS 999 in the current financial year. Increased revenue from Internet and multimedia and data services has offset the above reduction.

### Voice revenue

Voice revenue comprises revenue from business telephony (also includes ISDN, interconnect, international inpayment) and residential telephony. In tandem with the global trend of continuing migration to cellular and Internet-based communications, voice revenue registered a decline of 9.3% to RM4,000.7 million in the current financial year.

Resulting from the decline, voice revenue's contribution to the Group's operating revenue reduced to 46.5% as compared to 50.9% in 2008. Consequently, the contribution from non-voice services which comprise Internet and multimedia, data, other telecommunications and non-telecommunications related services of 53.5% [2008: 49.1%] surpassed voice as the major revenue contributor.

### Internet and multimedia services

Despite fierce competition in the broadband space following the entry of more players during the financial year, the Group continued to win new customers and maintain its leadership position in the broadband segment. Revenue from Internet and multimedia for the current financial year registered encouraging year-on-year revenue growth of 8.8% to RM1,606.6 million as compared to RM1,476.8 million recorded in the preceding financial year. The broadband customer base was up 11.8% to 1.4 million customers in 2009.

Internet and multimedia services contributed 18.7% to the Group's operating revenue in the current financial year, higher than the 17.0% contribution in 2008.

### Data services

Data services which mainly comprise leased services, COINS, IPVPN and frame relay, continued to be the driver for growth in the current financial year registering a strong growth of 16.0% to RM1,519.4 million from RM1,309.5 million recorded in 2008. The higher revenue was mainly contributed by improved sales in tandem with stronger demand for higher bandwidth services in the domestic and global markets.

Data services contributed 17.6% to the Group's operating revenue, as compared to 15.1% in 2008.

### Other telecommunications related services

Revenue from other telecommunications related services, which primarily include recoverable work orders (RWO), maintenance, broadcasting, restoration of submarine cables, managed network services and enhanced value-added telecommunications services, declined by 0.6% to RM1,175.3 million. The reduction was primarily due to lower revenue from special project, MERS 999 which contributed RM94.9 million in 2009 as compared to RM235.2 million in 2008.

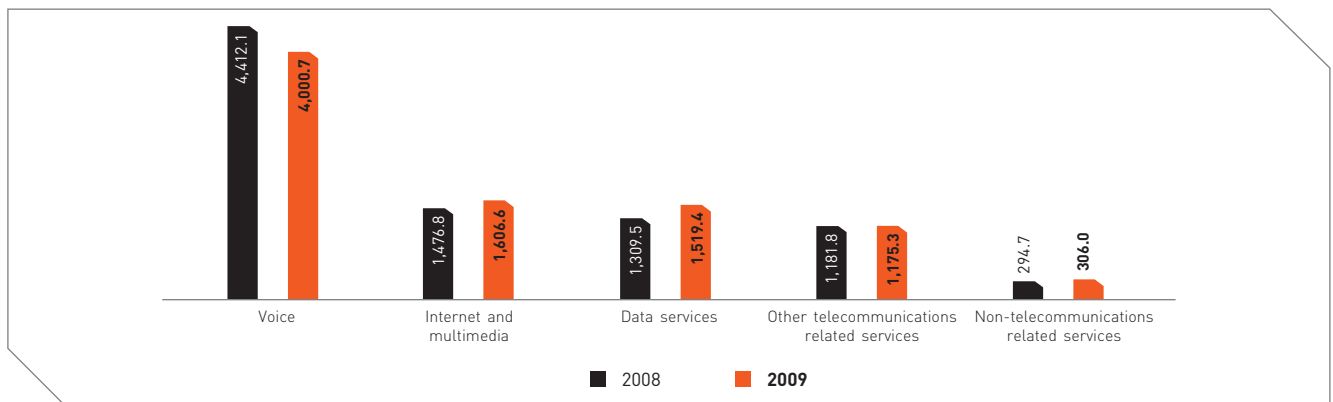
Despite registering lower revenue, the contribution from other telecommunications related services to the Group's operating revenue of 13.6% remains the same as in 2008.

### Non-telecommunications related services

Non-telecommunications related services comprise services of subsidiaries with core businesses in education, printing and publication of directories, property development, trading in consumer equipments, etc. Revenue from this segment of services increased by 3.8% as compared to the preceding financial year, largely attributed to higher revenue from Universiti Telekom Sdn Bhd in line with increase in the number of students.

This segment of services contributed 3.6% [2008: 3.4%] to the Group's operating revenue in the current financial year.

## OPERATING REVENUE (RM Million)







## OPERATING COSTS

For the financial year ended 31 December 2009, the Group's operating costs decreased by 4.1% from RM8,035.4 million recorded in 2008 to RM7,709.5 million in the current financial year primarily due to lower depreciation, impairment and amortisation, domestic interconnect and international outpayment, maintenance and reversal of diminution in value of short term quoted investments. Higher staff costs partially offset the net decrease.

### Depreciation, impairment and amortisation

Depreciation, impairment and amortisation charges comprise of depreciation, impairment and write off of property, plant and equipment (PPE) as well as amortisation of intangible assets. The current year charge of this group of expenditure accounted for 26.4% of total operating costs, decreased by 2.9% to RM2,038.3 million from RM2,098.9 million registered in 2008. The decrease was contributed by lower depreciation charge of RM84.2 million following the revision of useful lives of PSTN switches and ATM DSLAM back to their original useful lives following changes in the migration plan of these assets to the NGN platform, as well as the revision of useful lives of certain network equipments at the Company level. Higher amount of PPE written off/retired and fully depreciated at the Company level also contributed to the lower depreciation charge. Another contributing factor is the lower depreciation charge at Menara Kuala Lumpur Sdn Bhd as the tower was fully depreciated in tandem with the expiry of the tower concession period during the financial year.

The lower depreciation charge was partially offset by the higher write off/retirement of PPE of RM38.7 million in the current financial year as compared to RM14.8 million in 2008.

### Staff costs

The Group's staff costs accounted for 21.2% of total operating costs. In the current financial year, staff costs registered an increase of 2.2% to RM1,631.5 million as compared to RM1,595.7 million in 2008. The increase was primarily attributed to higher salaries and allowances in line with annual increment for 2009 as well as higher bonus provision. Lower cost of share options granted to employees under Special ESOS of RM11.3 million as compared to RM81.5 million in 2008 mitigated the impact of higher salaries, allowances and bonus provision.

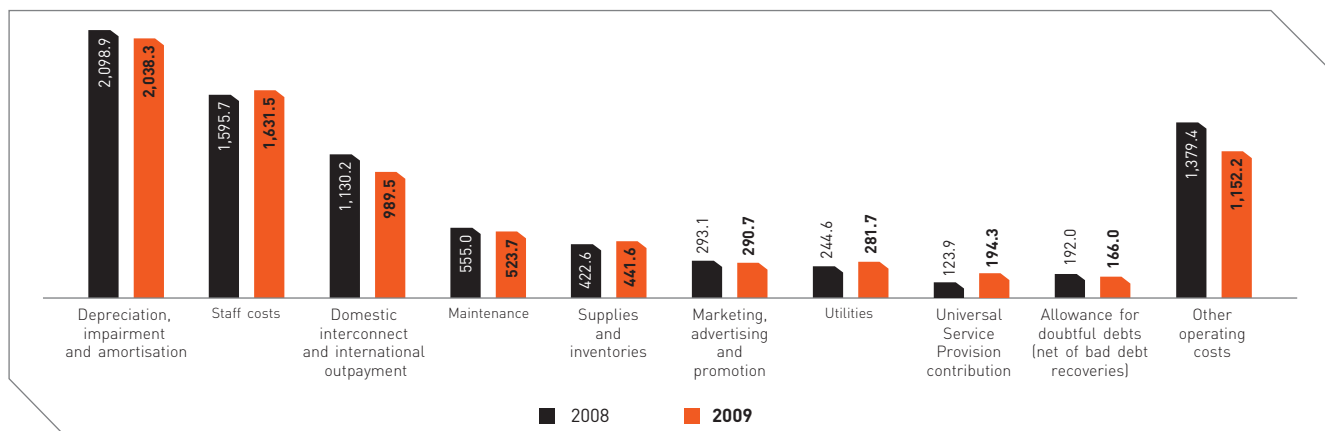
### Domestic interconnect and international outpayment

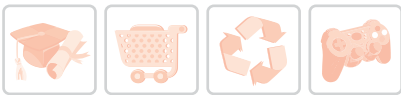
The Group's domestic interconnect and international outpayment reduced by 12.4% to RM989.5 million as compared to RM1,130.2 million recorded in 2008 and accounted for 12.8% of total operating costs. The lower costs were due to higher volume commitment settlement in 2008 as well as lower interconnect outgoing traffic.

### Maintenance

Maintenance cost decreased by 5.6% to RM523.7 million in the current financial year as compared to RM555.0 million in 2008, mainly due to lower cost for special projects in line with lower revenue from other telecommunications related services.

## OPERATING COSTS (RM Million)





### Reversal of diminution in value of short term quoted investments

In line with the improving equity market in the current financial year, the Group reversed RM68.1 million allowance for diminution in value of short term quoted investments as compared to an allowance of RM84.7 million in 2008. This gives rise to a year-on-year reduction of 180.4% (RM152.8 million).

### OTHER OPERATING INCOME

Other operating income declined by 7.1% from RM178.7 million in 2008 to RM166.1 million in 2009 primarily due to higher loss on disposal of short term quoted investments of RM21.6 million, loss on disposal of staff loans of RM18.2 million and lower income from training and related activities. Additionally, the absence of gain on disposal of non-current assets held for sale (RM11.6 million), gain on dilution and disposal of subsidiaries (RM5.2 million) and service tax refund (RM9.5 million) also contributed to the decline.

The gain on disposal of Axiata Group Berhad's (formerly known as TM International Berhad) (Axiata's) rights of RM66.0 million recorded in the current financial year mitigated the impact of the above decline.

### NET FINANCE COST

#### Finance cost

Finance cost for the current financial year of RM356.3 million was 19.5% lower than RM442.5 million recorded in 2008 mainly due to absence of loss on unwinding of long dated swap of RM15.9 million and upfront payment on restructuring of range accrual swaps of RM96.1 million incurred in 2008. The gain on unwinding of swaps of RM41.2 million recorded in the current financial year offset the impact of higher finance cost on TM Islamic Stapled Income Securities as well as the premium incurred on the US Dollar bonds repurchased in 2009.

#### Finance income

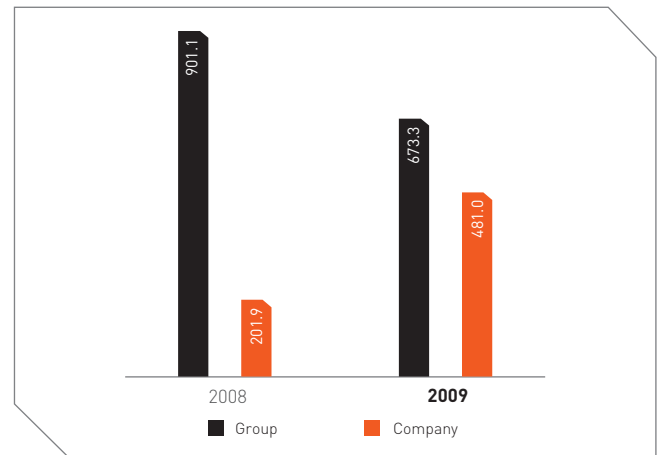
Finance income was down 27.4% to RM172.2 million in 2009 due to lower finance income on RM4,025.0 million owing by Axiata which was fully repaid in April 2009.

#### Foreign exchange on translation of borrowings

In line with the weakening US Dollar, the Group recorded foreign exchange gain of RM40.5 million in 2009 on translation of US Dollar denominated borrowings as compared to a loss of RM170.0 million in 2008.

Consequent from the above, the Group's net finance cost reduced significantly to RM143.6 million from RM375.2 million registered in 2008.

### PROFIT FOR THE FINANCIAL YEAR (RM Million)



### TAXATION EXPENSE

The Group's effective tax rate in 2009 was 27.4% as compared to 18.3% in 2008 primarily due to 2008 included higher reversal of excess prior years' provisions. Excluding the adjustments in respect of prior years, the current year effective tax rate would be 26.8%, slightly higher than the statutory tax rate, primarily attributed to expenses not deductible for tax purposes.

### PROFITABILITY

Consequent from lower operating costs and foreign exchange gain on borrowings, the Group's profit for the financial year from continuing operations surged 143.8% to RM673.3 million from RM276.2 million recorded in 2008. The profit for the preceding financial year of the Group of RM901.1 million included the results of Axiata Group of RM624.9 million. Axiata Group was demerged from the Group on 25 April 2008.

### TOTAL ASSETS

Total assets of the Group stood at RM19,942.5 million at end of 2009, a 11.5% reduction from RM22,533.2 million a year ago mainly due to full repayment of amount owing by Axiata of RM4,025.0 million in April 2009, of which a substantial portion (RM3,462.7 million) was distributed to shareholders under a capital repayment exercise. Increase in property, plant and equipment, available-for-sale investment and cash and bank balances partially offset the above reduction.



### Property, plant and equipment (PPE)

The carrying amount of the Group's PPE rose by 4.7% to RM12,329.9 million as compared to RM11,772.1 million at the preceding financial year end in line with increased capital expenditure primarily attributed to the High Speed Broadband (HSBB) project, which was higher than depreciation charge and write off/retirement during the financial year.

### Trade and other receivables

Trade and other receivables reduced by 21.0% to RM2,284.0 million from RM2,891.3 million in 2008, mainly attributed to improved collection and refund of tax recoverable at the Company level.

### Cash and bank balances

Cash and bank balances surged by 66.6% to RM3,490.7 million in 2009 as compared to RM2,095.2 million at end of 2008. The increase was primarily due to the full repayment from Axiata of RM4,025.0 million, net cash inflow generated from operating activities, receipt of government contribution for purchase of PPE and proceeds from the exercise of Special ESOS, were higher than the cash outflow for capital repayment, payment of interim and final dividends for financial year 2009 and 2008 as well as payment for purchase of PPE.

## TOTAL LIABILITIES

The total liabilities of the Group increased by 6.3% to RM12,812.5 million at end of 2009 from RM12,058.6 million at the end of 2008 mainly due to higher deferred income and deferred tax liabilities. Deferred income comprised government funding for Universal Service Provision and HSBB projects, which will be amortised on straight line basis over the estimated useful lives of the related assets. The increase in deferred tax liabilities was mainly attributed to higher temporary difference between the carrying value and the tax written down value of PPE especially for information, communications and technology (ICT) assets, arising from accelerated claim of capital allowances of 100.0% in the year of acquisition but the annual depreciation charge of the ICT assets remain unchanged.

### Borrowings

The Group's borrowings of RM6,713.5 million was 4.1% lower as compared to RM7,000.0 million at end of 2008. The reduction was mainly due to repayments of borrowings and repurchase of bonds, being higher than new borrowings obtained during the financial year. The gain on translation of US Dollar borrowings also contributed to the reduction.

## SHAREHOLDERS' EQUITY

The Group's shareholders' equity dropped to RM6,987.5 million as at 31 December 2009 from RM10,248.1 million as at last financial year end. The decrease was primarily due to the capital repayment and appropriation of 2008 final dividend and 2009 interim dividend, being greater than the current financial year profit attributable to equity holders of the Company of RM643.0 million. Increase in share capital and share premium pursuant to employees exercising their share options under Special ESOS partially offset the decrease.

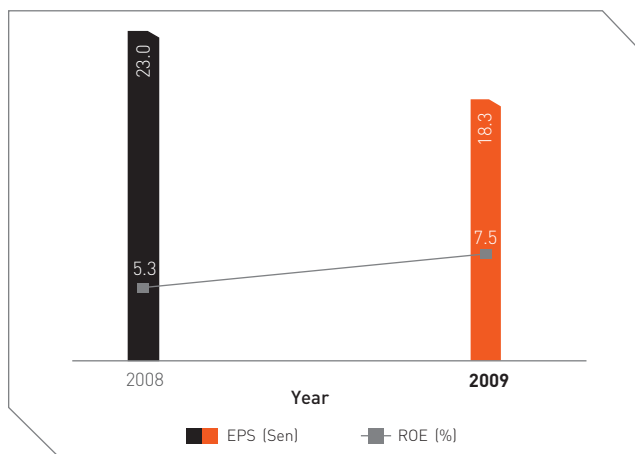
### Earnings per share (EPS) and return on shareholders' equity (ROE)

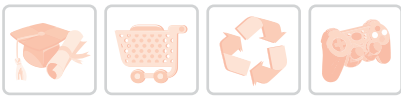
Consequent from higher profit from continuing operations attributable to the equity holders of the Company for current financial year, the basic EPS from continuing operations rose from 6.7 sen in 2008 to 18.3 sen in 2009. Discontinued operations contributed 16.3 sen to the Group's basic EPS in 2008. Accordingly, ROE also increased from 5.3% in 2008 to 7.5% in 2009.

### Dividends

For the current financial year ended 31 December 2009, an interim tax exempt dividend of 10.0 sen per share was paid on 29 September 2009 to shareholders whose names appeared in the Register of Members and Record of Depositors on 10 September 2009. Together with the proposed final gross dividend of 13.0 sen per share less tax at 25.0% subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, the total dividend payout would be RM706.5 million. This is in line with the Company's dividend payout policy of RM700.0 million or up to 90.0% of normalised profit attributable to equity holders, whichever is higher.

## EPS AND ROE





# STATEMENT OF VALUE ADDED

Annual Report  
2009

TELEKOM MALAYSIA BERHAD

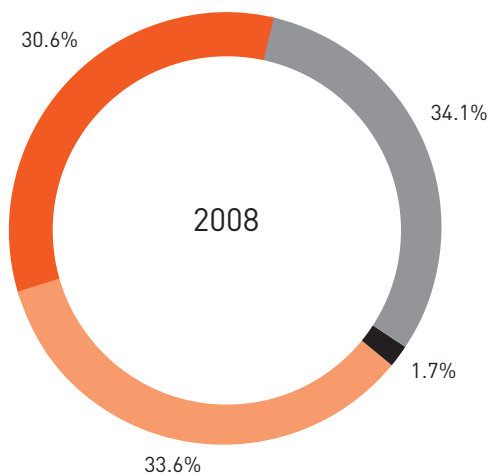
47

Value added is a measure of wealth created. The following statement shows the Group's value added for 2008 and 2009 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.

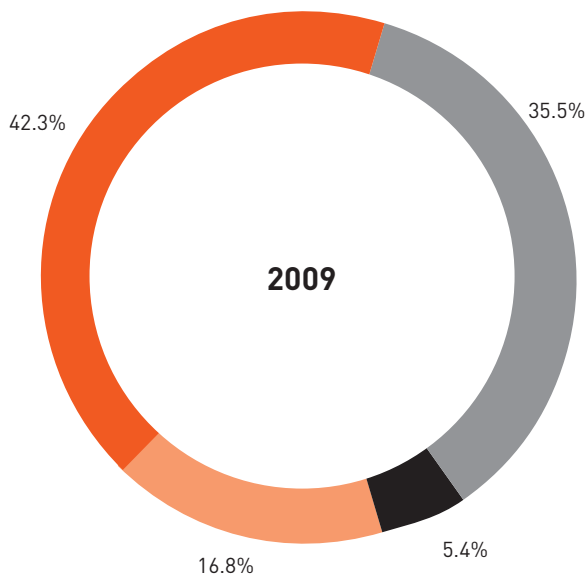
|   | 2008<br>RM Million | 2009<br>RM Million |
|---|--------------------|--------------------|
| <b>VALUE ADDED</b>  |                    |                    |
| Revenue   | 8,674.9            | 8,608.0            |
| Purchase of goods and services  | (4,278.5)          | (4,039.7)          |
| Value added by the Group  | 4,396.4            | 4,568.3            |
| Loss on disposal of an equity investment  | (88.8)             | —                  |
| Other operating income (net)  | 178.7              | 166.1              |
| Finance income  | 237.3              | 172.2              |
| Finance cost  | (442.5)            | (356.3)            |
| Foreign exchange (loss)/gain on borrowings  | (170.0)            | 40.5               |
| Share of results of associates  | (0.4)              | 0.6                |
| Profit from discontinued operations attributable to equity holders of the Company | 562.6              | —                  |
| Value added available for distribution  | 4,673.3            | 4,591.4            |
| <b>DISTRIBUTION</b>   |                    |                    |
| To Employees  |                    |                    |
| Employment cost   | 1,595.7            | 1,631.5            |
| To Government/Approved Agencies   |                    |                    |
| Taxation and zakat  | 77.6               | 248.3              |
| To Shareholders   |                    |                    |
| Dividends   | 900.1              | 740.0              |
| Minority interests  | 109.2              | 30.3               |
| Distribution of profit of discontinued operations as part of dividend in specie   | 562.6              | —                  |
| Retained for reinvestment and future growth                                       |                    |                    |
| Depreciation, impairment and amortisation   | 2,098.9            | 2,038.3            |
| Retained profits  | (670.8)            | (97.0)             |
| Total distributed   | 4,673.3            | 4,591.4            |

# DISTRIBUTION OF VALUE ADDED

(RM MILLION)



- To Employees - Employment cost **1,595.7**
- To Government / Approved Agencies - Taxation and Zakat **77.6**
- To Shareholders - Dividends, minority interests and distribution of profit of discontinued operations as part of dividend in specie **1,571.9**
- Retained for reinvestment and future growth - Depreciation, impairment, amortisation and retained profits **1,428.1**



- To Employees - Employment cost **1,631.5**
- To Government / Approved Agencies - Taxation and Zakat **248.3**
- To Shareholders - Dividends and minority interests **770.3**
- Retained for reinvestment and future growth - Depreciation, impairment, amortisation and retained profits **1,941.3**



# LEADERSHIP



- 50 Board Of Directors
- 52 Profile Of Directors
- 60 Group Leadership Team
- 62 Profile Of Group Leadership Team

LEADERSHIP  
**BOARD  
OF DIRECTORS**



*FROM RIGHT TO LEFT*

**RICCARDO RUGGIERO**  
(INDEPENDENT NON-EXECUTIVE DIRECTOR)

**DATO' IR ABDUL RAHIM ABU BAKAR**  
(INDEPENDENT NON-EXECUTIVE DIRECTOR)

**DATUK DR HALIM SHAFIE**  
CHAIRMAN  
(NON-INDEPENDENT NON-EXECUTIVE DIRECTOR)

**DATO' DANAPALAN T.P. VINGGRASALAM**  
(SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR)

**TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN**  
(NON-INDEPENDENT NON-EXECUTIVE DIRECTOR)

**IBRAHIM MARSIDI**  
(INDEPENDENT NON-EXECUTIVE DIRECTOR)

**QUAH POH KEAT**  
(INDEPENDENT NON-EXECUTIVE DIRECTOR)

**IDRUS ISMAIL**  
COMPANY SECRETARY



FROM LEFT TO RIGHT

**DATO' ZALEKHA HASSAN**  
(NON-INDEPENDENT NON-EXECUTIVE DIRECTOR)

**YB DATUK NUR JAZLAN TAN SRI MOHAMED**  
(INDEPENDENT NON-EXECUTIVE DIRECTOR)

**DATO' ZAMZAMZAIRANI MOHD ISA**  
MANAGING DIRECTOR/  
GROUP CHIEF EXECUTIVE OFFICER  
(NON-INDEPENDENT EXECUTIVE DIRECTOR)

**DATUK BAZLAN OSMAN**  
EXECUTIVE DIRECTOR/  
GROUP CHIEF FINANCIAL OFFICER  
(NON-INDEPENDENT EXECUTIVE DIRECTOR)

**DR FARID MOHAMED SANI**  
(ALTERNATE DIRECTOR TO TUNKU DATO'  
MAHMOOD FAWZY TUNKU MUHIYIDDIN)  
(NON-INDEPENDENT NON-EXECUTIVE ALTERNATE  
DIRECTOR)

**ESHAH MEOR SULEIMAN**  
(ALTERNATE DIRECTOR TO DATO' ZALEKHA HASSAN)  
(NON-INDEPENDENT NON-EXECUTIVE ALTERNATE  
DIRECTOR)

**ZAITON AHMAD**  
JOINT COMPANY SECRETARY



LEADERSHIP  
**PROFILE  
OF DIRECTORS**



**DATUK DR HALIM SHAFIE**

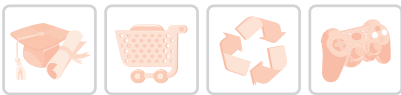
Datuk Dr Halim, aged 61, a Malaysian, was appointed Non-Independent Non-Executive Chairman of TM on 31 July 2009. He graduated with a Bachelor of Economics (Hons) from University of Malaya in 1972 and obtained a Masters in Economic Development from University of Pittsburgh in 1980. This was followed with a Ph.D in Information Transfer from Syracuse University in 1988. In addition, he also completed professional courses in Systems Analysis and Design at the National Institute of Public Administration (INTAN) in 1976, Management Education Program at Indian Institute of Management, Ahmedabad, India in 1977 and Advanced Management at Harvard Business School in 2000.

Datuk Dr Halim has served the Government in various capacities. He started his career in the Ministry of Education in 1972 followed by appointments at INTAN in 1976, Malaysian Administrative Modernization and Management Planning Unit (MAMPU) in the Prime Minister's Department in 1987 and was posted back as Director of INTAN in 1994.

Datuk Dr Halim later took on the position of Deputy Secretary General 1, Communications and Multimedia Sector in 1999 before moving on to become Secretary General, Ministry of Energy, Water and Communications in 2000. He was appointed Chairman of the Malaysian Communications and Multimedia Commission (MCMC) on 3 April 2006, where he served until May 2009.

Over the last 15 years, Datuk Dr Halim has served on many boards, including Tenaga Nasional Berhad, Pos Malaysia Berhad and Multimedia Development Corporation Sdn Bhd. He is currently the Chairman of Universiti Telekom Sdn Bhd and GITN Sdn Berhad, wholly-owned subsidiaries of TM. He also holds office as a council member of the Malaysian National Computer Confederation (MNCC), Adjunct Professor of Universiti Utara Malaysia, Advisory Board Chairman of the National Library, Malaysia, a Director of Malaysian Electronic Clearing Corporation Sdn Bhd (a subsidiary of Bank Negara) and board member of the Malaysian Industry-Government Group for High Technology (MIGHT).

Datuk Dr Halim currently serves as Chairman of TM's Board Dispute Resolution Committee. He has attended all 5 Board of Directors' meetings of the Company held subsequent to his appointment. He is a Non-Executive Director nominated by the Minister of Finance, Inc., the Special Shareholder of TM and has never been charged for any offence within the past 10 years. He has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



**DATO' ZAMZAMZAIRANI  
MOHD ISA**

Dato' Zamzamzairani, aged 49, a Malaysian, was appointed Non-Independent Executive Director and assumed the position of Managing Director/Group Chief Executive Officer of TM on 25 April 2008. He holds a Bachelor of Science in Communication Engineering from Plymouth Polytechnic, United Kingdom, and had attended the Kellogg School of Management's programme in Corporate Finance, Strategies for Creating Shareholder Value.

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

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

As the Group CEO, he also sits on the Board Tender Committee of TM. He has attended all 11 Board of Directors' meetings of the Company held during the financial year. He is an Executive Director nominated by the Minister of Finance, 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

DATO' ZALEKHA HASSAN

Datuk Bazlan, aged 46, a Malaysian, was appointed Non-Independent Executive Director of TM on 25 April 2008. He is currently the Group Chief Financial Officer of TM. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA).

He began his career as an auditor with a public accounting firm in 1986 and subsequently served the Sime Darby Group, holding various positions in its corporate office in Kuala Lumpur, Singapore and Melaka. In 1993, he had a brief stint in American Express before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed Senior Vice President, Finance/ Company Secretary. He joined Celcom Axiata Berhad (*formerly known as Celcom (Malaysia) Berhad*) in 2001 as the Chief Financial Officer (CFO) prior to his appointment as TM Group CFO on 1 May 2005. Effective 1 November 2009, he also oversees the operations of Global, Wholesale and Support Business. Datuk Bazlan sits on the Boards of several subsidiaries within the TM Group and is also a member of the Issues Committee of the Malaysian Accounting Standards Board (MASB).

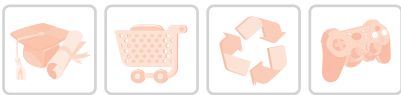
He is the alternate member to Dato' Zamzamzairani Mohd Isa on TM's Board Tender Committee and a member of TM's Board Dispute Resolution Committee. Datuk Bazlan has attended all 11 Board of Directors' meetings of the Company held during the financial year. He is an Executive Director nominated by the Minister of Finance, Inc., the Special Shareholder of TM. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

Dato' Zalekha, aged 56, a Malaysian, was appointed a Non-Independent Non-Executive Director of TM on 9 January 2008. She graduated with a Bachelor of Arts (Hons) from University of Malaya.

Dato' Zalekha began her career in the Malaysian civil service in 1977, as an Assistant Director in the Training and Career Development Division of the Public Service Department. She continued to serve the Government in numerous ministries including the Ministry of Health, Ministry of Social Welfare and the Ministry of National Unity and Social Development, prior to joining the Ministry of Finance (MoF) in 1997 as its Senior Assistant Director of the Budget Division. She has since continued to serve the MoF in various capacities. Dato' Zalekha was attached to the Government Procurement Division of the MoF for 7 years before taking up her current appointment as the Ministry's Deputy Secretary-General (Management).

Dato' Zalekha is also a Director of Proton Holdings Berhad and Group.

Dato' Zalekha is currently the Non-Executive Chairperson of TM's Board Tender Committee. She has attended 9 out of 11 Board of Directors' meetings of the Company held during the financial year. She is a Non-Executive Director nominated by the Minister of Finance, 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**

**YB DATUK NUR JAZLAN  
TAN SRI MOHAMED**



Tunku Dato' Mahmood Fawzy, aged 51, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Arts (Hons) in Business Studies from the Polytechnic of Central London, a Masters in Business Administration (MBA) from Warwick University, and a Diploma in Marketing from the Chartered Institute of Marketing. He is also a member of the Malaysian Institute of Management (MIM).

Tunku Dato' Fawzy has accumulated more than 20 years of international work experience in companies spanning various industries, from banking, information technology and investment holdings to shipping, and oil and gas. He joined Khazanah Nasional Berhad (Khazanah) as a Director, Investments in May 2007 and is currently an Executive Director, Investments at Khazanah.

He also sits on the board of Pos Malaysia Berhad.

Tunku Dato' Fawzy is currently the Non-Executive Chairman of TM's Board Nomination and Remuneration Committee and a member of the Board Audit Committee. He has attended 9 out of 11 Board of Directors' meetings of the Company held during the financial year. Tunku Dato' Fawzy is a Non-Executive Director nominated by the Company's major shareholder, Khazanah, and has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

YB Datuk Nur Jazlan, aged 44, a Malaysian, was appointed an Independent Non-Executive Director of TM on 1 June 2004. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom. He was a Council Member and Chairman of the Public Relations Committee of the Malaysian Institute of Accountants (MIA) as well as a Council Member of the Asean Federation of Accountants (AFA).

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

He is also a Director of United Malayan Land Berhad, Prinsiptek Corporation Berhad, Jaycorp Berhad, TSH Resources Berhad and Ekowood International Berhad.

YB Datuk Nur Jazlan served as an Independent Non-Executive member of TM's Board Tender Committee. He has attended 7 out of 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



**DATO' IR ABDUL RAHIM  
ABU BAKAR**

**DATO' DANAPALAN T.P.  
VINGGRASALAM**

Dato' Ir Abdul Rahim, aged 64, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He graduated from the Brighton College of Technology, United Kingdom with a Bachelor of Science (Hons) Electrical Engineering in 1969. He is a member of the Institute of Engineers, Malaysia and is a Professional Engineer, Malaysia (P.Eng). He also holds the Electrical Engineer Certificate of Competency Grade 1.

Dato' Ir Abdul Rahim began his career in 1969 with the then National Electricity Board, where he held various technical and engineering positions until he joined Pernas Charter Management Sdn Bhd, a management company for the tin mining industry, in 1979. From late 1983 to 1991, he served Malaysia Mining Corporation Berhad (MMC) in various senior positions. Later, from 1991 to 1995, he moved on to MMC Engineering Services Sdn Bhd and subsequently to MMC Engineering Group Berhad as the Managing Director. In May 1995, he joined Petroliam Nasional Berhad (Petronas) as Managing Director of Petronas Gas Berhad and was made Vice President of Petronas' Petrochemical Business in 1999. He retired on 31 August 2002.

He is currently Chairman of UEM Builders Berhad and Opus Group Berhad. He also sits on the boards of Scomi Engineering Berhad and UEM Group Berhad.

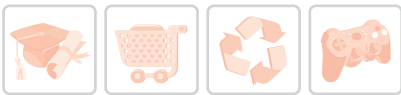
Dato' Ir Abdul Rahim served as an Independent Non-Executive member of the Board Nomination and Remuneration Committee. He has attended 10 out of 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

Dato' Danapalan, aged 67, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He was made a Senior Independent Director of TM on 21 May 2009. He holds a Bachelor of Arts (Hons) from the University of Malaya and a Masters in Public Administration from Penn State, USA.

He was previously Chairman of the Malaysian Communications and Multimedia Commission (MCMC) from February 2004 until his retirement in March 2007. Dato' Danapalan was Senior Vice President of the Multimedia Development Corporation Sdn Bhd (MDeC) from June 1998 to January 2004. Before this, he served as Secretary-General of the Ministry of Science, Technology and Environment from December 1991 until March 1998. He also served as Deputy Secretary-General of the Ministry of Social and Community Development and as Deputy Director of the National Institute of Public Administration.

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

He currently serves as an Independent Non-Executive member of the Board Nomination and Remuneration Committee, Board Audit Committee and Board Dispute Resolution Committee of TM. Dato' Danapalan has attended all 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.



**IBRAHIM MARSIDI**

**QUAH POH KEAT**



Ibrahim, aged 57, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Economics (Analytical) (Hons) from the University of Malaya.

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

Ibrahim currently serves as an Independent Non-Executive member of the Board Nomination and Remuneration Committee and Board Audit Committee of TM. He has attended all 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

Quah Poh Keat, aged 57, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He is a Fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants (ACCA); and a member of the Malaysian Institute of Accountants (MIA), the Malaysian Institute of Certified Public Accountants (MICPA) and the Chartered Institute of Management Accountants (CIMA).

Quah was made a partner of KPMG Malaysia on 1 October 1982 and a Senior Partner responsible for the daily operations of KPMG Malaysia from 1 October 2000 to 30 September 2007. Prior to taking up the position of Senior Partner (Managing Partner), he was in charge of the Tax Practice and the Japanese Practice in KPMG Malaysia. He was a member of the KPMG Japanese Practice Council, the governing body within KPMG International that looks after its Japanese Practices worldwide. He was a board member of KPMG Asia Pacific and a member of the KPMG International Council. Quah was also Vice-President of the Malaysian Institute of Taxation. He retired from KPMG on 31 December 2007.

He is also an independent non-executive director of IOI Corporation Berhad, PLUS Expressways Berhad, Public Investment Bank Berhad, Public Bank Berhad, Public Mutual Berhad, Public Islamic Bank Berhad, Lonpac Insurance Berhad and LPI Capital Berhad. He is also a Trustee of Yayasan Tan Sri Lee Shin Cheng and a member of the Federation of Malaysian Manufacturers Economic Fiscal Policies Committee.

Quah currently serves as an Independent Non-Executive Chairman of TM's Board Audit Committee. He has attended all 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

LEADERSHIP  
**PROFILE  
OF DIRECTORS**



**RICCARDO RUGGIERO**

**ESHAH MEOR SULEIMAN**

Riccardo, aged 49, an Italian, was appointed Independent Non-Executive Director of TM on 18 August 2008. He graduated from Rome University La Sapienza with a Doctor in Law. He is currently a Director of Value Partners SpA and a Senior Adviser of Permira Association SpA based in Milan, Italy.

Riccardo began his career in 1986, as a Sales Manager at Fininvest, Mediaset Group. In 1991, he joined the Olivetti Group serving in various capacities including Vice President for International Client and Business Development of Telecommunications Service Worldwide, Marketing and Business Development. His last position during his 11 years with the Olivetti Group was Chief Executive Officer (CEO) of Infostrada SpA (a joint venture between Olivetti and Mannesman), responsible for the transformation of the start-up company into the first alternative wireline and Internet competitor to Telecom Italia.

In 2001, Riccardo joined Telecom Italia as President of its Wireline Business Unit, responsible for managing and developing the wireline and Internet broadband business worldwide. He was appointed CEO of Telecom Italia Group in October 2005, a position he held until December 2007. As CEO, he was responsible for the management and development of Telecom Italia's fixed, mobile, broadband and digital media business worldwide. Riccardo also has extensive experience in the management and development of content in a multi-platform environment, including IPTV, mobile TV, digital terrestrial television and multimedia broadband portal.

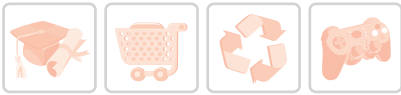
Riccardo has attended all 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or major shareholder of the Company nor any conflict of interest with the Company.

Eshah, aged 55, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Dato' Zalekha Hassan on 11 March 2009. She graduated with a Bachelor of Economics (Hons) from University of Malaya in 1980 and obtained a Diploma in Public Administration from the National Institute of Public Administration in 1981. She later obtained a Masters in Business Administration (MBA) in Finance from the Oklahoma City University, USA, in 1994.

Eshah began her career in the Malaysian civil service in 1981 as an Assistant Director, Macro Economic Section in the Economic Planning Unit of the Prime Minister's Department, and in 1991, she was appointed Assistant Secretary in the Government Procurement Management Division, Ministry of Finance (MoF). Since then, she has held various positions in the MoF, such as Principal Deputy Assistant Secretary and Deputy Under Secretary, before assuming her current position as Under Secretary, Investment, Minister of Finance, Inc. and Privatisation Division in September 2006.

Eshah is also a Director of Pos Malaysia Berhad, Global Maritime Ventures Berhad (a subsidiary of Bank Pembangunan Malaysia Berhad) and a number of private companies.

She is also the alternate member to Dato' Zalekha Hassan on TM's Board Tender Committee. She has attended 2 out of 11 Board of Directors' meetings of the Company held during the financial year in place of her substantive Director. 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.



**DR FARID MOHAMED SANI**



Dr Farid, aged 34, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on 25 April 2008. He holds a Ph.D 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.

Dr Farid is currently Senior Vice President, Managing Director's Office at Khazanah Nasional Berhad (Khazanah) and has been with Khazanah since 2004. He has also served in Khazanah's Transformation Management Office. Prior to that, Dr Farid was a consultant at McKinsey & Company for 2 years.

Dr Farid is a Director of Axiata Group Berhad (*formerly known as TM International Berhad*) [Axiata]. He also sits on the board of several subsidiaries within Axiata Group such as Celcom Axiata Berhad (*formerly known as Celcom (Malaysia) Berhad*).

He is a Non-Executive member of TM's Board Tender Committee. 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.



LEADERSHIP  
**GROUP**  
**LEADERSHIP TEAM**

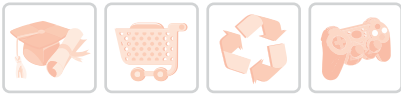


*STANDING FROM LEFT TO RIGHT*

DR FADHLULLAH SUHAIMI ABDUL MALEK □ MOHAMAD ROZAIMY ABD RAHMAN □ GAZALI HARUN □ MARIAM BEVI BATCHA □  
IMRI MOKHTAR □ IDRUS ISMAIL □ ROZALILA ABDUL RAHMAN □ GHAZALI OMAR

*SEATED FROM LEFT TO RIGHT*

GIORGIO MIGLIARINA □ DATO' ZAMZAMZAIRANI MOHD ISA



*STANDING FROM LEFT TO RIGHT*

RAFAAI SAMSI □ FAZLUR RAHMAN ZAINUDDIN □ ZAM ARIFFIN ISMAIL □ HASHIM MOHAMMED □ JEREMY KUNG ENG CHUANG □  
SHANTI JUSNITA JOHARI □ MOHD KHALIS ABDUL RAHIM □ DATO' KAIRUL ANNUAR MOHAMED ZAMZAM

*SEATED FROM LEFT TO RIGHT*

DATUK BAZLAN OSMAN □ AHMAD AZHAR YAHYA

# PROFILE OF GROUP LEADERSHIP TEAM



## DATO' ZAMZAMZAIRANI MOHD ISA

Managing Director/Group Chief Executive Officer

Dato' Zamzamzairani, 49, holds a Bachelor of Science in Communication Engineering from Plymouth Polytechnic, United Kingdom and had attended the Kellogg School of Management's programme in Corporate Finance, Strategies for Creating Shareholder Value. He has a vast experience in the telecommunications industry, having held senior positions in several multinationals such as Global One and Lucent Technologies (Malaysia), where he led the company as the CEO. He joined TM as the Senior Vice President, Group Strategy and Technology in 2005. Before assuming his current role as Managing Director/Group CEO, Dato' Zamzamzairani was the CEO of Malaysia Business, TM. He also sits on the Boards of several TM Group subsidiaries, including as Chairman of VADS Berhad and Deputy Chairman of GITN Sdn Berhad.

## DATUK BAZLAN OSMAN

Executive Director/Group Chief Financial Officer

Datuk Bazlan, 46, is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and also a Chartered Accountant of the Malaysian Institute of Accountants. He is a member of the Issues Committee of the Malaysian Accounting Standards Board. He began his career as an auditor with a public accounting firm in 1986 and subsequently served the Sime Darby Group, holding various positions in its corporate office in Kuala Lumpur, Singapore and Melaka. In 1993, he had a brief stint in American Express before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed Senior Vice President, Finance/Company Secretary. He joined Celcom Axiata Berhad (formerly known as Celcom (Malaysia) Berhad) in 2001 as the Chief Financial Officer (CFO) prior to his appointment as TM Group CFO on 1 May 2005. Datuk Bazlan was later appointed Executive Director of TM on 25 April 2008. He sits on the Boards of several subsidiaries within the TM Group. Effective 1 November 2009, he also oversees the operations of Global, Wholesale and Support Business.

## AHMAD AZHAR YAHYA

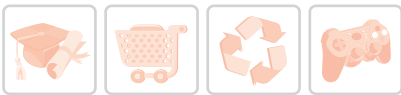
Programme Director HSBB

Ahmad Azhar, 45, holds a Bachelor of Science in Electrical Engineering from Oklahoma State University. He began his career in 1987 as an Engineer in Agilent Technologies (*formerly known as Hewlett Packard*). He then joined management consultants. Accenture in 1990 servicing a portfolio of clients in Malaysia, Asia and the Middle East in various industries from communications to high technology, oil and gas and the public sector. His experience includes strategic planning and change management, business and operations support systems, enterprise resource management, revenue and customer relationship management. He became a Partner at Accenture in 2000 before joining TM as Group Chief Information Officer on 2 August 2004. In 2008, Ahmad assumed the role of Programme Director of the High Speed Broadband (HSBB) programme in TM. He is also a board member of TM Net Sdn Bhd, a subsidiary of TM.

## GIORGIO MIGLIARINA

Chief Technology and Innovation Officer

Giorgio, 41, holds a Masters (Sc) in Electronic Engineering from the Polytechnic University of Turin, Italy and a Masters in Business Administration (MBA) from INSEAD, France. Giorgio has worked extensively for telecom operators, high-tech manufacturers and media companies in Asia, Europe and Central America. Giorgio was most recently a Partner at McKinsey & Company, a management consulting firm advising leading companies on issues of strategy, organisation, technology and operations. While at McKinsey, Giorgio served some of the leading fixed line and mobile operators in the world. Based in Milan, London and recently in Beijing, he led projects on network access optimisation, field maintenance process redesign, and launch of IP-based services. In the mobile sphere, his experiences range from mobile internet services to sales models to business customers. He has also worked for telecom equipment manufacturers, especially on their sales approach for IP-based equipment. Prior to joining McKinsey, Giorgio helped launch Infostrada SpA, Italy's second fixed line operator. His roles included as an associate to the CEO, and Manager of Fibre Planning. Before Infostrada, he worked in Olivetti SpA as a Business Development Manager for Olivetti's telecom ventures. Giorgio was appointed TM's Chief Technology and Innovation Officer on 1 May 2009. He also sits on the board of Telekom Research & Development Sdn Bhd, a subsidiary of TM.



### MOHD KHALIS ABDUL RAHIM

#### Chief Human Capital Officer

Khalis, 46, holds a Masters in Human Resource Management from the University of Canberra, Australia. Khalis has extensive exposure in human capital management having served in several multinational companies. He has almost 20 years of experience in the field of human resource management across different industries. Khalis has been involved in various disciplines of the profession including Organisational Development, Change Management, Performance Management, Industrial Relations, HR Reengineering as well as Talent Development. Before joining TM as the Chief Human Capital Officer on 17 August 2009, Khalis was the Human Resources Director for Freescale Semiconductor, Malaysia, Singapore and Asia Supply Chain, for 3 years. Prior to that, he was with Colgate Palmolive as the Human Resource Director for Malaysia.

### ROZALILA ABDUL RAHMAN

#### Chief Marketing Officer

Rozalila, 48, holds a Bachelor in Food Science & Technology from Universiti Putra Malaysia. She has 21 years of experience in MNCs particularly in marketing and sales of fast moving consumer goods. She started her career in 1989 as a management trainee with Unilever Malaysia and rose within the technical department to become Quality Manager (Foods, Detergents and Personal Products) for Malaysia and Singapore. After 6 years in Technical, she moved to Marketing as Senior Brand Manager. After 10 years with Unilever Malaysia, Rozalila joined Kellogg Asia Marketing as Marketing Manager Innovations for South East Asia. She led in the development and launch of Rice Krispies Treats and Chocos biscuit. In 2001, she joined Reckitt Benckiser as Marketing Manager (Malaysia/Singapore) handling Shieldtox, Mortein, Vanish, Woolite and Fabulon before moving to Bank Simpanan Nasional as Director of Sales & Marketing.

In 2006, Rozalila joined Maxis Communications Berhad as General Manager (Media, Research & Events) in the Consumer Business Division. She led the pitch for Maxis' Creative and Media agency in 2007, negotiated media sponsorship deals for Maxis and Hotlink and managed key marketing events. In 2008, Rozalila headed the Segment Marketing team, managing the Malay market, East Coast and East Malaysia. She joined TM as Chief Marketing Officer on 17 February 2010 and is responsible for Group Marketing, Retail Product, Customer Service Management and Centre of Excellence (Business).

### HASHIM MOHAMMED

#### Group Chief Internal Auditor

Hashim, 51, is the Group Chief Internal Auditor and Secretary to the Board Audit Committee of TM. He is an alumnus of King's College London, having graduated with a Bachelor of Science from Queen Elizabeth College – now part of King's College London. He then qualified as a Chartered Chemist and Chartered Scientist from The Royal Society of Chemistry London. Hashim also holds a Masters in Business Administration (MBA) in International Management from RMIT University, Melbourne. He is currently the President of The Institute of Internal Auditors Malaysia. In addition, he is a member of the Australian Institute of Company Directors and a committee member of the Malaysian Corporate Governance Index, Minority Shareholders Watchdog Group. Hashim has spent 21 years in Shell, holding various management positions spanning marketing, sales, production, operations, logistics, information technology and internal audit. His past responsibilities included providing internal audit services and managing audit teams across the Asia Pacific and Middle East regions. He was also secretary to the audit committee of Shell Refining Company (FOM) Berhad.

### IDRUS ISMAIL

#### Chief Legal, Compliance and Company Secretary

Idrus, 56, obtained his degree in Economics from the University of Malaya in 1977, and a Bachelor of Law from the National University of Singapore in 1987. He has a Certificate in Translation from the National Translation Institute of Malaysia and is currently pursuing an Executive Masters in Islamic Banking at Asia e University. He was called to the Malaysian Bar in 1988.

He started his career as a management trainee with Petronas and brings with him over 30 years of experience mostly in conventional and Islamic financial institutions. He has served in these institutions as Company Secretary as well as In House Counsel. Before joining TM, his most recent roles were as Company Secretary of the CIMB Group, PROKHAS secretarial department (provision of secretarial services to Minister of Finance, Inc. companies) and as Senior Counsel of Islamic Banking and Finance in a major corporate law practice. Idrus joined TM as Chief Legal, Compliance on 1 December 2009 and also assumed the position of Company Secretary with effect from 18 January 2010.

LEADERSHIP  
**PROFILE OF GROUP  
LEADERSHIP TEAM**



**DR FADHLULLAH SUHAIMI ABDUL MALEK**

Vice President, Group Strategy & Regulatory

Dr Fadhulllah, 47, graduated with a medical degree from Universiti Kebangsaan Malaysia in 1988, and holds a Masters of Medicine in Public Health from the National University of Singapore in 1993. He obtained a Masters of Arts in Health Management Planning & Policy (with distinction) from the University of Leeds, United Kingdom in 1996. He served the Ministry of Health for 9 years before joining TM in 1997 as a pioneer at TM Net Sdn Bhd. He has represented TM at the Communications and Multimedia Content Forum of Malaysia (CMCF) since its inception and is currently the Secretary and Exco member of the Content Forum Council. He also sits on the boards of several subsidiaries of TM Group. Dr Fadhulllah was the Vice President, Group Strategy before assuming his current position as the Vice President, Group Strategy and Regulatory on 1 February 2009.

**FAZLUR RAHMAN ZAINUDDIN**

Vice President, Group Business Development

Fazlur Rahman, 40, is a professional accountant by training, and a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom. He started his career with a firm of Chartered Accountants in London and subsequently became a Tax Consultant with Pricewaterhouse Kuala Lumpur from 1993 to 1995.

He then spent 10 years in Shell assuming various management positions ranging from corporate finance and treasury to financial planning and management. His last position in Shell was Finance Manager for Shell Retail Malaysia and Singapore. He joined TM Group in August 2005 as the Chief Financial Officer of TM Net Sdn Bhd. Prior to his current appointment as Vice President, Group Business Development on 1 February 2009, Fazlur Rahman was Vice President, Business Planning & Transformation, responsible for driving improvements in managing the Company's business performance and its operational risks while strengthening internal controls. He also sits on the Boards of several subsidiaries in TM Group.

**IMRI MOKHTAR**

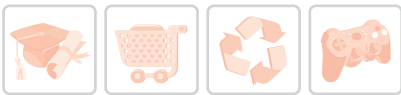
Vice President, Group Programme and Performance Management Office

Imri, 36, graduated in 1996 with First Class Honours in Electronics Engineering and Management Studies (B.Eng) from the University College of London in 1996, where he was on a TM scholarship. He started his career in TM's ASEAN joint-venture company, Acasia, before joining the Kuala Lumpur office of McKinsey & Company, an internationally renowned management consulting firm, serving clients in the financial and telecommunications sector. He later joined Astro, a pay-TV operator, to establish and head its interactive TV business before re-joining TM in August 2005 as the General Manager of Strategy Development. He was made the General Manager, Programme Management Office in 2006 before assuming his current position as the Vice President, Group Programme and Performance Management Office in June 2008.

**RAFAAI SAMSI**

Executive Vice President, Wholesale

Rafaai, 52, obtained a Masters in Communications Management from the University of Strathclyde, United Kingdom in 2005 and prior to that, a Bachelor of Science (Hons.) in Electronic Engineering from Brighton Polytechnic University in 1986, also in the United Kingdom. His career in telecommunications started with the then Jabatan Telekom Malaysia in 1978 as Technical Assistant, where he assumed roles of increasing responsibility within the TM Group. He was appointed Chief Executive Officer of Meganet Communications Sdn Bhd in July 1997 before returning to TM mainstream in July 2001 and assigned as General Manager of a number of divisions including State Business Operations, Market Development and Domestic Carrier Business Division. He was appointed Vice President, Marketing & Sales for the wholesale segment in October 2006 and subsequently promoted to lead the Wholesale Line of Business on 1 July 2008. He also sits as a Board member and an EXCO Chairman of the Malaysian Access Forum Berhad (MAFB) and is on the Board of several subsidiaries in TM.



### MOHAMAD ROZAIMY ABD RAHMAN

Executive Vice President, Global

Rozaimy, 38, obtained a Bachelor in Distributed Computing from the University of East London, and a post graduate degree in Technology Management. He has attended a programme on Advance IP and Technology Management at the AT&T School of Business and Technology. He received early training in telecommunications technology at AT&T Bell Labs in New Jersey, USA.

He has 15 years experience in the telecommunications industry, where he started as a Systems Engineer with AT&T Network Systems before joining Concert Global Network, a joint venture company between AT&T and BT. He moved back to AT&T as Sales Director, AT&T Global Wholesale, responsible for markets in South East Asia and South Asia, before joining TM in 2006 as General Manager of Product Marketing. He was then appointed Vice President of TM Global, responsible for TM Regional offices in the UK, USA, Hong Kong and Singapore before assuming his position as Chief Operating Officer on 1 July 2008. He was later redesignated as Executive Vice President, Global on 1 February 2009. He also serves as a Board member of several subsidiaries in TM.

### JEREMY KUNG ENG CHUANG

Executive Vice President, Consumer/Chief Executive Officer, TM Net Sdn Bhd

Jeremy, 46, holds an Honours Degree in Computer Science from the University of Ottawa, Canada. He has over 20 years of experience in a variety of technical and management roles in IT systems development for media, telecommunications and broadband. He spent 3 years at JWT, an established advertising company and 7 years at Star-TV, a satellite television broadcaster and content provider, before serving more than 10 years at PCCW Limited (PCCW), Hong Kong and its group of companies. In his initial years at PCCW, he was involved in identifying business systems requirements for digital broadband services to the end customers. He was then made the Senior Vice President (SVP) handling PCCW's new IP backbone business where he was required to provide Network Solutions, Business Management, Sales Management as well as monitor networks that PCCW built. His last positions there were as SVP of Customer Advocacy and Chief Information Officer (CIO) of PCCW Global, a business unit of PCCW Limited that sells bandwidth globally.

He joined TM Group as CEO of TM Net Sdn Bhd (TM Net) on 20 May 2008 and was later appointed Executive Vice President, Consumer of TM effective 1 February 2009. His position as the CEO of TM Net remains. Jeremy also sits on the board of several subsidiaries of TM.

### SHANTI JUSNITA JOHARI

Executive Vice President, SME

Shanti Jusnita, 35, holds a Bachelor of Engineering (Electronics) from Vanderbilt University, USA and a Masters in Business Administration (MBA) from Universiti Teknologi Malaysia, both on TM scholarships. Grown from TM's own talent pool, her career has been focused towards building capabilities in the retail telecommunications market. She joined TM in 1997 under the Corporate and Multinational Sales division, where she was involved in various business and operational capacities including key account management, sales and product consultancy. In 2005, Shanti joined the TM Retail Business Strategy & Management office, responsible for the strategic development and management of TM Retail's operations. Subsequently, in July 2007, she was appointed General Manager in the same office before assuming her current position as Executive Vice President, SME on 1 February 2009. Shanti is also a board member of TM Info-Media Sdn Bhd, a subsidiary of TM.

### GHAZALI OMAR

Executive Vice President, Enterprise/Chief Executive Officer, VADS Berhad

Ghazali, 53, holds a Bachelor (Hons) in Electrical & Electronic Engineering from the University of Leeds, United Kingdom and a Masters in Business Administration (MBA) from Multimedia University, Cyberjaya. He has 30 years of experience in the telecommunications industry, beginning his career with the then Jabatan Telekom Malaysia in 1980 as a Planning & Development Engineer specialising in Data Communications. He was later appointed General Manager, Marketing & Sales, TM Net Sdn Bhd, in 2002 and Vice President of Enterprise & Government Sales, TM Retail in 2007 before assuming his current position as Executive Vice President, Enterprise since 1 February 2009. He was appointed Executive Director/CEO of VADS Berhad with effect from 15 March 2009.

LEADERSHIP  
**PROFILE OF GROUP  
LEADERSHIP TEAM**



**DATO' KAIRUL ANNUAR MOHAMED ZAMZAM**

Executive Vice President, Government

Dato' Kairul Annuar, 47, holds a Bachelor in Engineering Science from the University of Western Ontario, Canada. He completed his Masters in Business Administration (MBA) at the Multimedia University, Cyberjaya and attended an Advanced Management Training at INSEAD in 2003. He has over 20 years of experience in the telecommunications industry where he began his career with Jabatan Telekom Malaysia in 1985 as a Human Resources Planning Executive. He has since held various positions in local access, switching and transmission networks. He was appointed General Manager of the Terengganu Operations Area in 1998 and in 2002, elected as Personal Assistant to the Group Chief Executive. In 2004, he was appointed General Manager of Corporate Affairs. He was CEO of Telekom Sales & Services Sdn Bhd prior to his appointment as Vice President, Consumer & Business Sales Division in TM Retail. Dato' Kairul assumed his current position as Executive Vice President, Government on 1 February 2009. He also sits on the Board of GITN Sdn Berhad.

**ZAM ARIFFIN ISMAIL**

Vice President, Support Business

Zam Ariffin, 46, holds a Masters in Professional Accounting from St. Louis University, and a Bachelor of Science in Accounting from Emporia State University, both in the USA. He started his career in 1987 as a Bond Officer at Cagamas Berhad. In 1989, he joined TM in the Corporate Finance Division and was the Assistant General Manager of Financing and Special Projects, before joining Telekom Cellular Sdn Bhd as General Manager of Finance in 1996. From 2000 to 2006, he served in Maxis Communications Berhad as Head and Senior Manager in the Business & Financial Planning Department, Networks Engineering & Operation Division and later in the Contract Management Department, Finance & Administration Division, before returning to TM as General Manager, TM Ventures. Prior to his current position as the Vice President, Support Business, he was the General Manager, Subsidiary Management of Group Business Development & Transformation. He also sits on the Board of a public listed company and several subsidiaries in TM Group.

**GAZALI HARUN**

Group Chief Procurement Officer

Gazali, 51, holds a Bachelor of Science in Finance from the Northern Illinois University, USA and in 1982 obtained a Masters in Business Administration (MBA) from the Governors State University, also in the USA. He gained vast experience in corporate banking and corporate finance while serving at a local merchant bank prior to joining TM in 1990. In TM, he was involved in treasury management, fund raising activities, mergers and acquisitions, investor relations and overseeing the Enterprise Risk Management Programme for the Group. He was the Vice President, Finance of TM Wholesale before assuming his current position as Group Chief Procurement Officer since 1 June 2005.

**MARIAM BEVI BATCHA**

Vice President, Group Corporate Communications

Mariam, 46, holds a Bachelor of Business (Business Administration) with Distinction from RMIT University in Melbourne, Australia and a Diploma in Public Relations from the Institute of Public Relations Malaysia (IPRM). She is a member of IPRM and is among the first batch of PR practitioners to be accredited by IPRM in 2005. Prior to joining TM in September 2004 as General Manager, Group Corporate Communications, she served as the Head of Group Corporate Communications in Amanah Capital Partners Berhad, and later as the General Manager of Group Corporate Communications in United Engineers (Malaysia) Berhad/UEM World Berhad. Mariam assumed her current position as Vice President, Group Corporate Communications effective 1 June 2008.



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# ACCOUNTABILITY





## INTRODUCTION

Corporate governance is a value-driven initiative practised and upheld by Telekom Malaysia Berhad (TM) and its Group of companies. TM believes that good corporate governance is reflected in non-monetary values such as goodwill, trust and confidence, hence is a prerequisite for domestic and international investment. This is considered paramount to maintaining TM's position as an industry leader and a trusted business partner with investors.

As a leading Government-Linked Company (GLC) in Malaysia, TM abides by not only the principles and best practices as set out in the Malaysian Code on Corporate Governance (CG Code), but also the Putrajaya Committee on GLC High Performance (PCG)'s Guidelines to Enhance Board Effectiveness, as codified in the 'Green Book' launched on 26 April 2006, which reinforce the recommendations contained in the CG Code.

Changes as recommended by the PCG to improve the governance of GLCs are based on the following objectives:

- ❑ To refocus the role and mandate of GLC Boards
- ❑ To strengthen GLC Board composition
- ❑ To intensify GLC Board performance management
- ❑ To upgrade Board structure and processes

TM has also taken cognisance of, and adhered to, the amendments to the CG Code which came into effect on 1 October 2007. These amendments enable the Board of Directors and Audit Committees to discharge their respective roles and responsibilities more effectively. TM has also adopted international best practices on Corporate Governance wherever relevant, such as the recommendation by the Higgs Committee in January 2003 on strengthening the role of the Senior Independent Non-Executive Director.

The Board has noted the pertinent recommendations of the Corporate Governance Guide: Towards Boardroom Excellence (CG Guide), launched on 8 June 2009 by Bursa Malaysia Securities Berhad (Bursa Securities), providing further insight into good corporate governance practices, particularly to directors. The CG Guide assists directors in applying the principles and best practices of corporate governance in the

CG Code, focusing on and clarifying the roles and requirements needed to enhance corporate governance practices among boards and committees. It also contributes towards the achievement of corporate goals and enhances stakeholder value. In essence, the CG Guide promotes compliance in both substance and spirit while moving beyond compliance in form by avoiding the box-ticking approach.

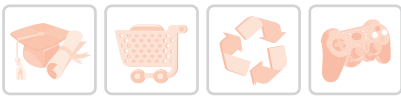
The Board is also updated on the requirements of the Main Market Listing Requirements of Bursa Securities (Main LR) which took effect on 3 August 2009.

The Board of TM recognises that corporate governance is not only about commitment to values, ethical conduct and the implementation of best practices, but also about understanding and managing stakeholders' expectations. The Board believes that a successful GLC should perform as well as, if not better than, a non-GLC in terms of profit and efficiency while being responsible towards its employees and all other stakeholders. TM's commitment is evident in its internal processes, guidelines and systems, which are aligned with sound corporate governance practices aimed at increased efficiency, transparency and accountability.

## ANOTHER AWARD-WINNING YEAR FOR TM

TM's commitment to realising shareholder value is evidenced by its winning:

- ❑ First runner up in the Malaysian Business – CIMA Enterprise Governance Awards 2009 on 6 November 2009.
- ❑ The Corporate Governance Index 2009 Awards organised by the Minority Shareholders Watchdog Group (MSWG) on 10 December 2009:
  - Distinction Award; and
  - Best Annual General Meeting (AGM) conducted in 2009.
- ❑ The National Annual Corporate Report Awards (NACRA) on 1 December 2009 for Annual Report 2008:
  - Gold Award for Overall Excellence for Most Outstanding Annual Report of the Year;
  - Industry Excellence Award for Main Board Companies in the Trading and Services category;
  - Gold Award for Best Annual Report in Bahasa Malaysia; and
  - Gold Award for Best Corporate Social Responsibility (CSR) reporting.



Details of other local and international awards won by TM and its Group of companies in 2009 are provided on pages 20 to 23 inclusive, of this annual report.

## COMPLIANCE STATEMENT

The Board will continue to strengthen governance practices to safeguard the best interests of shareholders and other stakeholders. The Company has fully complied with the principles and best practices of the CG Code and its amendments, which took effect on 1 October 2007. This Statement, together with the Statement on Internal Control and the Statement on Risk Management, sets out the manner in which the Company has applied the principles and best practices of the CG Code.

Best practices adopted by TM Group over and above the recommendations prescribed in the CG Code are those recommended by PCG and international best practices which the Board has deemed to be suitable for the Group.

## BOARD OF DIRECTORS

### MAINTAINING A STRONG, BALANCED AND EFFECTIVE BOARD

The Board currently consists of 11 members, comprising a Non-Executive Chairman, 2 Executive Directors designated as the Managing Director/Group Chief Executive Officer (MD/Group CEO) and the Executive Director/Group Chief Financial Officer (ED/Group CFO), 2 Non-Independent Non-Executive Directors and their Alternates and 6 Independent Non-Executive Directors including 1 foreign Director, also representing more than half of the Board. The Board believes that its current size, which is in line with GLC guidelines, is appropriate for its purpose.

After careful analysis of the independent report from PwC Advisory Services Sdn Bhd (PwCAS) pursuant to the Board Effectiveness Evaluation (BEE) carried out in 2008, the Board has decided on the appointment of Dato' Danapalan T.P. Vinggrasalam as TM's Senior Independent Non-Executive Director on 21 May 2009, to whom concerns pertaining to the Group may be conveyed by shareholders and the public. Dato' Danapalan also represents and acts as spokesperson for the Independent Directors as a group. His profile is set out in the Profile of the Board of Directors on page 56 and his responsibilities are illustrated on page 70 of this annual report.

TM Group is led and controlled by an active and experienced Board consisting of local and foreign directors with a wide range of business, financial, technical, regulatory and public service backgrounds, and experience in the telecommunications industry abroad. This mix of skills and experience will add value in governing the strategic direction and performance of TM as it forges ahead to become a leading new-generation communications provider. The Directors also bring depth and diversity in expertise and leadership perspectives of a highly competitive and regulated communications business. Directors' biographies appearing on pages 52 to 59 inclusive of this annual report demonstrate a wealth of experience and skills vital for the management of the Group's business and to navigate the Group through this challenging economic environment.

The Board meets regularly. In addition to 9 scheduled meetings during the year to decide on core issues and quarterly financial results, 3 special meetings were held where immediate or strategic decisions needed to be made. A Board retreat was also planned and held in the fourth quarter to deliberate specifically on strategic aspects and performance targets of the Group. Attendance of individual Directors is recorded within the Directors' biographies appearing on pages 52 to 59 inclusive of this annual report. Besides the physical Board Meetings, urgent issues were approved via a total of 6 Directors' Circular Resolutions during the year.

### ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes the following 6 core responsibilities in discharging its stewardship:

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

Authority Limit Matrices for TM and its Lines of Business as well as subsidiaries are in place to ensure that Board approvals are obtained for different categories of transactions and activities of the Group within various levels of authority such as Shareholding and Capital Structure, Investments and Mergers and Acquisitions, Corporate Finance, Procurement, Human Resources, Property, Plant and Equipment, Write-off and Sponsorship.

ACCOUNTABILITY  
**STATEMENT ON  
CORPORATE GOVERNANCE**



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

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

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

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

The Chairman is responsible for the effectiveness of the relationship between the Non-Executive and Executive Directors. With his vast experience gained during his employment in the government sector, involvement as Board member of several GLCs and, most recently, as the former Chairman of the Malaysian Communications and Multimedia Commission, he is well equipped to interact with global leaders of the industry, build relationships with stakeholders and actively participate in various institutions.

Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences in a variety of public and private companies. The Independent Non-Executive Directors are independent of Management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment as defined under paragraph 1.01 of the Main LR. They provide unbiased

and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined, in the interest of shareholders, employees, customers and the many communities in which the Group conducts its business. The independence of the Non-Executive Directors is constantly reviewed and benchmarked against best practices and regulatory provisions.

The Board has determined that the main responsibilities of the Senior Independent Non-Executive Director (SID) are to ensure that the views of each Non-Executive Director are given due consideration and to provide a communication channel between Non-Executive Directors and shareholders. This communication channel is in addition to normal channels already in place. The SID is also expected to promote high standards of corporate governance and ensure that the Company's obligations to shareholders are understood and met.

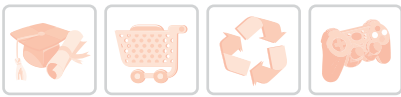
The SID is fully independent of Management, has sufficient weight and standing and has significant influence within the Board. The SID shall:

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

All concerns can be channeled to the SID's email address, [sid@tm.com.my](mailto:sid@tm.com.my), which is posted on the Company's website.

**BOARD APPOINTMENT PROCESS**

The Company has in place formal and transparent procedures for the appointment of new Directors. These procedures ensure that all nominees to the Board are first considered by the Nomination and Remuneration Committee, taking into account the required mix of skills, competencies, experience and other qualities, before they are recommended to the Board.



While the Board is responsible for the appointment of new Directors, the Nomination and Remuneration Committee is delegated the role of screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board.

#### **BOARD MEMBERSHIP CRITERIA**

The Nomination and Remuneration Committee works with the entire Board to determine the appropriate characteristics, skills and experience required for the Board as a whole as well as its individual members. Board members are expected to possess adequate levels of expertise, skills and experience to manage a highly regulated communications business.

#### **BOARD EFFECTIVENESS EVALUATION**

The formal Board Effectiveness Evaluation (BEE), first adopted in 2004 and reviewed in 2006, 2008 and 2009, comprises a Board Effectiveness Assessment and a Board of Directors' Self/Peer Assessment. The BEE is designed to maintain cohesiveness of the Board and, at the same time, serves to improve the Board's effectiveness.

Performance indicators, on which the Board's effectiveness is evaluated, include the Board's composition, administration, accountability and responsibility, and its conduct. Performance indicators for individual Directors include their interactive contributions, understanding of their roles and quality of input.

The BEE involves completion of questionnaires on the effectiveness of the Board of Directors as a whole, as well as that of the Board Committees, namely the Audit Committee, the Nomination and Remuneration Committee and the Tender Committee. Separate questionnaires are to be completed by the Directors on the Self/Peer Assessment. These questionnaires have been reviewed in 2009 to ensure close scrutiny of the contributions and role of individual Directors.

To ensure integrity and independence of the appraisal process, PwCAS was engaged as an Independent Adviser to tabulate and report to the Chairman results of the evaluation. The BEE includes interviews with every Director by PwCAS for more in-depth analysis of results. PwCAS will discuss the detailed BEE results with the Chairman of the Board as well as Chairman of the Nomination and Remuneration Committee. Thereafter, a summarised report will be presented to the Board. Every Board member is provided with the results of the self-evaluation marked against peer evaluation to allow for comparison. TM's BEE has been instrumental in drawing the Board's attention to key areas that needed to be addressed.

#### **RE-ELECTION OF DIRECTORS**

In accordance with the Main LR and the Company's Articles of Association, all Directors are subject to re-election by rotation once at least every 3 years and a re-election of Directors takes place at each Annual General Meeting (AGM). Executive Directors also rank for re-election by rotation. According to TM's Articles of Association and the Companies Act 1965, Directors appointed to fill casual vacancies shall hold office only until the following AGM and shall be eligible for re-election.

The re-election of Directors ensures that shareholders have a regular opportunity to reassess the composition of the Board. Particulars of Directors standing for re-election have been provided to shareholders in the Statement accompanying the Notice of TM's 25<sup>th</sup> AGM scheduled to be held on 6 May 2010.

#### **DIRECTORS' REMUNERATION**

The framework for the remuneration of Executive and Non-Executive Directors is reviewed regularly against market practices.

As Executive Directors, the Group CEO and Group CFO are paid salaries, allowances, bonuses and other customary benefits as appropriate to Senior Management members. TM carries out salary benchmarking of equivalent jobs in the market of similar-sized companies to arrive at appropriate base pay levels.

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

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

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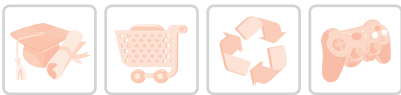
The remuneration of Non-Executive Directors is based on a standard fixed fee. Additional allowances are also paid in accordance with the number of meetings that they have attended during the year.

Details of the remuneration of each Director of the Company, categorised into appropriate components for the financial year ended 31 December 2009, are as follows:

| NAME OF DIRECTORS  | SALARY (RM)               | BONUS (RM)              | FEE (RM)                | ALLOWANCE (RM)         | BENEFIT IN KIND (RM) | TOTAL AMOUNT (RM)   |
|--|---------------------------|-------------------------|-------------------------|------------------------|----------------------|---------------------|
| <b>NON-INDEPENDENT AND EXECUTIVE DIRECTORS:</b>  |                           |                         |                         |                        |                      |                     |
| Dato' Zamzamzairani Mohd Isa   | 1,389,348.00 <sup>1</sup> | 180,000.00 <sup>2</sup> | —                       | 60,000.00 <sup>3</sup> | 144,227.61           | 1,773,575.61        |
| Datuk Bazlan Osman   | 720,141.00 <sup>1</sup>   | 104,940.00 <sup>2</sup> | —                       | 60,000.00 <sup>3</sup> | 105,227.95           | 990,308.95          |
| <b>NON-INDEPENDENT AND NON-EXECUTIVE DIRECTORS:</b>  |                           |                         |                         |                        |                      |                     |
| Datuk Dr Halim Shafie<br><i>[Appointed on 31 July 2009]</i>  | —                         | —                       | 105,000.00              | 15,000.00              | 15,668.84            | 135,668.84          |
| Tan Sri Dato' Ir Muhammad Radzi Hj Mansor<br><i>[Resigned on 30 July 2009]</i>                               | —                         | —                       | 104,000.00              | 14,700.00              | 97,342.60            | 216,042.60          |
| Dato' Zalekha Hassan   | —                         | —                       | 120,000.00              | 22,000.00              | 3,967.76             | 145,967.76          |
| Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin   | —                         | —                       | 120,000.00 <sup>4</sup> | 31,950.00 <sup>4</sup> | 7,689.52             | 159,639.52          |
| <b>ALTERNATE DIRECTORS (NON-INDEPENDENT AND NON-EXECUTIVE DIRECTORS):</b>                                    |                           |                         |                         |                        |                      |                     |
| Dyg Sadiyah Abg Bohan<br><i>[Alternate Director to Dato' Zalekha Hassan]<br/>[Resigned on 11 March 2009]</i> | —                         | —                       | —                       | —                      | —                    | —                   |
| Eshah Meor Suleiman<br><i>[Alternate Director to Dato' Zalekha Hassan]<br/>[Appointed on 11 March 2009]</i>  | —                         | —                       | —                       | 2,000.00               | 3,018.42             | 5,018.42            |
| Dr Farid Mohamed Sani<br><i>[Alternate Director to Tunku Dato' Mahmood Fawzy<br/>Tunku Muhiyiddin]</i>       | —                         | —                       | —                       | 7,250.00 <sup>4</sup>  | 7.45                 | 7,257.45            |
| <b>INDEPENDENT AND NON-EXECUTIVE DIRECTORS:</b>  |                           |                         |                         |                        |                      |                     |
| YB Datuk Nur Jazlan Tan Sri Mohamed  | —                         | —                       | 120,000.00              | 13,800.00              | 16,376.21            | 150,176.21          |
| Dato' Ir Abdul Rahim Abu Bakar   | —                         | —                       | 120,000.00              | 16,100.00              | 17,931.39            | 154,031.39          |
| Dato' Danapalan T.P. Vinggrasalam  | —                         | —                       | 125,250.00              | 33,100.00              | 13,579.99            | 171,929.99          |
| Ibrahim Marsidi  | —                         | —                       | 120,000.00              | 29,450.00              | 3,341.92             | 152,791.92          |
| Quah Poh Keat  | —                         | —                       | 120,000.00              | 28,750.00              | 4,932.05             | 153,682.05          |
| Riccardo Ruggiero  | —                         | —                       | 120,000.00              | 12,000.00              | —                    | 132,000.00          |
| <b>TOTAL AMOUNT</b>  | <b>2,109,489.00</b>       | <b>284,940.00</b>       | <b>1,174,250.00</b>     | <b>346,100.00</b>      | <b>433,311.71</b>    | <b>4,348,090.71</b> |

**NOTES:**

- <sup>1</sup> Inclusive of Company's contribution to provident fund.
- <sup>2</sup> Bonus for financial year ended 2008, paid in 2009.
- <sup>3</sup> Car allowances in lieu of provision of company car.
- <sup>4</sup> Paid directly to Khazanah Nasional Berhad.



## BOARD COMMITTEES

In accordance with TM's Articles of Association, the Board delegates certain responsibilities to Board Committees, namely the Audit Committee, Nomination and Remuneration Committee, Tender Committee and the Dispute Resolution Committee. There is now greater reliance on the Board Committees in response to the complex challenges of the business. All committees have written terms of reference and operating procedures and the Board receives regular reports on their proceedings and deliberations. Where committees have no authority to make decisions on matters reserved for the Board, recommendations are highlighted in their respective reports for the Board of Directors' deliberation and endorsement. The Chairmen of the various committees report the outcome of the committee meetings to the Board and relevant decisions are incorporated into the minutes of the Board of Directors' meetings. The details and activities of Board Committees during the year are outlined below.

### AUDIT COMMITTEE

A full Audit Committee report detailing its membership, role and activities in 2009 is set out on pages 90 to 93 inclusive, of this annual report.

### NOMINATION AND REMUNERATION COMMITTEE (NRC)

#### Membership

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

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

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

#### Nomination Function

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

#### Nomination – Principal Duties and Responsibilities

- Examine the size of the Board with a view to determine and recommend the number of Directors on the Board in relation to its effectiveness and ensure that every Director, including the Executive Directors, shall be subject to retirement at least once in every 3 years. A retiring Director shall be eligible for re-election. An election of Directors shall take place each year.
- Review annually and recommend the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors shall bring to the Board and disclose the same in the annual report.
- Recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors and to ensure a statement is made in the annual report by the Board of Directors containing a brief description of the type of training attended by Directors during the financial year.
- Review, consider and recommend the appointment, upgrading and promotion of the Executive Directors or Group CEO. Ensure that the appointment of the Executive Directors or Group CEO shall be for a fixed term not exceeding 3 years at any one time with power to recommend his reappointment, removal or dismissal thereafter.

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- Recommend to the Board candidates for directorship in the Company and Group.
- Review the Board structure and balance between Executive and Non-Executive Directors.
- Review the adequacy of the structure, size and composition of all Board Committees and ensure periodic reviews of their terms of reference.
- Review and consider the recommendations of the Group CEO in the appointment, upgrading and promotion of Senior Management members identified as occupying pivotal positions, as well as the Company Secretary.

**Remuneration Function**

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

**Remuneration – Principal Duties and Responsibilities**

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

- Instruct the Trustee, appointed in accordance with the Trust Deed entered into between TM and the Trustee with regard to the grant of options and other benefits under the Employees' Share Option Scheme (ESOS) to eligible employees and ensure the implementation and administration of the ESOS are in accordance with the terms and conditions of the ESOS as set out in the By-Laws, as amended, modified and supplemented from time to time.

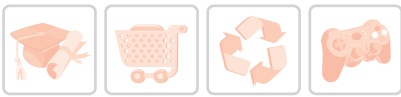
**Authority**

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

**Main Activities in 2009**

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

- As authorised by the Board of Directors, the NRC continued with its role as the Options Committee and facilitated the implementation of TM's Special ESOS until its expiry on 16 September 2010.
- Considered and recommended a review of the Policy and Remuneration Framework for Directors on Subsidiary Board of TM.
- Considered and recommended to the Board the Long Term Incentive Plan for the MD/Group CEO and the ED/Group CFO.
- Considered and made recommendations based on the performance evaluation of the Executive Directors, Management in pivotal positions as well as the Company Secretary against pre-set KPIs.
- Monitored closely the status of Directors' training at each of its meetings held during the year.



### Meeting Attendance of the NRC

A total of 7 NRC Meetings were held during the year and attendance by the members was as follows:

| Member  | Attendance at Meetings |
|---|------------------------|
| Tunku Dato' Mahmood Fawzy<br>Tunku Muhiyiddin ( <i>Chairman</i> ) | 7/7                    |
| Dato' Danapalan T.P. Vinggrasalam                                 | 7/7                    |
| Dato' Ir Abdul Rahim Abu Bakar                                    | 6/7                    |
| Ibrahim Marsidi   | 7/7                    |

### TENDER COMMITTEE

#### Membership

- Dato' Zalekha Hassan – *Chairperson*  
(*Non-Independent Non-Executive*)
- Eshah Meor Suleiman  
(*Non-Independent Non-Executive, alternate to Dato' Zalekha Hassan*)
- Dato' Zamzamzairani Mohd Isa  
(*Non-Independent Executive*)
- Datuk Bazlan Osman  
(*Non-Independent Executive, alternate to Dato' Zamzamzairani Mohd Isa*)
- YB Datuk Nur Jazlan Tan Sri Mohamed  
(*Independent Non-Executive*)
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin  
(*Non-Independent Non-Executive, resigned on 21 August 2009*)
- Dr Farid Mohamed Sani  
(*Non-Independent Non-Executive, appointed on 21 August 2009*)  
(*Resigned as alternate to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on 21 August 2009*)

Membership of the Tender Committee was reviewed in August 2007 by the Board and reduced from 6 to 4, in line with recommendations of the Green Book for GLCs and other best practices.

#### Principal Duties and Responsibilities

- To ensure that the procurement process is in accordance and complies with all applicable procurement ethics, policies and procedures.

- To consider and approve or recommend awards which are beneficial to the Company, taking into consideration relevant factors such as pricing, utilisation of products/goods and/or services, quantity and duration of service.

### Meeting Attendance of the Tender Committee

The Tender Committee had a total of 12 meetings during the year. The attendance record was as follows:

| Member  | Attendance at Meetings |
|---|------------------------|
| Dato' Zalekha Hassan – <i>Chairperson</i>     | 12/12                  |
| Dato' Zamzamzairani Mohd Isa                  | 12/12                  |
| Tunku Dato' Mahmood Fawzy<br>Tunku Muhiyiddin | 7/7*                   |
| YB Datuk Nur Jazlan Tan Sri Mohamed           | 8/12                   |
| Dr Farid Mohamed Sani                         | 4/5*                   |

#### Note:

\* Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin attended all meetings during his tenure, while Dr Farid Mohamed Sani attended 4 meetings during his tenure as a substantive member.

The Group Chief Procurement Officer and the Chief Technology and Innovation Officer attended all the Tender Committee meetings upon invitation, and Management Evaluation Committee members were invited to brief the Tender Committee on specific issues as and when required.

Minutes of meetings of the Tender Committee were circulated to all members and significant matters reserved for Board approval were tabled at Board meetings.

### DISPUTE RESOLUTION COMMITTEE (DRC)

#### Membership

- Datuk Dr Halim Shafie – *Chairman*  
(*Non-Independent Non-Executive, appointed on 21 August 2009*)
- Datuk Bazlan Osman  
(*Non-Independent Executive*)
- Dato' Danapalan T.P. Vinggrasalam  
(*Independent Non-Executive*)
- Datuk Azzat Kamaluddin – *Permanent Invitee*  
(*Re-designated as Permanent Invitee from Ex-officio Member*)
- Idrus Ismail  
(*Ex-officio, appointed on 1 December 2009*)



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- Tan Sri Dato' Ir Muhammad Radzi Hj Mansor  
*(Non-Independent Non-Executive, resigned as Chairman on 21 August 2009)*
- Nor Aishah Muyop  
*(Ex-officio, appointed on 21 August 2009 and resigned on 1 December 2009)*
- Zaid Hamzah  
*(Ex-officio, resigned on 21 August 2009)*

**Principal Duty and Responsibility**

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

**Summary of Activities in 2009**

The DRC reviewed and deliberated on reports and updates formulated by TM Group Legal and Compliance on the following matters:

- TM's litigation risk exposure
- Strategic litigation risk management programme
- Strategic legal risk management manual
- TM's litigation risk exposure
- Case summary on causes of dispute in material litigation and the way forward

**Meeting Attendance of DRC**

The DRC meets whenever required or when there are material developments on major litigation matters. During the year, the DRC held 1 meeting duly attended by all members.

**MANAGEMENT COMMITTEES**

The Board has established 2 main management committees, namely the Management Committee and the Group Leadership Team, chaired by the Group CEO, to oversee and monitor the Company's operations.

**MANAGEMENT COMMITTEE (MC)**

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

- Formulate Group-level strategies and policies.
- Review, guide and facilitate policy-related matters such as but not limited to human capital, acquisitions, regulatory and financial policies.
- Endorse company-wide policies inclusive of subsidiaries to ensure a 'One Company Mindset' approach to business.

- Provide strategic direction and recommend a policy framework for TM Group human capital management matters to the Board.
- Review and approve the talent management and succession planning policy frameworks.
- Discuss, review and recommend changes/revisions to Group-wide compensation and benefits such as bonuses, increments, performance management policies/framework and voluntary separation schemes.
- Formulate Group-level key business strategies and major action plans for implementation.
- Confirm and recommend the Group Business Plan to the Board.
- Discuss matters that require Board of Directors' support, guidance and decision.

**GROUP LEADERSHIP TEAM (GLT)**

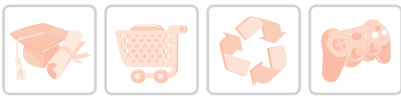
The salient terms of reference of the GLT are as follows:

- Review the overall monthly business performance of TM Group.
- Discuss, deliberate and challenge the performance improvement reports of TM Group and Lines of Business.
- Review monthly risk management and system of internal controls to safeguard TM Group.
- Discuss and review key operational issues of TM Group such as customer service, revenue, cost and capital and human capital.

**SUB-MANAGEMENT COMMITTEES**

Apart from the 2 main management committees, sub-management committees have been established, reporting to the Group CEO or relevant key Senior Management members as follows:

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



### BOARD PERFORMANCE IMPROVEMENT PROGRAMME (BPIP)

This programme was implemented in March 2006, facilitated by McKinsey & Company, with a view to improve the Board's functions and structure and ensure alignment between the Board's priorities and Group CEO's mandate. Various initiatives were introduced as deliverables under the BPIP to enhance the Board's effectiveness. These deliverables are monitored and reported to the Board annually.

### BOARD TRAINING AND KNOWLEDGE ACQUISITION

All the Directors have successfully completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities during the year 2009. Induction briefings, which include information on the corporate profile and activities of the Group, as well as business targets and group performance, are organised for newly appointed Directors.

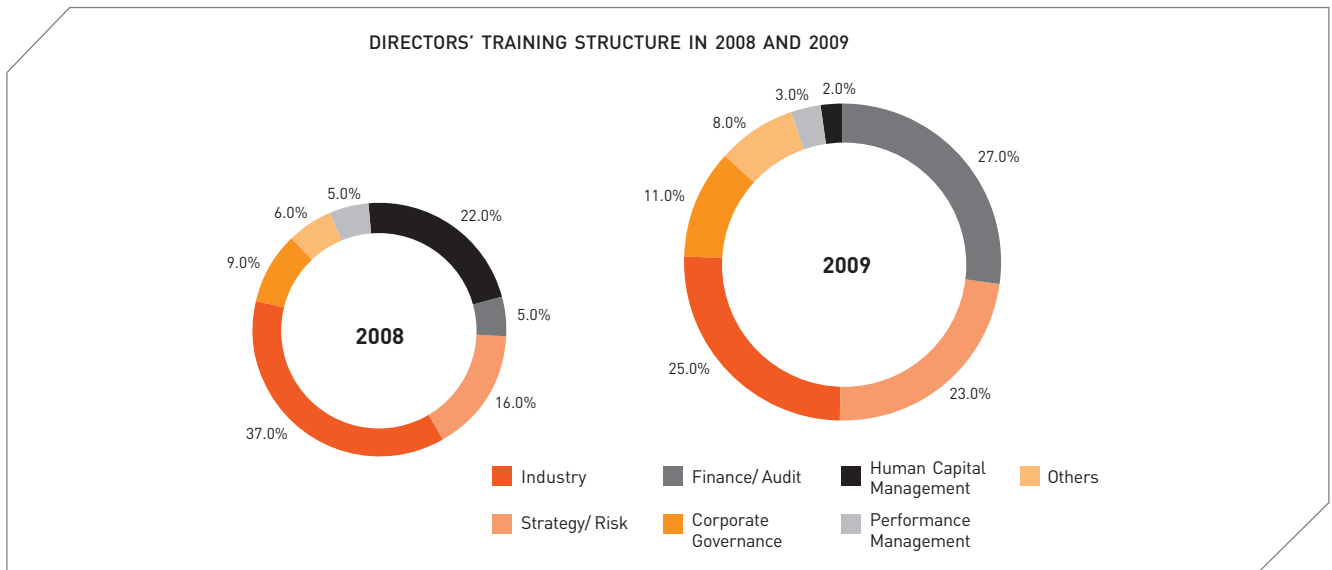
Despite the repeal of Practice Note No. 15 on the Continuing Education Programme (CEP) prescribed by Bursa Securities, the Board of Directors has continued to evaluate the training needs of its Directors via the Board Training Programme which aids the Directors in discharging their duties.

### BOARD TRAINING PROGRAMME (BTP)

The Board of Directors has adopted a set of BTP Guidelines, effective from 1 January 2005, to address the training needs of Directors in the absence of the Bursa Securities' CEP requirements.

The BTP Guidelines allow for speaking roles at conferences to be included as training hours. Directors have attended various seminars and international conventions to gain insight into the state of the economy as well as the latest regulatory and technological developments in relation to the Group's business. Directors have also participated as speakers at local and international conventions on topics relevant to their roles.

As a result of close monitoring of the BTP by the NRC, the Directors' training structure 2009 was aligned to the Directors' training needs with focus on Industry, Strategy and Risk Management, Finance and Audit and Governance. A comparison of the Directors' training structure in 2009 and 2008 is depicted in the charts below:



**Note 2008:**

- The training hours include training undertaken by TM Directors before and after the demerger.
- Others (6.0%) - includes Investor Relations, Infrastructure & Taxation.

**Note 2009:**

Others (8.0%) - includes Investor Relations & Investments.

Efforts are being made to ensure that the training structure for the Board is continuously modified to be relevant to changing business needs.



#### QUARTERLY INDUSTRY INFORMATION PACKS

Quarterly industry information packs (Info-packs) on the following matters are compiled and issued to keep the Board and Senior Management updated on industry knowledge and developments:

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

As at December 2009, a total of 15 Board Info-packs have been issued.

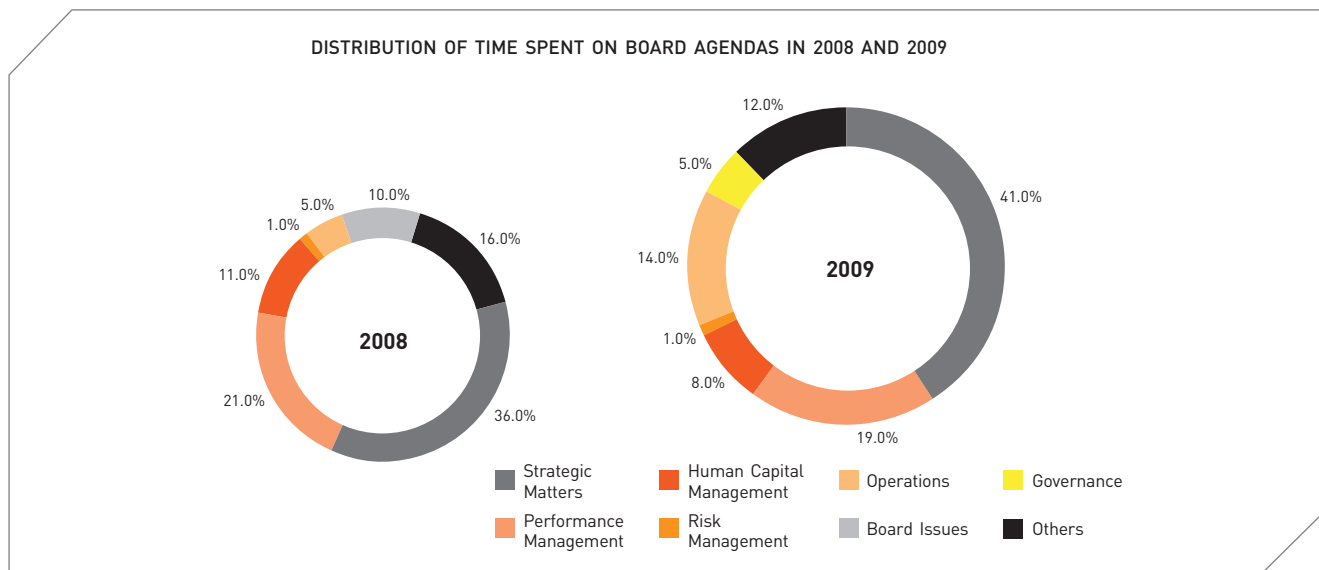
#### ENSURING EFFECTIVE BOARD OPERATIONS AND INTERACTION

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

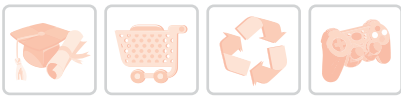
#### BOARD MEETINGS SCHEDULE AND PREDETERMINED AGENDAS

A Board and Board Committee meetings calendar and draft agendas are established 12 months in advance and synchronised with Management's business planning cycle and quarterly financial results. Board meeting agendas are communicated to the Management in advance and the Group Performance Programme Management Office (GPPMO) acts as a facilitator to ensure papers and presentations are in line with Board expectations.

The meeting agenda is structured to address priority strategic issues aligned with the Company's vision and mission, consistent with the Board's key roles and the mandate that the Board provides to the Group CEO. The said mandate specifies what the Group CEO needs to accomplish within clear parameters. The distribution of actual time spent by the Board of Directors on various broad agenda topics at Board Meetings in 2009 compared to 2008 is as depicted in the charts below:



The actual time spent by the Board in 2009 on strategic matters (41.0%) and performance management (19.0%) is reflective of findings from the Institute of Management Development (IMD) survey, in that post-2008, more time has been spent on strategic matters and less time on the auditing role (i.e. performance management).



#### AVAILABILITY OF INFORMATION TO THE BOARD

Qualified Directors who make informed and independent judgments are indicative of good corporate governance. Hence, it is essential that the Board is provided with relevant and timely information to make informed decisions. On average, the Board and its Committees are given an agenda accompanied by relevant up-to-date information 5 days prior to each meeting to enable them to make informed decisions. The Board Document Management System, a securely encrypted electronic system which acts as an efficient archival and retrieval system for all Board papers and minutes of meetings, is being upgraded and enhanced using the latest web technology to cater for Management Committee meetings apart from Board and Board Committee meetings.

The Board welcomes the presence of managers who are able to provide additional insights into items being discussed. The information regularly supplied to the Board includes:

- Annual business plans and budgets
- Monthly Performance Reports on financial and operating results
- Quarterly financial results
- Reports from Management Committee Meetings
- Reports from Board Committee Meetings
- Material litigations
- Regulatory matters with substantial impact on the business
- Proposed corporate exercises, acquisitions or collaboration agreements
- Transactions which are material or strategic in nature
- Human resources policies and significant issues
- General notices of interest

All Directors have access to the advice and services of the Company Secretary. The Board is constantly advised and updated on statutory and regulatory requirements pertaining to its duties and responsibilities. Procedures are in place for Directors and Board Committees to seek independent professional advice in the course of fulfilling their responsibilities, at the Company's expense.

#### PROMPT COMMUNICATION OF BOARD DECISIONS

All Board decisions are clearly recorded in the minutes, including the rationale for each decision, along with clear actions to be taken and the individuals responsible for their implementation. Relevant Board decisions are communicated to the Management

within 1 working day of the Board meeting and the minutes of Board Meetings are completed for comments by the Chairman and Executive Directors within 5 working days of the meeting dates. Relevant extracts of the minutes are distributed to the Management for action within 3 to 5 working days, depending on the urgency of the items.

#### BOARD AND MANAGEMENT INTERACTION

The Board and Management acknowledge the importance of positive interaction, dynamics and open communication to build trust in order to deliver significant and positive performance and shareholder value.

The quality of information received by the Board to a considerable extent, affects its effectiveness in making informed decisions. The Board has, therefore, adopted a rating process for papers and presentations by Management at each Board meeting with constructive feedback on the quality of information and analysis received. This process has led to a higher quality and standard of papers. During the year, the overall average of Board ratings on the quality of Management papers and presentations has been maintained at above 4.00 points out of 5.00 points.

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

#### INDEPENDENT DIRECTORS' DISCUSSION

Following the adoption of formal terms of reference for the SID, confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole will be led by the SID as and when required or deemed necessary by the SID.

In this manner, the Board will be able to pursue a greater degree of independence, and Non-Executive Directors can meet and actively exchange views in the absence of Management. With this practice, the Board is able to fulfil one of its principal responsibilities, namely to effectively and independently assess the direction of the Company and the performance of the Management. This practice is in line with Chapter 4 of the CG Code regarding the relationship of the Board with Management.



## BOARD CONDUCT

### CODE OF BUSINESS ETHICS

TM's Code of Business Ethics, launched in 2004, supports the Company's vision and core values by instilling, internalising and upholding the value of 'uncompromising integrity' in the behaviour and conduct of the Board of Directors, Management, employees and all stakeholders of the Company. The Executive Directors, Management and all employees are required to declare their assets and interests according to the Code of Business Ethics. Updated declarations are required to be submitted each year.

TM's Code of Business Ethics covers the following areas:

- Responsibilities of the Directors, the Management and employees
- Group dealings with shareholders, customers, employees, suppliers, business partners and stakeholder communities at large
- Group dealings with respective governments
- Group dealings with competitors
- Group dealings in respect of Company assets
- Trading on insider information
- Conflict of interest

### CONFLICT OF INTEREST

The Directors have a continuing responsibility to determine whether they have a potential or actual conflict of interest in relation to any matter, which comes before the Board. The Company and the Group require all Directors to make written declarations on whether they have any interest in transactions tabled at regular Board meetings. A paper is tabled at each Board meeting to remind Directors of their statutory duties and responsibilities and to provide updates on any changes or amendments thereon, such as the Companies (Amendment) Act 2007 requiring Directors to also disclose the interests of their spouse and children, including adopted and step-children, in the Company.

### RELATED PARTY TRANSACTIONS (RPT)

Directors recognise that they must declare any interest they have in transactions with the Company and Group and abstain from deliberation and voting on the relevant resolutions at the Board or any general meetings convened to consider the matter.

The CG Guide also provides guidelines for directors of PLCs on how to address conflict of interest situations and RPT under Section 6 'Conflict of Interest and Related Party Transactions'.

### TRADING ON INSIDER INFORMATION

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

Notices on the close period for trading in the Company's shares are sent to Directors and principal officers on a quarterly basis specifying the timeframe (close period) during which Directors and the principal officers are prohibited from dealing in the Company's shares. Directors are also prompted not to deal in the Company's shares at the point when price sensitive information is shared with them, occasionally in the form of Board papers.

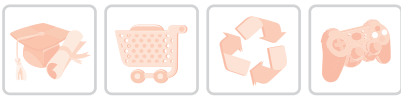
### DIRECTORS' INDEMNITY

The Company has in place a liabilities insurance policy for Directors and officers in respect of liabilities arising from holding office in the Company. The insurance does not, however, provide coverage in the event that a Director or a member of Management is proven to have acted negligently, fraudulently or dishonestly. The Directors contribute annually towards the premium payment for this policy.

### WHISTLE BLOWER POLICY

The Capital Markets and Services Act 2007 (CMSA 2007) makes it mandatory for auditors and key officers of companies to report corporate misdeeds to the authorities. This practice of whistle blowing gained prominence following the passing of the Sarbanes Oxley Act 2002, in the United States and previously, the Public Interest Disclosure Act 1999, in the United Kingdom.

The CG Guide outlines in detail the procedure for reporting of a breach by an auditor under section 320 (1) of the CMSA 2007, and sets out a whistle blowing policy sample (Exhibit 1 of the CG Guide) where under a grievance procedure, an employee who believes reasonably and in good faith that malpractice exists in the workplace should report immediately to the line manager, the group Company Secretary, the Audit Committee Chairman or the Senior Independent Director.



A new section 368B of the Companies Act 1965 (the Act) (protection to certain officers who make disclosures), now gives statutory immunity to a whistle blower. Any officer of the Company, in the course of performing his duties, who has reason to believe there has been a breach of the Act or its regulations or the commission of fraud, dishonesty past, present or future, may furnish a written report to the Registrar of Companies. Provided he acts in good faith, he shall not be removed from, demoted, discriminated against, or interfered with in his lawful employment or livelihood. He has immunity from civil liability as well as disciplinary action from his employer.

Following the introduction of TM's Code of Business Ethics, a mechanism has been established for employees to report concerns about alleged unethical behaviour, actual or suspected fraud, or violation of TM's Code of Business Ethics. Adequate protection is provided for the employees as whistle blowers against reprisals.

## RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

### SHAREHOLDERS/INVESTORS

The Company communicates regularly and proactively with investors and shareholders. Care is taken to ensure reporting to shareholders is balanced and sufficiently comprehensive and objective to allow performance to be measured. The Board shall strengthen lines of communication with major shareholders through the SID who will take heed of their concerns on matters related to corporate governance and Group performance.

Following the launch of the Malaysian Corporate Governance (MCG) Index 2009 on 9 June 2009 by the Minority Shareholders Watchdog Group (MSWG), TM also conducted an engagement session with MSWG in September 2009 between the Board of Directors and the Management as part of MSWG's assessment for the MCG Index 2009. The MCG Index promotes best practices in corporate governance among public listed companies in Malaysia, incentivises better corporate governance standards through recognition and provides information and guidance on CG Standards.

TM, through its Best Practices Committee, will use the MCG Index 2009 Base Methodology provided by MSWG to prepare a gap analysis on TM's compliance with corporate governance practices according to local as well as international best practices.

## ANNUAL REPORT AND ANNUAL GENERAL MEETINGS

In addition to quarterly financial reports, the Company communicates with shareholders and investors through its annual report, which is comprehensively laid out and contains sufficient depth and breadth of information on the Group's financial results and its activities and operations. In an effort to save cost and encourage shareholders to deepen their ICT experience, TM continues to dispatch annual reports to shareholders in electronic format (CD-ROM) together with a summarised version of the financial statements in a readable booklet incorporating the notice of AGM and related proxy form. Shareholders are given the option to request for hard copies of the annual report in either English or Bahasa Malaysia.

The AGM provides an open forum at which shareholders and investors are informed of current developments and where ample time is allowed for questions to be asked of Board members and Committee chairpersons. The Company supports the CG Code's principles to encourage shareholder participation. The Company's Articles of Association allow a member entitled to attend and vote to appoint a proxy to attend and vote instead of the member and also provides that a proxy need not be a member of the Company. A press conference is held immediately after the AGM where the Chairman, Group CEO, Group CFO and relevant Senior Management members are present to clarify and explain issues raised by the media.

TM also encourages active participation from shareholders during the Company's AGM. As part of this initiative, feedback on questions raised by the MSWG prior to the AGM are shared with all shareholders during the AGM as a point of discussion. This assures shareholders that pertinent issues and queries pertaining to the Company's business have been adequately addressed.

## RISK MANAGEMENT

TM has an integrated approach in managing risks inherent in various aspects of its business. A detailed Risk Management Report is provided on pages 83 and 84 of this Annual Report.

ACCOUNTABILITY  
**STATEMENT ON  
CORPORATE GOVERNANCE**



## ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each financial year, primarily through annual financial statements, announcement of results to shareholders as well as the Chairman's Statement and review of operations in the annual report. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and the quality of its financial reporting. The Audit Committee reviews the Group's annual financial statements and the quarterly condensed financial statements focusing particularly on changes in accounting policies, Management's judgment in applying these accounting policies as well as assumptions and estimates applied in accounting for certain material transactions.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year.

The Statement of Responsibility by Directors is as outlined on page 176 of this annual report.

### INTERNAL CONTROLS

The Board recognises and affirms its overall responsibility for the Group's system of internal controls, which includes the establishment of an appropriate control environment and control framework as well as for reviewing its effectiveness, adequacy and integrity. The Board's evaluation of the adequacy of the Group's system of internal controls is based on criteria developed under the COSO (Committee of Sponsoring Organisations of the Treadway Commission) Internal Control Integrated Framework, which is widely accepted for internal control assessments.

The Directors' Statement on Internal Control is as enumerated on pages 100 to 104 inclusive, in this annual report.

### RELATIONSHIP WITH AUDITORS

An appropriate relationship is maintained with the Company's auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both the external and internal auditors. The role of the Audit Committee in relation to the auditors is set out in the terms of reference on pages 95 to 96 inclusive, in this annual report.

### AUDIT COMMITTEE

The Audit Committee also reviews the Internal Audit Function in terms of its authority, competencies and scope as defined in the Internal Audit Charter, thus ensuring its ability to address emerging as well as future risks. In addition, it ensures the independence of the internal auditors and their unrestricted access to information, property and people in the Group. Highlights of activities conducted by the Committee are detailed in the Audit Committee Report on pages 92 and 93 in this annual report.

### INVESTOR RELATIONS

With a firm belief that value creation for shareholders stems from good corporate governance, we at TM are committed to communicating our strategy and activities regularly and clearly to our shareholders. Towards that end, we maintain an active dialogue with investors through a planned programme of investor relations activities and engagement.

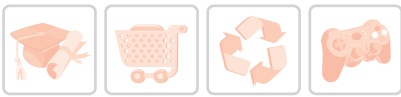
TM has also complied with Paragraph 9.21(3) of the Main LR, which requires a listed issuer to ensure that its website contains the e-mail address, name(s) of designated person(s) and their contact numbers by 3 August 2009, to enable the public to forward queries to the Company. It has also published announcements made to Bursa Securities on its website immediately after such announcements are released on Bursa Securities' website.

This requirement is imposed by Bursa Securities to improve the investor relations between the Company and its stakeholders, especially the shareholders.

Details of TM's Investor Relations initiatives and activities during the year are set out on pages 32 to 35 inclusive, of this annual report.

Signed on behalf of the Board of Directors, pursuant to a resolution duly passed on 22 February 2010.

**Datuk Dr Halim Shafie**  
Chairman



# RISK MANAGEMENT

## INTERNAL ENVIRONMENT: FOUNDATION TOWARDS ROBUST ERM IMPLEMENTATION

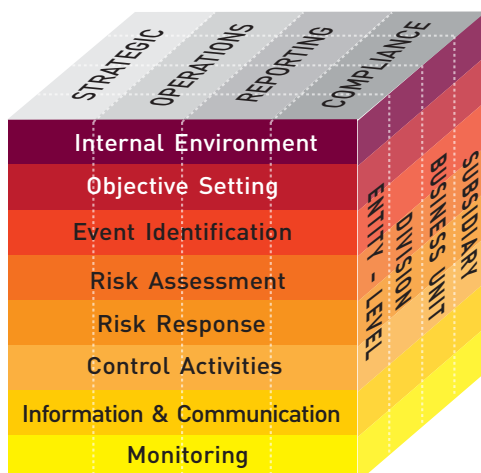
In 2009, TM switched from the Australian/New Zealand standard on Risk Management (AS/NZS 4360:1995) to the Committee of Sponsoring Organisation of Treadway Commission (COSO) ERM framework. The transition appears to standardise the processes of ERM and Group Internal Audit.

The COSO ERM Framework is a pragmatic guide on how to identify risks, avoid pitfalls and keep the organisation moving ahead of the competition as well as take advantage of opportunities to grow shareholder value. In order for it to be successful, however, internal environment is crucial. These include the organisation structure, vigilance of the Board of Directors, risk management philosophy, risk appetite and risk culture, integrity, ethical values, competence of employees and the way management assigns authority and responsibility, and develops its people.

A dedicated ERM resource person was appointed to ensure the effective implementation of ERM in all the business segments. The Board, meanwhile, contributes by supervising TM's strategic risk management activities, maintaining a comprehensive system of controls to safeguard shareholders' investment and the Group's assets, and providing clear direction for risk management. The Board of Directors as well as the Board Audit Committee regularly review TM's risk matrix at their meetings.

At the same time, ERM Engagement is held with Heads of Business Segments and Senior Management to increase the commitment to ERM implementation at all levels. Staff competency on risk management is given due emphasis via ERM E-Learning.

### COSO ERM FRAMEWORK



In the telecommunications industry, new risks are constantly emerging, and have to be managed side by side with the industry inherent risks. The following discusses some of the key risks that challenge the well-being of the organisation, and which the Group has consistently managed under its risk radar.

## RISK FACTORS

### Financial Risk

#### a. Credit risk

Much of TM's business is conducted on a credit basis, hence default payment by customers exposes the company to credit risk. TM has taken all reasonable measures to strengthen its credit management policy and procedures covering both credit risk assessment and profiling as well as improving collection management and treatment of delinquent accounts. This has improved the Group's Account Receivable Days (ARD) significantly.

#### b. Revenue Leakage

Gaps in processes, data flow, information consistency across diverse systems and fraud contribute to leakage in revenue. Most of these gaps can, fortunately, be plugged with processes and automated revenue assurance control. Concerted efforts were made in 2009 to improve the process flow between the key revenue value chains, fraud detection and control, and support systems to detect leakages early, allowing immediate remedial action.

### Strategic Risk

#### a. Competition

Market liberalisation, changes in customer preference for mobility, the price war, migration from traditional voice to mobile and VoIP and weak customer service intensify competition, which has the potential to reduce TM's revenue and market share. To manage the risk of competition, the Group designs new value-added products and packages while growing its core services of data and voice with the deployment of the Next-Generation Network and High Speed Broadband. It also strives to ensure excellent customer experience at every touch point.

#### b. Regulatory – Compliance and Regulatory Policy Shift

A change in the law or regulations can increase the cost of operating a business, reduce the attractiveness of investment and/or change the competitive landscape. As the market liberalises, TM is required to allow new players access to certain segments of its networks. At the same time, the review of spectrum relocation may impact TM's future services,





and Mandatory Access on Pricing will lead to a lower margin for all regulated facilities and services. Balancing profitability, regulatory compliance and corporate social responsibility is a perennial challenge. TM will continue to engage with key stakeholders, regulators and the public to share its point of view prior to any changes in regulatory policies.

**Operational Risk**

**a. Service Interruption (Network Disruption)**

TM is committed to ensuring network and service availability to uphold its quality of service. However, some factors that affect service availability are beyond its control, such as cable theft, cable damage during road works, and natural calamities such as lightning. The Group has put in resources to control such risks with programmes like I-Watch for cable theft, road patrols to reduce cable cut risk, and flood mitigation programmes. TM has also set up a Service Assurance Centre (SAC) and put in place a comprehensive Business Continuity Management (BCM) programme to ensure minimum disruption to service.

**Customer Churn**

Research by TM in 2009 revealed that the following contributed to customer churn: intense competition, the economic downturn, minimal use of products, migration of technology and lifestyle and service quality. To counter these, TM has instituted various measures to improve the customer experience, and offers packages with more value for money. While these have produced results, TM will continue to ensure the churn rate is minimised.

**a. HSBB**

TM has been entrusted to roll out HSBB, a public-private partnership project between TM and Government valued at RM11.3 billion. The project is expected to increase the country's GDP by creating new jobs and increasing broadband penetration. There are, however, risks related to meeting the expectations of stakeholders with regard to delivering the infrastructure and content on schedule. TM has put in place robust controls to minimise these risks by covering professional project management, selection of quality vendors, monitoring the installation process by contractors and stringent system acceptance tests.

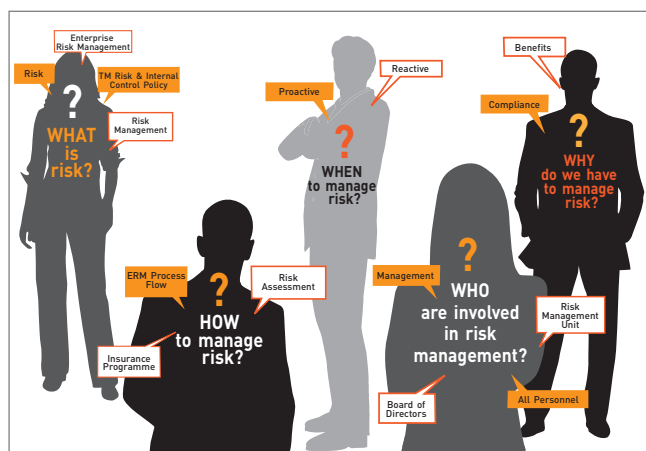
**b. Staff Competency**

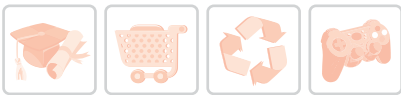
The shift from circuit-based technologies to an IP-centric solution generates a clear demand for a skilled and prepared workforce. TM is developing personnel not only for 'technology handling' but the bigger objective of building a workforce to meet Malaysia's market demand and for TM to be a service provider that leads the country into the 21st century. A Competency Gap Assessment Analysis has been done to identify the training needs of TM employees, specifically for HSBB implementation, and a comprehensive training programme subsequently developed.

**CONCLUSION**

TM acknowledges it will encounter many business risks in balancing its objective to improve profitability and shareholder value while complying with regulatory requirements and keeping customers satisfied. However, the Board, Management and staff are committed to identifying, assessing and mitigating these business risks. TM COOL initiatives – Customer-centricity and quality improvements; One company mindset with execution orientation; Operational excellence and capital productivity; and Leadership through innovation and commercial excellence – provide a broad platform to improve performance while managing business risks. TM believes that such risk management measures will contribute towards the excellent execution of initiatives which will see the Group achieve its ultimate objectives.

**RISK COMMUNICATIONS – 4W 1H**





# CODE OF BUSINESS ETHICS



## FACTS AT A GLANCE

**31** March 2009  
Launch of Institutionalising TM Business Ethics  
Programme 2009

**347** participants  
Attended Awareness Programme on Procurement  
Ethics for Vendors/Suppliers

Telekom Malaysia (TM) nurtures a corporate culture of honesty, efficiency and trustworthiness as prescribed by its Code of Business Ethics (CBE). All TM's initiatives are in line with Core Values which include that of 'Uncompromising Integrity'. TM believes an ethical organisation not only achieves a reputation for being exemplary, but also performs better financially over the long term.

Positive values such as business ethics, being prudent and people-friendly cannot be enforced by rules and regulation. Instead, top management and employees have to accept these principles and live them. This internalisation of honest, transparent and righteous behaviour supports and complements the government's efforts to improve governance, ethics and the overall integrity of the country.

The National Integrity Plan (NIP) launched in 2004 identified certain factors that erode integrity, which include:

- i. leadership that does not walk the talk
- ii. a culture in which people fear the consequences of being honest, hence become 'yes-men'
- iii. a structure which is neither suitable nor focused, with targets that are not clear and unreasonable
- iv. overlapping scope, functions and responsibilities in an institution, lack of coordination and conflict



Members of TM's senior management during the kick-off of IBEP 2009 on 31 March 2009 at Menara TM

Key success factors, meanwhile, include:

- i. Leadership by example
- ii. Sound policies
- iii. Clear targets
- iv. Continuous education
- v. Effective communication
- vi. Adequacy and efficacy of resources
- vii. Readiness of individuals to change

Since launching the Code in 2004, TM has effectively communicated its contents throughout the company. Directors and managers are particularly sensitised to ethical issues in order to lead by example. In 2009, efforts to spread the message of integrity were intensified via the *Institutionalising TM Business Ethics Program 2009* (IBEP 2009), structured by Group Procurement and Group Human Capital Management (GHCM). This aimed to:

1. Create awareness among all personnel and vendors/suppliers of TM's business ethics and procurement ethics to ensure the highest standards of integrity in the conduct of TM's business
2. Gauge the level of understanding of TM personnel and vendors/suppliers of the company's business and procurement ethics
3. Institutionalise what is acceptable and not acceptable in the business conduct of personnel and vendors/suppliers
4. Cultivate an ethical work environment that will reduce bribery and corruption

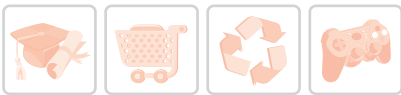
5. Educate personnel and vendors/suppliers on the implications of non-compliance to the Code of Business Ethics/Procurement Ethics

IBEP 2009 was kicked off on 31 March 2009 with a presentation by Mohd Nizam Mohd Ali, Director of the Private Sector, Malaysian Institute of Integrity, on *Institutionalising Ethics & Integrity at the Corporate Level: Building A Role Model*. The session was attended by 113 top and senior management. IBEP 2009 was then rolled out to all 13 states in Malaysia and also the headquarters. Vendors and suppliers, meanwhile, were briefed on the Code and the Procurement Ethics at half-day sessions conducted in six regions. So far, 347 vendors and suppliers throughout Malaysia have attended these sessions.

GHCM in late November 2009 embarked on amending the CBE, for the second time, to strengthen a few Articles, such as Article 12 on Conflict of Interest to reinforce commitment to behaviour in accordance with the Company's Core Values. GHCM also worked with the Multimedia University to introduce an interactive Business Ethics E-Learning module to cover all levels of employees within the Group (Executives and Non-Executives). This on-line training, to be launched in June 2010, is expected to instil better CBE awareness among TM employees.

In support of the Company's commitment to internalising and upholding ethical behaviour, GHCM has also further strengthened the Domestic Inquiry (DI) process, 'stress-testing' this with TM's solicitors to ensure its robustness. This is to ensure fair but expeditious execution of consequences management. Examples of the improvements include the establishment of a Special Committee to determine prima facie cases for Tier 1 and Tier 2 management personnel and a Special Disciplinary Committee for decision-making in high-profile and special interest cases. In addition, the previous committees were disbanded and replaced with new panel members trained in the DI Process who have better understanding of the Company's business focus. As a result of these improvements, GHCM has managed to reduce the cycle time of DI cases. It also plans to increase TM's pool of trained members.

TM invests time and effort into instilling an ethical culture as this is critical to maintaining its corporate image which in turn makes it a service provider, and employer, of choice. Good corporate governance and business ethics also ensure that financiers get back their investments with maximum value add.



# ADDITIONAL COMPLIANCE INFORMATION

## ADDITIONAL COMPLIANCE INFORMATION – IN ACCORDANCE WITH APPENDIX 9C OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES:

The following information is provided in compliance with the Main Market Listing Requirements of Bursa Securities (Main LR):

### 1.0 UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

In May and October 2009, TM sold 2 tranches of its Staff Housing Loans to AmMortgage One Berhad (AmMortgage One), a wholly-owned subsidiary of AmBank (M) Berhad (AmBank) amounting to RM399.0 million. The proceeds of the transactions have been used to finance the Company's general working capital.

*[Disclosed in accordance with Appendix 9C, Part A, item 13 of the Main LR]*

### 2.0 SHARE BUY-BACK

The Company did not make any proposal for share buy-back during the year.

*[Disclosed in accordance with Appendix 9C, Part A, item 14 of the Main LR]*

### 3.0 OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company has not issued any warrants or convertible securities during the financial year ended 31 December 2009. However, the Company has implemented the Special Employees' Share Option Scheme (Special ESOS) on 17 March 2008 pursuant to TM's demerger exercise, whereby TM issued 137,592,300 ordinary shares of RM1.00 each in TM to TM ESOS Management Sdn Bhd. Details of the Company's Special ESOS are disclosed in note 13 to the financial statements. The Special ESOS shall expire on 16 September 2010.

The Company has been granted an exemption by the Companies Commission of Malaysia via a letter dated 25 January 2010 from having to disclose in this report the names of the persons to whom options have been granted during the financial year and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965, except for information on employees who were granted options representing 100,000 ordinary shares and above.

None of the employees of the Company and its subsidiaries have been granted options representing more than 100,000 ordinary shares each under the Special ESOS during the financial year.

*[Disclosed in accordance with Appendix 9C, Part A, item 15 of the Main LR]*

### 4.0 AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year.

*[Disclosed in accordance with Appendix 9C, Part A, item 16 of the Main LR]*

### 5.0 IMPOSITION OF SANCTIONS/PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

*[Disclosed in accordance with Appendix 9C, Part A, item 17 of the Main LR]*

### 6.0 NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group by PricewaterhouseCoopers (PWC), the external auditors, and their affiliated companies during the financial year are as follows:

|   | RM             |
|---|----------------|
| a. PricewaterhouseCoopers, Malaysia                 | 38,000         |
| b. PricewaterhouseCoopers Taxation Services Sdn Bhd | 493,000        |
| <b>Total</b>  | <b>531,000</b> |



Services rendered by PWC are not prohibited by regulatory or other professional requirements, and are based on globally practised guidelines on auditor independence. PWC is engaged for these services when their expertise and experience of TM are important. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost-effective to engage the services of another firm of accountants.

*[Disclosed in accordance with Appendix 9C, Part A, item 18 of the Main LR]*

## 7.0 VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the financial year.

*[Disclosed in accordance with Appendix 9C, Part A, item 19 of the Main LR]*

## 8.0 PROFIT GUARANTEE

During the financial year, the Company did not give any profit guarantee.

*[Disclosed in accordance with Appendix 9C, Part A, item 20 of the Main LR]*

## 9.0 MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts nor any contracts in relation to loans entered into by the Company and/or its subsidiaries involving interests of Directors and major shareholders either subsisting as at 31 December 2009 or entered into since the end of the previous financial year ended 31 December 2008.

*[Disclosed in accordance with Appendix 9C, Part A, items 21 and 22 of the Main LR]*

## 10.0 REVALUATION POLICY ON LANDED PROPERTIES

The Company has not adopted any revaluation policy on its landed properties during the financial year. The significant accounting policies on property, plant and equipment, investment properties and land held for property development, are disclosed in note 4 to 6 of the Significant Accounting Policies for the financial year ended 31 December 2009.

*[Disclosed in accordance with Appendix 9C, Part A, item 24 of the Main LR]*

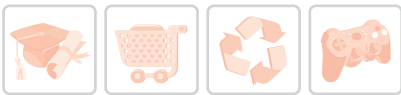
## 11.0 LISTING OF PROPERTIES

On 3 May 2002, the Company obtained a waiver from the Exchange from having to disclose detailed particulars of its properties for the Company's 2001 Annual Report and subsequent annual reports.

*[Disclosed in accordance with Appendix 9C, Part A, item 25 of the Main LR]*

## 12.0 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (RRPT)

At the last AGM held on 7 May 2009, the Company had obtained a general mandate from its shareholders on the RRPT entered into by the Company and/or its subsidiaries (RRPT Mandate). The RRPT Mandate is valid until the conclusion of the forthcoming 25<sup>th</sup> AGM of the Company to be held on 6 May 2010. Pursuant to paragraph 10.09(2) (b) and paragraph 3.1.5 of Practice Note 12 of the Main LR, the details of the RRPT entered into during the financial year ended 31 December 2009 pursuant to the said shareholders' mandate are as follows:



| Transacting companies in our Group             | Transacting Related Parties   | Interested Major Shareholder/ Director  | Nature of relationship  | Nature of RRPT  | Value of Transactions RM'000 |
|--|---|---|---|---|------------------------------|
| Our Company and/or our subsidiaries (TM Group) | Axiata Group Berhad (Axiata) and/or its subsidiaries (Axiata Group) | Minister of Finance Incorporated (MoF Inc.), Khazanah Nasional Berhad (Khazanah), Dato' Zalekha Hassan, Puan Eshah Meor Suleiman, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin and Dr. Farid Mohamed Sani | <p>In addition to their shareholdings in our Company, MoF Inc. and Khazanah are Major Shareholders of Axiata.</p> <p>Dato' Zalekha Hassan is a representative of MoF Inc. on our Board. Puan Eshah Meor Suleiman is the alternate Director to Dato' Zalekha Hassan.</p> <p>Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin is the Executive Director, Investments of Khazanah and a representative of Khazanah on our Board.</p> <p>Dr. Farid Mohamed Sani is the alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on our Board. Dr Farid Mohamed Sani is also a Director of Axiata and Celcom Axiata Berhad (Celcom), a subsidiary of Axiata.</p> | <p><b>Revenue</b></p> <ul style="list-style-type: none"> <li>- Interconnect revenue from Axiata Group. 73,335</li> <li>- Voice Over Internet Protocol related services revenue from Axiata Group. 60,898</li> <li>- Leased-line revenue from Axiata Group. 44,056</li> <li>- Provision of data and bandwidth related services by TM Group to Axiata Group. 11,637</li> <li>- Site rental for telecommunication infrastructure, equipments and related charges by TM Group to Celcom. 23,011</li> <li>- Internet access and broadband charges by TM Group to Celcom. 7,099</li> <li>- Commission on registration and collection to TM Group from Celcom. 1,271</li> <li>- Provision of contact centre and business process outsourcing services by VADS Berhad to Axiata Group. 115,299</li> <li>- Leasing of fibre optic core and provision of bandwidth services from Fiberail Sdn Bhd to Celcom. 11,856</li> <li>- Sales of dark fibre, bandwidth, space &amp; facility from Fibrecomm Network (M) Sdn Bhd to Celcom. 20,946</li> <li>- Revenue from other telecommunication-related transactions with Axiata Group. 25,116</li> </ul> <p><b>Cost</b></p> <ul style="list-style-type: none"> <li>- Interconnect payment to Axiata Group. 103,546</li> <li>- Leased-line payment to Axiata Group. 12,338</li> <li>- Cost of dark fibre and leased line from Celcom to Fibrecomm Network (M) Sdn Bhd. 1,935</li> <li>- Cost incurred in other telecommunication-related transactions with Axiata Group. 59,704</li> </ul> <p><b>TOTAL</b></p> | <p><b>572,127</b></p>        |
| Our Company and/or our subsidiaries            | KUB Malaysia Berhad ("KUB") and its subsidiaries ("KUB Group")      | Ministry of Finance, Malaysia ("MOF")   | In addition to its shareholdings in our Company via Khazanah, MOF holds a 22.55% interest in KUB.   | Purchase and/or utilisation of telecommunication equipments, systems and related services by TM Group from KUB Group.   | 79,835                       |

The Company proposes to renew the RRPT Mandate at the forthcoming 25<sup>th</sup> AGM of the Company. The renewed RRPT Mandate, if approved by shareholders, would be valid until the conclusion of the next AGM of the Company.

ACCOUNTABILITY  
**AUDIT COMMITTEE  
REPORT**



#### MEMBERSHIP

The Audit Committee comprises three Independent Non-Executive Directors and one Non-Independent Non-Executive Director. They are as follows:

**Quah Poh Keat** <sup>1</sup>

Independent Non-Executive Director

**Dato' Danapalan T.P. Vinggrasalam** <sup>2</sup>

Senior Independent Non-Executive Director

**Ibrahim Marsidi** <sup>3</sup>

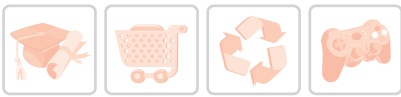
Independent Non-Executive Director

**Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin** <sup>4</sup>

Non-Independent Non-Executive Director

**Hashim Mohammed** <sup>5</sup>

Group Chief Internal Auditor and Secretary to the Audit Committee



Members of the Audit Committee shall not have any relationship which in the opinion of the Board would interfere with the exercise of independent judgement in carrying out the functions of the Audit Committee. The Audit Committee shall possess wisdom, sound judgement, objectivity, an independent attitude, management experience and knowledge of the industry.

Members of the Audit Committee are financially literate and able to:

- Read and understand the company's financial statements.
- Analyse financial statements and ask pertinent questions about the company operations against internal controls and risk factors.

Quah Poh Keat, Chairman of the Audit Committee, is a member of the Malaysian Institute of Accountants (MIA).

During the year, the Audit Committee has reviewed and endorsed its Terms of Reference to be in line with the revised Bursa Securities Main Market Listing Requirements and best practices propagated by Bursa Securities Corporate Governance Guide – Towards Boardroom Excellence.

### MEETINGS AND ATTENDANCE

The Audit Committee had eight meetings in the financial year 2009. Attendance of the Committee members were as follows:

| Audit Committee member                     | Attendance | Percentage of attendance |
|--|------------|--------------------------|
| Quah Poh Keat                              | 8/8        | 100.0%                   |
| Dato' Danapalan T.P. Vinggrasalam          | 8/8        | 100.0%                   |
| Ibrahim Marsidi                            | 8/8        | 100.0%                   |
| Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin | 6/8        | 75.0%                    |

The Group Chief Executive Officer, Group Chief Financial Officer, other Senior Management members and the external auditors attended these meetings upon invitation to brief the Audit Committee on specific issues. Prior to some Audit Committee Meetings, private sessions were held between the Chairman and the Group Chief Internal Auditor and external auditors without the Management's presence. The Audit Committee also had two meetings with the external auditors without the Management's presence.

Minutes of meetings of the Audit Committee were circulated to all members of the Board, and significant issues subsequently discussed at Board Meetings.

The Audit Committee carried out its duties as set out in the terms of reference, which have been revised in accordance with the Bursa Securities Main Market Listing Requirements. This appears on pages 94 to 96.

### TRAINING

Audit Committee members attended various training programmes, seminars and conferences to acquire relevant knowledge that enables them to discharge their duties effectively. The following were key training modules attended by the Audit Committee members during the year:

| Training  | Nature                   |
|---|--------------------------|
| IMD Business Forum: Leading Change in Times of Uncertainty            | Strategic                |
| The Non-Executive Director Development Series – Is it Worth the Risk? | Risk Management          |
| High Performance Leadership Programme                                 | Human Capital Management |
| High Performance Boards   | Corporate Governance     |
| Forum on FRS 139 Financial Instruments: Recognition and Measurement   | Finance                  |





## SUMMARY OF PRINCIPAL ACTIVITIES IN THIS FINANCIAL YEAR

During the year ended 31 December 2009, the principal activities of the Audit Committee were as follows:

### FINANCIAL REPORTING

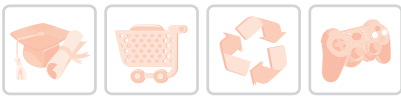
- a) Reviewed the Quarterly Unaudited Financial Statements of TM Group to be in line with Financial Reporting Standard (FRS) 134 and the Bursa Securities Main Market Listing Requirements before recommending it to the Board of Directors for approval.
- b) Reviewed the Audited Annual Financial Statements of TM Group before recommending it to the Board of Directors to ensure that the financial report presents a true and fair view of the company's financial performance and complies with regulatory requirements.

### RISK MANAGEMENT

- a) Reviewed and deliberated on the Risk Governance processes by which the Group evaluates its control environment, risk assessment process and the way in which significant business risks are managed by Management.
- b) Reviewed and deliberated on the Enterprise Risk Management (ERM) Standard Operating Procedure in order to improve and standardise ERM implementation throughout the Group.
- c) Reviewed and deliberated on the TM Corporate Risk Profile and Risk Management activities to ensure comprehensiveness and effectiveness of the identified action plans in mitigating the risks.
- d) Received and reviewed reports from Management on key strategic and operational risks to ensure these are being managed effectively. These include:
  - Treasury management
  - Credit management
  - Enterprise Resource Planning Authorisation Module
  - TM Group Limit of Authority Matrix
  - Impact of FRS 139 implementation

### INTERNAL CONTROL

- a) Reviewed reports on the adequacy, effectiveness and reliability of the system of internal controls based on controlled self-assessment performed annually by the key management of the Operating Companies/Subsidiaries. The Annual Internal Control Assurance Letter and Internal Control Incidents Report were submitted to the Group Chief Executive Officer and the Group Chief Internal Auditor.
- b) Received and deliberated reports from Audit and Business Assurance Committee on the following matters:
  - Management actions to resolve significant internal controls and accounting issues as highlighted by the internal and external auditors.
  - Revenue Assurance and Fraud Management activities to mitigate revenue leakage and telecommunications-related fraud.
  - Any other recommendations made by the Audit Committee for Management action.
- c) Reviewed and deliberated on reports from the Best Practices Committee (BPC) on the following matters:
  - Updates and developments of best business practices and exposure drafts, principally on Corporate Governance; statutory and regulatory requirements; compliance with accounting standards and other business guidelines.
  - Major policy updates, revisions or enhancements as recommended by the Management to ascertain that the improvements made are aligned with business best practices and effective internal control processes.
- d) Received and deliberated on reports from Internal Control Incidents (ICI) Committee on alleged major control incidents or failures based on reports submitted from Management or special investigations/audits conducted and to propose the next course of action. The reports were summarised by the Group Chief Internal Auditor and updates submitted to the Audit Committee on quarterly basis, describing the following:
  - The nature and root causes of control failures which have financial impact and/or affect the image and reputation of the Group.
  - Lateral learnings to prevent the recurrence of similar incidents within the Group.
  - Status of actions taken by Management to remedy the control weaknesses and appropriate disciplinary actions.



#### RELATED PARTY TRANSACTION

- a) Reviewed reports on Related Party Transactions to ensure the transactions were fair, reasonable, on normal commercial terms and in the best interests of the company.
- b) Periodically reviewed the Recurrent Related Party Transactions to ensure the transactions were at arm's length and duly tracked against their mandated amount.

#### EMPLOYEE SHARE OPTION SCHEME

- a) The Audit Committee hereby verifies that during the financial year under review, the allocation of option shares pursuant to the TM Special ESOS (Scheme) to eligible employees was made in accordance with criteria set out in the by-laws and guidelines governing the Scheme.

#### EXTERNAL AUDIT

- a) Discussed with the external auditor before the audit commences, the audit plan, nature and scope of the audit, engagement strategy, including the terms as detailed in the external auditor's engagement letter.
- b) Reviewed and approved the engagement letter from the external auditor upon confirmation of their independence and objectivity.
- c) Reviewed and approved the scope of non-audit services provided by the external auditor to ensure there was no impairment of independence or objectivity.
- d) Reviewed the overall performance of the external auditor and, upon satisfactory assessment, recommended that the Board of Directors approve the fee payable to the external auditor in respect of the scope of work performed.
- e) Held private meetings with the external auditor to ensure there were no restrictions on the scope of their audit and to discuss any items that the auditors did not wish to raise in the presence of Management.

#### INTERNAL AUDIT

- a) Reviewed and approved the reports from Group Internal Audit (GIA) on the following:
  - Annual business plan highlighting key audit strategies and resource requirements to meet stakeholders' requirements.
  - The competency and resources of the internal audit function to ensure that, collectively, GIA has the required expertise and professionalism to discharge its duties.
  - Major audit issues identified in the current period and Management's action plans to ensure that the risks were duly addressed.
  - Key Performance Indicators (KPIs) for GIA linked to the Balanced Score Card that focused on qualitative and quantitative aspects.
- b) Held private meetings and discussions with the Group Chief Internal Auditor on key Internal Control and Internal Audit related matters.

**Quah Poh Keat**  
*Chairman of Audit Committee*

# TERMS OF REFERENCE OF AUDIT COMMITTEE



## 1.0 COMPOSITION

In March 2009, the Finance Committee on the Malaysian Code on Corporate Governance recommended the set-up of an independent audit committee to implement and support the oversight function of the Board in several ways.

All members of the Audit Committee (AC), including the Chairman, will hold office for only so long as they serve as Directors of Telekom Malaysia Berhad (TM). The Board of Directors must review the term of office and performance of the AC and each of its members at least once every three years to determine whether the AC has carried out its duties in accordance with its terms of reference.

The Board, through the Nominating and Remuneration Committee (NRC), should annually review its required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to the AC.

Members of the AC may relinquish their membership in the AC with prior written notice to the Company Secretary and may continue to serve as Directors of TM. In the event of any vacancy in the AC resulting in the non-compliance of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), TM must fill up the vacancy within three months. The NRC will review and recommend to the Board for approval, another Director to fill up the vacancy.

Members of the AC shall possess sound judgement, objectivity, an independent attitude, management experience, professionalism, integrity and knowledge of the industry. Members of the AC should be financially literate and;

- i) Must be a member of the Malaysian Institute of Accountants (MIA); or
- ii) Must have at least three years' working experience; if he is not a member of the MIA; and
  - Passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Acts 1967; and
  - Be a member of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Acts 1967.
- iii) Must fulfill such other requirements as prescribed or approved by Bursa Securities.

## 2.0 MEETINGS

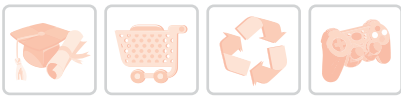
**The AC shall meet at least four times a year and at additional meetings as the Chairman shall decide. In order to form a quorum, a majority of the members must be present and a majority of those present must be Independent Non-Executive Directors. The Notice and Agenda for each AC meeting shall be sent to all members of the AC and any other persons who may be required to attend. The Chairman of the AC shall provide to the Board a report of the AC Meetings.**

The AC must be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company whenever deemed necessary. The AC should meet with external auditors without executive Board members present at least twice a year.

## 3.0 AUTHORITY

In carrying out its duties and responsibilities in accordance with the procedures to be determined by the Board of Directors and at the cost of the Company, the AC shall have the following rights:

- a. Explicit authority to investigate any matter within its terms of reference;
- b. The resources which are required to perform its duties;
- c. Full, free and unrestricted access to any information, records, properties and TM employees and of any other companies within the TM Group;
- d. Access to the minutes, reports and information of all subsidiary ACs;
- e. Direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- f. Obtain independent professional or other advice and invite outsiders with relevant experience to attend AC meetings (if required) and to brief the AC thereof;
- g. Authority to invite other Directors and employees of TM to attend AC meetings specific to the relevant agenda;
- h. Convene meetings with external auditors, excluding the attendance of the executive members of the Management, whenever deemed necessary;
- i. Immediate access to reports on findings and recommendations from Group Internal Audit in respect of any fraud or irregularities discovered and referred to Group Internal Audit by the Management;



- j. Able to seek clarification from the subsidiary Board or CEO;
  - k. Interfere in the situation where there is possible fraud, illegal act or violation of the code of conduct in which Senior Management or members of the Board are suspected to be involved;
  - l. Direct the centralisation of the GIA and ensure GIA representation at the subsidiary AC;
  - m. Authority and ability for placement of internal audit resources within TM Group;
  - n. Require the subsidiary Head of Internal Audit and the Group Chief Internal Auditor to escalate and inform the AC immediately of urgent matters.
- b) Significant or material adjustments with financial impact arising from the audit;
  - c) Significant unusual events or exceptional activities;
  - d) Financial decision-making with the presumptions of significant judgments;
  - e) The ongoing concern assumptions; and
  - f) Compliance with approved accounting standards, stock exchange and other regulatory and legal requirements.
- Review the audited financial statements with the external auditors for the purpose of approval before the audited financial statements are presented to the Board for adoption.
  - Discuss problems and reservations arising from the interim and final audits and any other matters that the auditor may wish to discuss in the absence of the Management whenever necessary.
  - Propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Malaysian Code of Corporate Governance, other applicable laws, rules, directives and guidelines.
  - Review the follow-up actions by Management on the weaknesses of internal accounting procedures and controls as highlighted by the external and internal auditors as per management letters.

#### 4.0 DUTIES AND RESPONSIBILITIES

The following are the main duties and responsibilities of the AC collectively (which shall be reviewed and reported to the Board of Directors):

##### 4.1 Assessing the Risks and Control Environment

- Determine whether Management has implemented policies in ensuring the company's risks are identified and evaluated and that the controls in place are adequate, and functioning properly to address the risks.
- Review the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, rules, directives and guidelines.
- Propose an adequate system of risk management for Management to safeguard the Group's assets.
- Review the risk profile of the Group and major initiatives having significant impact on the business.

##### 4.2 Overseeing Financial Reporting

- Provide the Board with assurance on the quality and reliability of financial information used by the Board and of the financial information issued publicly by the Company and the Group.
- Assess whether the financial report presents a true and fair view of the Company's financial position and performance and complies with regulatory requirements.
- Review the quarterly interim results, half-yearly results and annual financial statements of the Company and the Group, focusing particularly on:
  - a) Any changes in accounting policies and practices;

##### 4.3 External Audit

- AC shall, where necessary, consider the appointment of a suitable accounting firm to act as an external auditor. Among the factors to be considered for the appointment are:
  - i. the adequacy of the experience and resources of the firm and the persons assigned to the audit,
  - ii. the profiling of external auditors including reviews of any letter of resignation or removal of an external auditors and whether there is a reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment, and
  - iii. the audit fee payable thereof.
- AC shall discuss with the external auditors the following:
  - i. the audit plan
  - ii. nature, approach and scope of the audit
  - iii. co-ordination where more than one audit firm is involved

ACCOUNTABILITY  
**TERMS OF REFERENCE  
OF AUDIT COMMITTEE**



- iv. evaluation of the Company's system of internal control
- v. the audit reports
- AC shall monitor the extent of non-audit work to be performed by the external auditors to ensure the provision of non-audit services does not impair their independence and objectivity.

#### 4.4 Group Internal Audit (GIA)

- Review and approve the Internal Audit Charter, which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company and Group.
- Review the adequacy of the scope, functions, competency and resources of the internal audit function and ensure it has the necessary authority to carry out its work.
- Review the Internal Audit Plan and results of the internal audit work.
- Appraise and recommend the performance and remuneration of the Group Chief Internal Auditor.
- Review any appraisal or assessment of the performance of members of Group Internal Audit.
- Approve the appointment, termination, upgrading and promotion of the Group Chief Internal Auditor and senior staff members of Group Internal Audit and inform itself of resignations of the Group Chief Internal Auditor and senior staff members of the Group Internal Audit and provide the resigning staff member an opportunity to submit his reasons for resigning.
- Be informed, referred to and to agree on the initiation, commencement and mechanism of any disciplinary proceedings/investigations, including the nature and reasons for the said disciplinary proceedings/investigations, as well as the subsequent findings and proposed disciplinary actions against the Group Chief Internal Auditor and the senior staff members of Group Internal Audit. As employees of TM, the Group Chief Internal Auditor and senior staff members of Group Internal Audit are subject to TM's human resource policies and guidelines, including disciplinary proceedings/investigations and actions.
- Review the assistance and co-operation given by TM and its officers to the external and internal auditors.
- The Group Internal Audit function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care. The Board or the AC should determine the remit of the internal audit function.

#### 4.5 Reviewing Conflicts of Interest and Related Party Transactions

- Ensure that Management establishes adequate processes and procedures to monitor, track and identify Related Party Transactions. Such framework should be able to provide sufficient assurance that Related Party Transactions and conflict of interest situations, including recurrent related party transactions, are identified, evaluated, presented for review and approval and reported, wherever required.
- Review conflict of interest situations or related party transactions and determine the following:
  - i. whether the transaction is in the best interest of the Group;
  - ii. whether the transaction is fair, reasonable and on normal commercial terms; and
  - iii. that the transaction is not detrimental to the interest of minority shareholders.

#### 4.6 Employee Share Option Scheme (ESOS)

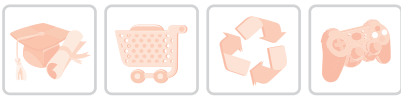
- Verify the allocation of share options to the Group's eligible employees in accordance with the Bursa Securities Main Market Listing Requirements at the end of each financial year.

#### 4.7 Whistle Blowing and Fraud

- Review the Group's arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The AC shall ensure that these arrangements allow for proportionate and independent investigation of such matters and appropriate follow-up action.
- Ensure the confidentiality of anonymous submission by employees on concerns regarding questionable accounting or auditing matters.
- Review the Group's procedures for detecting fraud.

#### 4.8 Other Matters

- To promptly report to Bursa Securities, if the AC views that a matter resulting in a breach of the Bursa Securities Main Market Listing Requirements reported by the AC to the Board has not been satisfactorily resolved by the Board.
- Such matters as the AC considers appropriate or as defined by the Board.



# STATEMENT ON INTERNAL AUDIT

Group Internal Audit (GIA) strives to be a leading provider of internal audit, risk management and governance services. A successful internal auditing function helps the Group to demonstrate good stewardship, good governance and effective administrative practices, all of which are elements of a transformative organisation. GIA is committed to ensure it meets its key stakeholders' needs in this regard. This is accomplished through a high level of professionalism, objectivity and flexibility. The ultimate goal is for GIA to be viewed as a trusted advisor in the areas of internal control, risk management and governance. The purpose, authority and responsibility of Group Internal Audit as well as the nature of assurance and consultancy activities provided to the Group are clearly articulated in the Internal Audit Charter. This charter has been reviewed and approved by the Audit Committee and is in line with the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), which has been in effect since January 2009.

The Internal Audit function in TM is managed in-house and GIA reports directly to the Audit Committee. The Group Chief Internal Auditor periodically reports on the activities performed and key strategic and controls issues noted by Group Internal Audit to the Audit Committee. The Audit Committee reviews and approves the Group Internal Audit's annual budget, audit plans and human resources requirements to ensure the function is adequately resourced with competent and proficient internal auditors.

## PRACTICES AND FRAMEWORK

In order to ensure standardisation and consistency in providing assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal controls, risk management and governance, GIA has aligned its current internal audit practices with the COSO Internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by GIA are based on the following five internal control elements:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

## INDEPENDENCE AND OBJECTIVITY

Internal Audit activities remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing or report content, to maintain the necessary independent and objective mental attitude.

GIA has no direct operational responsibility or authority over any of the activities audited. Accordingly, GIA will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair the internal auditors' judgement.

## SCOPE AND COVERAGE

GIA maintains a flexible audit approach and a robust audit plan that together address emerging as well as potential future risks. This has enhanced the ability of GIA to create value and foster continuous improvements within the Group. The audit coverage encompasses evaluation of adequacy, effectiveness and efficiency of the systems of internal controls in TM Group. The scope of audit engagements is also aligned with the primary risks of the organisation and its key strategic initiatives. Key audit engagements in year 2009 were based on the following COSO objective categories:

### 1. Strategic

- a) TM Group Controls Review
- b) Special Advisory on TM Corporate Responsibility Report
- c) Product Pricing and Profitability
- d) Review of Internet Protocol Television (IPTV) Project Collaboration
- e) Review of Malaysia Emergency Response Services (MERS) 999 Project
- f) Review of Revenue Sustainability

### 2. Operations

- a) **Human Resource**
  - Review of Housing and Education Loans Management
  - Management of Domestic Inquiry
- b) **Procurement**
  - Warehouse Management
  - Review of Procurement Direct Award Process
  - Key High Speed Broadband (HSBB) Project Tender Award Process
  - Supply Chain Management
- c) **Marketing**
  - Reseller Commission
  - Audit on Key Call Plan Packages
  - Sell to Customer Process Review
  - Audit on Global Bilateral Business
- d) **Accounting and Finance**
  - Debtors and Credit Management
  - Review on Islamic Sale & Leaseback Transaction



- e) **Network**
    - Trouble Report Outsourcing Initiative by Network Operations
    - Audit on Power Related Issues
    - Network Operation's Overtime Utilisation
  - f) **Information Technology**
    - Review on SAP User Authorisation
    - Key Billing Systems Review
    - Data Centre Operations
    - Wireless Network Security
3. **Reporting**
- a) Financial Reporting Reviews
  - b) Quarterly Interim Financial Reviews
4. **Compliance**
- a) Related Party Transactions
  - b) Special Review of TM ESOS
  - c) Review of Universal Service Provisioning and Obligation

GIA's expertise has also been requested to assist Management in troubleshooting internal control weaknesses raised by 'Whistleblowers', complex data analysis in detecting errors and omissions, post mortems of internal control failures and risk exposures of major TM projects. Specific recommendations were made to Management as well as advice on the adequacy of controls to mitigate the identified risks.

## RESOURCES

A total of RM5.9 million was spent on internal audit activities in 2009. A summary of the internal audit cost, based on key categories, is as follows:

| Category  | RM (million) | % of total cost |
|---|--------------|-----------------|
| Manpower  | 3.9          | 66.0%           |
| Materials   | 0.1          | 2.0%            |
| Incidentals (incl. Travelling)  | 0.5          | 8.0%            |
| Internal Recharges (incl. Space Rental, IT charges, Training Costs, etc.) | 1.2          | 20.0%           |
| Depreciation  | 0.2          | 3.0%            |
| <b>Total</b>  | <b>5.9</b>   | <b>100.0%</b>   |

A summary of internal auditors, based on their respective competencies as at 31 December 2009, is as follows:

| Discipline             | Number of Internal Auditors | Percentage    |
|------------------------|-----------------------------|---------------|
| Accounting and Finance | 14                          | 38.0%         |
| Information Technology | 6                           | 16.0%         |
| Engineering/Network    | 10                          | 27.0%         |
| Marketing              | 4                           | 11.0%         |
| General                | 3                           | 8.0%          |
| <b>Total</b>           | <b>37</b>                   | <b>100.0%</b> |

## CO-SOURCING ACTIVITY

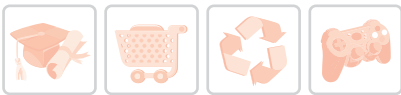
Only one Internal Audit activity – for the SAP Authorisation Review – was co-sourced in year 2009. This audit was performed together with an external subject matter expert and involves transfer of knowledge at the end of the co-sourcing activity. All other Internal Audit activities were performed in-house.

## COMMITMENT TO COMPETENCE

The 'war for talent' continues to be the greatest challenge to many Internal Audit functions. Having the 'Right People' is one of our key strategies. GIA has over the years invested significantly in getting the right people on board, training and grooming top talents and providing the necessary exposure and support for career progression. At the same time, GIA acknowledges that certain niche technical expertise is critical, such as for High Speed Broadband, and has put in place several strategic moves to attract, groom, retain and further develop the 'hot skills' required.

In 2009, GIA invested very heavily in developing training programmes to meet its business requirements and to enable the internal auditors to perform their duties effectively. Key seminars and workshops attended by Group Internal Audit in 2009 were as follows:

- a) **Group Training** – designed to specifically cater the generic internal auditing skills, such as structured thinking, report writing skills and product knowledge. As at December 2009, the following group training modules had already been conducted:
  - Problem Solving and Critical Thinking Skills
  - Internal Control – Integration of COSO and Group Control Framework



- GIA Case Study Workshop: internally-developed audit case simulation designed to provide immediate exposure to new auditors and sharpen the skills of seasoned auditors
- b) **Individual Training** – to address the competency gaps of individual auditors as identified by the auditors and their respective supervisors. Some of the key training modules attended by auditors as at December 2009 were:
  - i. **Auditing Skills:**
    - Institute of Internal Auditors (IIA) Conference 2009
    - Tools and Techniques for Beginning Auditors
    - Enterprise Risk Management (ERM)
    - Governance Risk & Compliance
    - Procurement Management Audit
    - Challenges on Corporate Governance
    - Forensic Auditing – Tools & Techniques
    - Internal Audit QAR
  - ii. **Strategic Skills:**
    - TM Silver Lining Programme for high potential managers
    - Winning With Break-Out Strategy
    - Thinking Out of the Box
    - Creating a Success Mindset
  - iii. **Functional Skills:**
    - The Best Internet Marketing Techniques
    - Project Management
    - Human Resource Management
    - High-Impact Operational Audit on Sales Management
    - Business Process Mapping
    - SAP Controls Review Seminar
    - Metro-E Technology Overview
    - Internal Protocol Television (IPTV) and Fibre-To-The-Home (FTTH) Fundamentals
  - iv. **Management and Leadership Skills:**
    - Market Orientation and Positioning for Leaders
    - Leadership Decision Making
    - Business Analysis Skills for Leaders
    - Goal Oriented Leadership
    - Strategic Presentation Skills for Leaders
    - Assertive Skills for Management Leaders

## 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 established “Peer Reviewer” mechanism to ensure consistent high quality output of every audit engagement. Peer reviewers with relevant expertise are selected to provide professional advice and ensure a certain level of quality is met before communicating the final engagement results to the appropriate parties.

Internal quality assessment is also performed annually within GIA to evaluate its conformance with the IIA’s IPPF. This is performed through self-assessment conducted by a qualified Certified Internal Auditor (CIA) and includes in-depth interviews, surveys and detailed data analysis.

Further, GIA also assesses the entire spectrum of audit work performed by the Internal Auditors via an external quality assessment by a qualified independent reviewer once every five years. The external evaluation of quality assurance and improvement was last conducted in January 2006. The assessments include areas such as compliance to IIA’s IPPF and Group Internal Audit Manuals, contribution to governance, risk assessment and control processes and performance management. Group Internal Audit generally conforms to the International Standards for the Professional Practice of Internal Auditing.

**Hashim Mohammed**  
Group Chief Internal Auditor

**Quah Poh Keat**  
Chairman Audit Committee



# DIRECTORS' STATEMENT ON INTERNAL CONTROL



## RESPONSIBILITY AND ACCOUNTABILITY

The Board of Directors (Board) and Management are responsible and accountable for maintaining a sound system of internal controls encompassing governance, risk management, financial, organisational, operational and compliance controls to safeguard shareholders' investments, customers' interests and the Group's assets. The Board recognises and affirms its overall responsibility for the Group's system of internal controls, which includes the establishment of an appropriate risk and control framework as well as the review of its effectiveness, adequacy and integrity.

The Board is assisted by the Management to implement approved policies and procedures on risk and control. Management identifies and evaluates the risks faced by the Group and designs, implements and monitors an appropriate system of internal controls in line with policies adopted by the Board.

## PURPOSE OF INTERNAL CONTROL FRAMEWORK

The Board acknowledges that the system of internal controls is designed to manage rather than eliminate the 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 or loss.

The system of internal controls is based on an ongoing process designed to identify the principal risks hindering the achievement of the organisation's goals and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process is regularly reviewed by the Board, taking into account changes in the regulatory and business environment to ensure the adequacy and integrity of the system of internal controls.

A satisfactory system of internal controls was in place within the Group for the year ended 31 December 2009, and up to the date of the Annual Report and accounts. This Statement on Internal Control (the Statement) has been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Statement on Internal Control – Guidance for Directors of Public Listed Companies.

## RISK AND CONTROL FRAMEWORK

TM Group has in place an Enterprise Risk Management Strategy which explains its approach to identify, evaluate, monitor and manage significant risks that could hinder the achievement of the Group's objectives. It also identifies the main reporting procedures and promotes good risk management practices within the Group. TM Group is committed to implementing Enterprise Risk Management (ERM) as a key strategic tool to proactively identify and manage risks throughout the Group. It is inevitable that risks will exist in any organisation, but these risks must be managed or controlled. As risk management is a shared responsibility, it is generally integrated into the managerial framework of an organisation. It is an interactive process consisting of steps which, when undertaken in sequence, enable continual improvement in decision-making.

Risks are identified and evaluated in the following ways:

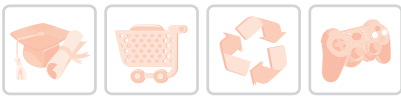
- Clearly documented financial management procedures and guidelines;
- Periodic reviews by the risk owner to assess the likelihood, impact and relevance of risks, as well as current strategies applied and the strength of these strategies;
- An internal audit function which provides a reasonable assessment of the current state of internal controls across TM Group's key operations; and
- A variety of sources such as project assessments, workshops, structured discussions and referrals from various steering committees.

## REVIEW OF INTERNAL CONTROL EFFECTIVENESS

The Board's evaluation of the effectiveness of internal controls in the Group is based on criteria developed under the COSO (Committee of the Sponsoring Organizations of the Treadway Commission) Internal Control Integrated Framework – a generally accepted framework for internal control widely recognised as the standard against which the Group measures the effectiveness of its system of internal control. The internal control system is intertwined with the Group's operating activities and exists for fundamental business reasons.

The Board's review of internal control effectiveness is based on information from:

- Key management within the organisation with the responsibility for the development and maintenance of the internal control framework;



- The work of the internal auditors, who submit regular reports to the Audit Committee which include their independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- Comments made by the external auditors in their management letters and other reports; and
- Self assessments of key entity and functional controls by Management to complement the above input in providing a holistic view of the Group Risk and Control Framework effectiveness.

The Audit and Business Assurance Committee addresses and monitors any internal control weakness and ensures continuous process improvement.

Under the COSO Internal Control Integrated Framework, internal control assessment is segregated into five interrelated components as follows:

#### A. CONTROL ENVIRONMENT

Control environment is the organisational structure and culture created by Management and employees to sustain organisational support for effective internal control. It is the foundation for all other components of internal control, providing discipline and structure. Management's commitment to establishing and maintaining effective internal control is cascaded down and permeates the Group control environment, aiding in the successful implementation of internal controls. Key activities include:

##### Strategic Theme and Objectives

- Management has established four strategic thrusts to support the achievement of the Group's key business objectives. They are:
  - Customer centricity and quality improvements
  - One company mindset with execution orientation
  - Operational excellence and capital productivity
  - Leadership through innovation and commercial excellence
- A Steering Committee provides clear direction and guidance for the implementation of the Group's High Speed Broadband (HSBB) project. The HSBB Steering Committee meets at least twice a month, chaired by the Group CEO. The committee ensures overall delivery of the HSBB project towards meeting the desired customer satisfaction level.

##### Organisation Structure

- TM Group has a formal organisation structure with clearly defined lines of responsibility and accountability, aligned to business and operations requirements.
- The roles of Central Functions (Corporate Centres) have been strengthened to provide guidance related to specific core function strategies and governance related matters to the Lines of Business.

##### Assignment of Authority and Responsibility

- The Group has established a Limit of Authority (LOA) matrix that clearly outlines Management limits and approval authority across various key processes such as Capital Structure, Mergers and Acquisition, Procurement, Corporate Finance, Account Receivable and Property, Plant and Equipment. The LOA is duly approved by the Board and subject to regular review and enhancement to ensure it reflects changes in accountability and the risk appetite of the Group.
- Clear accountability and responsibility for key business processes have been established through the Group's Business Process Manual and Subsidiaries Policy, both approved by the Board.

##### Core Values

- Internalisation of TM Group's Core Values of 'Total Commitment to Customers', 'Uncompromising Integrity' and 'Respect and Care' serves as a foundation of the Group's culture.

##### Code of Business Ethics

- All employees are required to sign and adhere to the Group's Code of Business Ethics, which outlines the minimum standard of behaviour and ethical conduct expected of employees in business matters.
- The Declaration of Assets is performed annually by all TM employees to keep track of any changes of individually or jointly owned asset value.

##### Procurement Ethics

- It outlines the principles and specific requirements related to the procurement process. It supports the Procurement Red Book and complements the TM Code of Business Ethics, which provides guidelines on dealing with employees, customers, business partners, competitors and other parties.



#### Competency-Based Development Framework

- TM Group has established a comprehensive framework that provides a structured competency baseline requirement to assess existing human capital development needs across various management levels. This is to ensure the Group's key assets, namely its people, and their skills and abilities, are competitive and remain so in the future.

#### Board and Audit Committee

- The various Board Committees, namely the Audit Committee, the Nomination and Remuneration Committee, the Tender Committee, Employee Share Option Scheme (ESOS) Committee and other ad-hoc committees, are all governed by clearly defined terms of references.
- The Audit Committee, comprising only Non-Executive Directors and a majority of independent Directors, has wide ranging in-depth experience, knowledge and expertise. Its members continue to meet and have full and unimpeded access to both the internal and external auditors during the financial year.

#### Human Resources Policies and Procedures

- The Group has made great efforts to realign its existing Human Resources policies and procedures according to initiatives developed by the Government under the GLC Transformation Programme.
- The TM Leadership model was established to support the Group's strategic initiatives and is embedded within the key human resources functions of human capital development, talent management and external recruitment.
- The Group has established a new promotion policy and framework aligned towards building leadership capabilities.

## 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 within 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. Employee commitment towards ERM are continuously emphasised and enforced.

- The COSO ERM model has been adopted to streamline the existing risk management framework with the COSO Integrated Framework used by internal audit to assess internal control effectiveness.
- Group Internal Audit complements the role of the Risk Management Unit by independently reviewing risk profiles, risk management strategies and the adequacy and effectiveness of the controls identified and implemented in response to the risks identified at every audit engagement.

#### Control Self-Assessment (CSA)

- Control Self-Assessments (CSAs) allow employees in the Group to identify the risks within their business environment and evaluate the adequacy and effectiveness of the controls in place. Results from CSAs are used as one of the key information in identifying high-risk areas within the Group.

## C. CONTROL ACTIVITIES

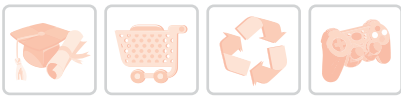
Control activities are policies and procedures that help to ensure Management's directives are carried out. Relevant activities within TM Group include:

#### Business Performance Management (BPM) Policy and Guidelines

- BPM provides a comprehensive reference to TM's Balanced Score Card (BSC), stating the guiding principles and policies for TM Group on developing and deploying BSC processes.
- It supports TM's Corporate Governance, providing an internal control framework to manage strategy implementation for better business performance results.

#### HSBB Project

- Various taskforces have been established for the HSBB project encompassing key areas such as Finance, Network Development and Operations, Human Resources and Procurement. These taskforces have key Management as their main sponsors while the core teams comprise relevant experts from the business. Clear objectives have been established for each taskforce together with their expected deliverables, while potential issues have been pre-empted to ensure successful delivery of this strategic project.



#### Corporate Responsibility (CR)

- The Group has adopted the Bursa Malaysia CR framework as a guiding principle to provide clarity, focus and consistency of CR practices that deliver sustainable value to society at large. The Group's inaugural Sustainability Report was accorded Global Reporting Initiative (GRI) Application Level A+, the highest application level in the GRI framework.

#### TM Corporate Security Policy

- TM Corporate Security Policy has been established to provide a framework of Security Management best practices for all personnel to minimise security risk and ensure all security related incidents are effectively managed.

#### Credit Management Policy

- The Group has established a new comprehensive credit management policy to provide the minimum requirements for effective Credit Management functions, and standardised its implementation throughout the organisation. These include upfront identification of high-risk customers and mitigating actions to safeguard the Group from any undue loss.

#### IT Governance Manual

- TM Group has in place an IT Governance (ITG) policy consisting of six core sections, namely ITG General Information, IT Principle, IT Architecture, IT Infrastructure, Business Application Needs and IT Investments and Prioritisation.

#### Subsidiaries Policy

- Subsidiaries Policy (SP) is positioned to ensure that the Group's interests are protected and prioritised at all times while providing adequate flexibility for subsidiaries to deliver their respective business objectives.

#### Insurance and Physical Safeguards

- Adequate insurance and physical safeguards on major assets are in place to ensure that Group assets are sufficiently covered against any mishap that could result in material loss.

### D. INFORMATION AND COMMUNICATION

Information and Communication ensures that pertinent information is identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Relevant key activities within the Group include:

#### Communication Policy

- TM Group is committed to open and effective communication as an essential component of its culture in order to motivate the workforce to deliver high quality 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.

#### Internal Control Incident (ICI) Reporting

- Internal Control Incident (ICI) reporting on a periodic basis captures and disseminates lessons learnt from internal control incidents with the objective of preventing similar incidents from occurring in other divisions and operating companies within the Group.

#### 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/relevant authorities, compliance with accounting standards and other business guidelines and issues. All requisite reminders and updates are raised through its secretariat, the Compliance Unit.

### E. MONITORING

Monitoring the effectiveness of internal controls is embedded in the normal course of the business. Periodic assessments are being integrated as part of Management's continuous monitoring of internal controls. Systematic processes available to address deficiencies include:

#### Management Committees

- Two Top Level Committees have been established, namely Management Committee and Group Leadership Team (GLT), each with clear demarcation of roles in managing the Group's strategic and operational matters 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.

ACCOUNTABILITY  
**DIRECTORS' STATEMENT ON  
INTERNAL CONTROL**



- The Audit and Business Assurance Committee (ABAC), comprising members of Senior Management from respective Lines of Business, regularly monitors major internal and external audit issues to ensure they are promptly addressed and resolved.

**Periodic Self-Assessments**

- Annual disclosures are made by the Group's Operating Companies' CEOs, CFOs and Senior Management 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 form part of the initiative to inculcate awareness of 'financial and internal controls' requirements within the Group.

**Group Internal Audit**

- Group Internal Audit carries out continuous assessments of the adequacy of risk management and existing internal controls. It also assists to promote effective risk management at the Lines of Business.
- Group Internal Audit continues to independently and objectively monitor compliance with regards to policies and procedures, and the effectiveness of internal control systems. Significant findings and recommendations for improvement are highlighted to Senior Management and the Audit Committee, with periodic follow-up reviews of action plans implementation. Group Internal Audit's practices and conduct are governed by its Internal Audit Charter.

**Special Affairs Unit**

- The Special Affairs Unit is responsible for reviewing and monitoring the ethical conduct and practices of all employees, including Senior Management. Investigation of Internal Control Incidents (ICIs) is also undertaken by the Unit (where applicable) and tabled to the ICI Committee and to the Board through the Audit Committee. Appropriate actions are then taken based on the strengths and merits of the findings. The Special Affairs Unit manages the Ethics Hotline and takes on concerns raised by Whistleblowers for further investigation.

**CONCLUSION BY THE BOARD OF DIRECTORS**

The Board considers the system of internal controls described in this statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. The Board and Management will continue to take measures to strengthen the control environment and monitor the health of the internal controls framework.

For the financial year under review, the Board is satisfied that the system of internal controls was satisfactory and has not resulted in any material loss, contingency or uncertainty.

TM's internal control system does not apply to its associate companies, which fall within the control of their majority shareholders. Nonetheless, TM's interests are served through representation on the Board of Directors and Senior Management posting(s) to the associate companies as well as through the review of management accounts received. These provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments in such companies.



**106** Box Article: Facilitating a Digital Lifestyle Through High Speed Broadband (HSBB)

**110** Chairman's Statement

**114** Group Chief Executive Officer's Statement

# PERSPECTIVE





## FACILITATING A DIGITAL LIFESTYLE THROUGH HIGH SPEED BROADBAND (HSBB)

In his keynote address at MacWorld Tokyo 2001, Steve Jobs, co-founder and CEO of Apple Inc, said the advent of the 21<sup>st</sup> century will bring with it a digital lifestyle for consumers, marked by the convergence of personal computers, the Internet and personal communication devices used on a daily basis. This integration will not only provide a whole new revolutionary experience for end-users, but also open up new markets, content and applications development opportunities for various industries, governments, groups and entrepreneurs.

Search the word 'digital' in Google, and one will get 1.17 billion entries, while the phrase 'digital lifestyle' results in 25.2 million entries. We are certainly in the age of the 'digital lifestyle' which applies to all facets of our online interactive experience through access to rich content and applications covering entertainment, education, communication, health, infotainment, business, shopping and travel. The possibilities are endless as the world of technology and innovation in content and applications is constantly changing the way we work, play and socialise. 'Connectivity' and 'user-generated' content is changing old models of interaction and communications by putting the power of influence into the hands of the many.

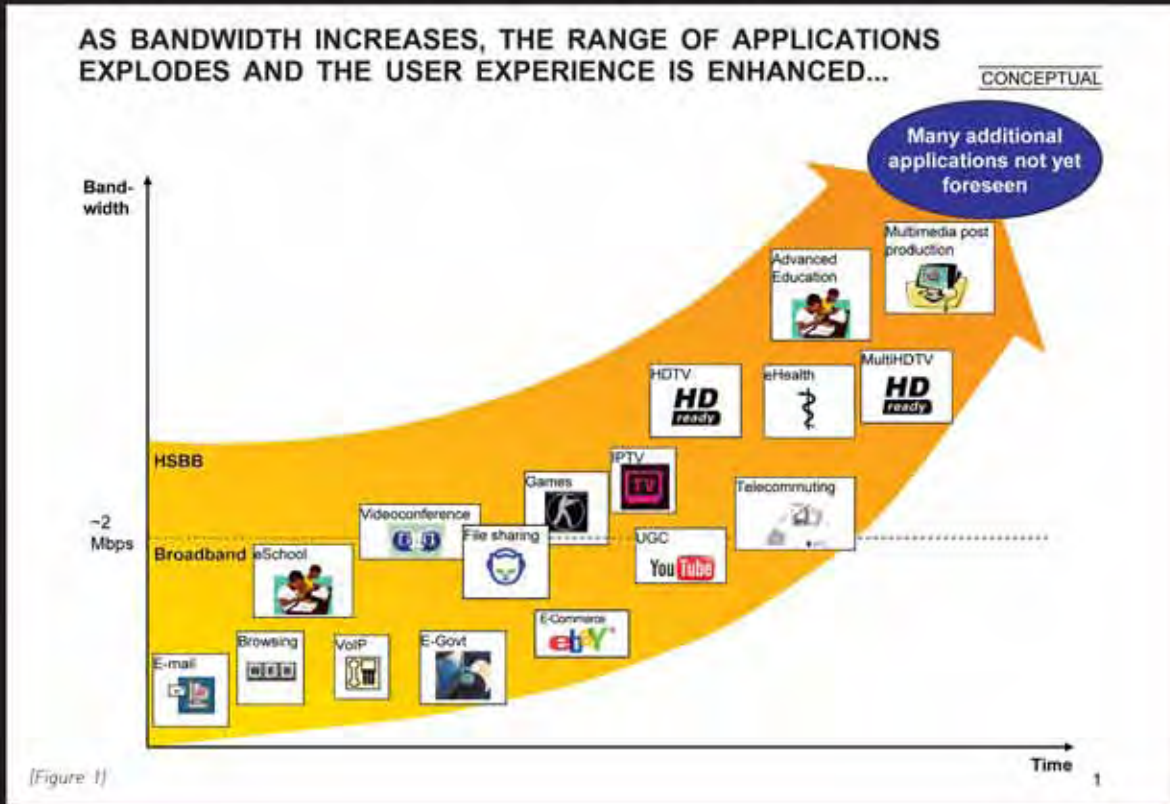
We are able to communicate interactively via a myriad of channels and devices – from voice and SMS to video and online – with anyone, anywhere, at any time. In order to offer better quality and faster transmission, and to provide richer and more varied content, the technologies spearheading such services are constantly improving. The convenience and exciting

possibilities that the convergence of voice, video and the Internet has created, has in turn led to an explosion in demand for even more applications to suit increasingly hectic lifestyles.

IDC, the market research and analysis firm, projected that the number of Malaysian Internet users will reach about 20.4 million by 2012

from 16 million currently<sup>1</sup>. This sort of demand growth drives the market for broadband; the more sophisticated the demand, the higher the speed and bandwidth required. (Figure 1).

<sup>1</sup> Snapshots of Social Networking in Malaysia



**BOX  
ARTICLE**





### HSBB WILL FACILITATE AN ENHANCED DIGITAL LIFESTYLE...



[Figure 2]

- Virtual Shopping, E-Grocery, etc
- Teleworking
- Communications – Telepresence, Web-Conferencing  
Video – Conferencing
- Education – E-Tuition, E-Discussion
- Home Entrepreneurship
- IPTV – High Definition, Video-On-Demand
- Health – E-Consultation
- Video, Photos, File Sharing
- Security – Real-Time Surveillance & Tracking
- Entertainment – Faster Download of Movie/Music Files
- On-Line Gaming, Virtual Reality Gaming

#### HOW HSBB ADVOCATES A DIGITAL LIFESTYLE

Demand for bandwidth has pushed the agenda forward for High Speed Broadband (HSBB) services, which offer network access speeds of 10Mbps and above. Faster than the current Broadband for the General Population (BBGP) which delivers bandwidth at network speeds of 384Kbps to 4Mbps, HSBB packages will eventually offer consumers access speeds of up to 100Mbps and businesses up to 1Gbps. With HSBB, Malaysians will soon have access to richer content in entertainment, gaming, education, business, work, health, communications, services and much more [Figure 2].

Consumers will benefit from heightened convenience and experience as they:

- **Download large files**, such as DVD-quality movies and music video clips, in a matter of minutes or even a few seconds.
- **Enjoy a new television viewing experience** over broadband, accessing channels over a private network in high-definition with high stability. Internet Protocol TV (IPTV) also offers Video-On-Demand (VOD) that allows viewers to watch their favourite programmes and movies any time.

- **Telework/telecommute**, i.e. work from home while staying in touch with their office, clients and business associates through video-conferencing.
- **Do business/shop virtually** on richer, secure e-shopping and e-commerce sites from around the world.
- **Play games online** simultaneously with anyone in the world in high resolution transmission or 3-D format.



- **Learn online** by accessing educational services and participating in e-classrooms, e-discussion or e-tuition as well as downloading books, journals and magazines in quick succession.
- **Access e-health**, i.e. obtain medical diagnosis and advice from medical practitioners through high resolution video and voice connections online.
- **Access e-government services** for over-the-counter services, document verification and transfer activities in real time.
- **Enjoy the security of e-surveillance** by remotely monitoring their homes, even while they are away on holiday or on a business trip.

- **Digitalise the home** with the above features, allowing them to feed their pets using remote control or read the contents of their refrigerator to see if they are short on groceries.

HSBB's value proposition towards corporate Malaysia is through the development of new industries and spin-offs in communications, marketing, accounting, procurement, customer service, management, etc (Figure 3). Internally, businesses will be able to:

- **Improve cost efficiencies** through more efficient systems in accounting, customer relationship management and supply chain management; while using e-commerce solutions for payments and marketing.

- **Communicate/integrate better with partners** via enhanced video connectivity at a lower cost.
- **Tap into more markets** as the virtual world is borderless and offers unlimited global marketing and sourcing opportunities at best possible pricing options.
- **Increase productivity** by allowing employees to work anywhere while communicating with colleagues and accessing information online in real time.

## CONCLUSION

Where is the future headed? From the pervasive demand for connectivity and the incredible convenience of a digital lifestyle, Malaysians are ready to incorporate a digital lifestyle, staying connected with each other while carrying out various tasks from the comfort of their homes, collapsing the boundaries of time, space and distance. In the near future, we can expect an explosion in all sorts of applications that will further push the demand for more interactive, high-quality bandwidth-hungry services relying on the HSBB platform.

The era of HSBB is here to stay and will in time alter the face, feel and experience of broadband services in Malaysia.

### HSBB WILL ENABLE THE NEXT PHASE OF PRODUCTIVITY AND KNOWLEDGE-BASED GROWTH OF OUR BUSINESSES & ENTERPRISES



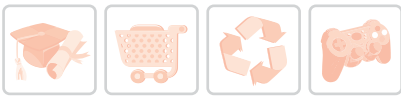
(Figure 3)

**BOX  
ARTICLE**

PERSPECTIVE  
**CHAIRMAN'S  
STATEMENT**



**DATUK DR HALIM SHAFIE**  
Chairman



## DEAR SHAREHOLDERS,

2009 has been a challenging and exciting year for TM. Challenging because of intense competition in the broadband space amid an economy that was just beginning to recover from the global crisis; exciting because TM made significant strides in building a new identity as a demerged entity. In reality, we have begun our metamorphosis into a new-generation network (NGN) provider. It has also been a very exciting year, or rather half-year, for me. Having assumed my new position as Chairman of TM since 31 July 2009, I have found myself at the epicentre of frantic-paced change that is set to transform not only TM, but the nation.

At the core of this momentous transformation is the High Speed Broadband (HSBB) project that TM has been entrusted with by the Government. The project is of great significance to the Company, which will necessarily enter a new phase as we transit into the requisite all-Internet Protocol (IP) network; and is of equal significance to the country, which stands to benefit immeasurably by a new world of opportunities enabled by the cutting-edge technology we are developing.

There can be no doubt that this is an extremely exciting time to be of service to TM. It is a time of defining moments and new beginnings. The atmosphere in the Company is highly charged with a discernible pulse, a vibrant energy fuelled by the determination of the highly capable management to create a successful HSBB story.

The demerger has been positive in this regard, allowing the TM team to channel its resources and energies more efficiently towards achieving the desired outcomes. As a result, our evolution into a new-generation communications provider is progressing well, while the organisational focus and planning put into place is being translated into more efficient and effective performance, and greater transparency.

### DELIVERING SHAREHOLDER VALUE

TM has always prioritised creating maximum returns for our valued shareholders. During the year under review, I am pleased to report that based on sound strategies and the commitment of a dedicated team, TM has made further progress, and delivered on our financial targets.

Leveraging on our strengths, we have continued to adhere to our dividend policy of RM700 million or 90% of normalised Profit After Tax and Minority Interest (PATAMI), whichever is higher. To investors, this is a strong signal that TM is indeed a dividend yield stock.

TM paid a 10.0 sen (tax exempt) interim dividend on 29 September and proposed a 13.0 sen gross final dividend (less tax at 25%), subject to shareholders approval at the forthcoming Annual General Meeting of the Company, resulting in a total yield to shareholders of RM706.5 million (or 6.5%).

On top of the normal dividend, TM is also committed to distributing excess cash. In 2009, we made a capital repayment of 98.0 sen per share, or RM3,505.8 million, to shareholders from the payment of RM4,025.0 million by Axiata Group Berhad (formerly TM International Berhad) which had been owing to TM. This is more than double the special dividend of RM1,654.5 million paid out to shareholders in 2008.

Indeed, despite the uncertainties of weaker global and domestic economies, TM's share price appreciated steadily throughout 2009. It increased 41.7% over the last 12 months, giving an excellent capital appreciation to medium and long-term investors.

TM has managed its business prudently since the demerger and will continue to do so. As the business environment picks up, and with our strong balance sheet position, we have every confidence of continuing to deliver our dividend promise for 2010 and beyond.

TM's responsibility to shareholders and other stakeholders is enshrined in our corporate governance policies, which reflect the Malaysian Code on Corporate Governance and Government-linked Companies (GLCs) Guidelines as contained in Putrajaya Committee for High Performing GLCs' Green Book on Enhancing Board Effectiveness. These policies are continuously improved on with the adoption of best practices as they evolve locally and globally. As a result, TM's corporate governance procedure and practices have, over the years, become more transparent; we have, through the Green Book, established a more evaluative framework to stimulate greater effectiveness



of the Board; a sound enterprise risk management system, a stakeholder feedback mechanism in place vide the Senior Independent Director's office as well as a balanced perspective from the Independent Directors who form the majority in the TM Board composition.

### PROVIDING VALUE PROPOSITION TO CUSTOMERS

The proof of our value in the market lies in the number of customers we have. As competition intensifies in the telco industry, it is crucial to differentiate ourselves in the eyes of customers by offering competitively priced products and services.

Like any good business entity, TM has always aimed to please the customer. But we decided that being good is not enough; in wanting to be great, in early 2009, the Group made a structural change to our business model to reflect a renewed emphasis on creating better value propositions for customers. The new business model is aligned according to our major customer segments of Consumers, SMEs, Enterprise, Government, Wholesale and Global. Each segment has its own needs and behaviour patterns which we can now study more closely so as to tailor our marketing, pricing and service delivery according to the different niche characteristics.

A common characteristic across these segments is demand for value-for-money products. To meet this, we have bundled our products, for example voice with data and Internet services including broadband, to create innovative packages that are price sensitive. Last year, several such bundles were introduced, and proved exceptionally popular. Just as an example, within three months of launching the Combo Plan, more than 150,000 TM customers had subscribed to it. With this plan, by paying only RM10 extra, a Streamyx subscriber gets to enjoy free calls to fixed lines and is charged only a nominal fee for calls made to mobile lines.

That our customers value these innovations is evident in the increase in TM's broadband customer base. I have great pleasure in sharing that TM continues to retain our market leading position in Malaysia's broadband space with 1.43 million customers as at end of 2009.

### NEW OPPORTUNITIES

As the HSBB project gradually unfolds, it heralds a new era that will impact the way Malaysians act and think at the most fundamental level. The opportunities brought about by HSBB

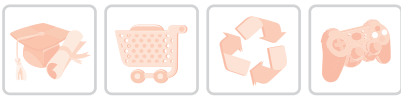
promise nothing less than a revolutionary change to our lifestyles and work-styles. With speeds of 10 Mbps and beyond, Malaysians will be able to run multiple bandwidth-hungry applications simultaneously, such as high-definition movies, gaming, complex graphics and videos. In real terms, this means people can work 'together' even if they are apart; and accomplish more in less time. Efficiencies brought about by HSBB entail more free time, hence more time for entertainment; while the amazing applications will provide consumers with limitless choice as to how they entertain themselves. The amazing opportunities made available would have been hard to imagine just a few years ago.

The word that best describes HSBB is 'enabler'. It will enable the development of a new generation of high bandwidth next-generation applications. Video-on-demand, interactive shopping, virtual surveillance of homes, and online medical consultations immediately come to mind, but are just samples of the engaging experiences our consumers can expect. Increasing demand for these life-enhancing products and services will spur the development of a robust ICT eco-system which in turn will expand the reach of the HSBB network and drive up subscription.

To fully maximise the potential of HSBB, TM will look at novel ways of adapting the technology to further enhance the quality of life of our customers. We will explore all possible permutations and combinations of the myriad products and services that we offer to more than satisfy our customers' needs. In other words, we will transform from a network-centric organisation to a customer-centric one.

### OUR PEOPLE

TM's transformation into a customer-centric organisation will necessitate a mindset change among employees. They will have to be more creative – to design relevant and exciting content and applications that optimise both the legacy and HSBB networks; they will need to be more persuasive – to sell these products and solutions; and they will require strong interpersonal skills – to build enduring relationships with partners and other stakeholders. Various initiatives introduced by the Performance Improvement Programme (PIP) 2.0 already focus on increasing competencies to better serve customers. However, TM will accelerate the process of change by providing essential support and incentives to nurture creativity, innovation and dedication in personnel who are driven by a culture of high performance and service delivery.



## CORPORATE RESPONSIBILITY

Social responsibility is ingrained into the very fabric of TM. Corporate responsibility is a fundamental on which we base our business decisions. It is not, indeed, an exaggeration to say we are looked upon as a model entity to be emulated in terms of corporate responsibility (CR). CR is accorded the same weight and priority as any other business operation within the Group. We strategise our CR programmes to have maximum impact on the communities targeted. Our actions are based on the belief that CR contributes towards building a sustainable business.

Our CR initiatives encompass the four dimensions of workplace, marketplace, community and the environment. Within TM, CR includes best practices in human resources management. In the marketplace, we focus on meeting the expectations of customers, vendors, partners, regulators, the media and public. Our community initiatives are mirrored in 3 major socioeconomic causes that we champion i.e. education, community and nation-building, and the environment. Here, I'd like to note TM's foundation, Yayasan TM's fifteenth year with over RM390 million spent in providing scholarship to our outstanding and deserving students. Within the sphere of the environment, we are starting to make concerted efforts to reduce our carbon footprint and that of Malaysians more generally with technological innovation. Internally, we minimise our consumption of utilities, and reduce wastage by recycling and adhering to responsible waste management practices.

TM's commitment to CR is sketched in the sustainability overview within this annual report, and detailed in a separately published Sustainability Report.

## PROSPECTS FOR 2010

By year end, our new-generation fibre network will pass through 750,000 premises and by end of 2012, we will complete 1.3 million premises passed. By then, TM will have spent about RM3 billion for the access fibre, the transmission, IP core and international connections. The telecommunications industry is already very competitive; by 2015, it will be even more so, with new wireless broadband services that offer higher speeds. Increasingly, we will have a bigger base of young people, the Net Generation, who are more adept at new media use. The telco environment is changing at a very rapid pace. We at TM aim to lead the changing environment, and not merely adjust to it. We acknowledge the need to be nimble in our business approach which necessitates speed, flexibility and preparedness. Do I think we can do it? To borrow a famous campaign slogan: "Yes, we can".



## ACKNOWLEDGEMENTS

I would like to take this opportunity to pay tribute to my predecessor, Tan Sri Dato' Ir Md. Radzi Haji Mansor who stepped down in July 2009. He was an outstanding Chairman to whom the TM family and I owe a tremendous debt of gratitude. I feel privileged to be joining TM at a decisive and exciting time in the Company's development and taking over from such a respected figure in the telecommunication industry.

I also wish to express my sincerest appreciation to all our stakeholders, namely the shareholders, customers, business partners, regulators, the Government, employees, the media and others – who have all done their part to help us build and grow the TM brand. I also wish to pay tribute to our 24,744 employees nationwide for their dedication and commitment. We can be sure of tough times ahead, but it is at times such as these that innovation and excellence at every level of business is most required, and tends to come to the fore.

We look forward to having a long-term relationship with all our stakeholders. To our customers, we want that relationship to be based on excellent service, and on our enduring commitment to helping them thrive in this fast changing world.

Thank you.

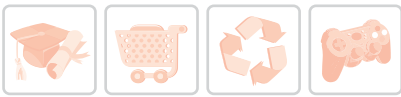
**Datuk Dr Halim Shafie**  
Chairman

# GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT



DATO' ZAMZAMZAIRANI MOHD ISA  
Group Chief Executive Officer





2009 was an exciting year for TM. We saw ourselves pushing boundaries as we forged ahead full steam in laying the physical infrastructure for our High Speed Broadband (HSBB) while keeping our action together, competing aggressively in the broadband space. Although the going was tough, our actions over the last year have put us on a stronger footing and enabled us to deliver our commitments to our stakeholders.

While most advanced economies faced a drastic economic slowdown and struggled to reverse the momentum, Malaysia proved to be relatively agile in bouncing back from the shock of the global financial crisis. The economy, which had contracted by 6.2% in Q1 2009, picked up and improved by the second half of the year as a result of proactive measures by the Government, recording growth of 4.5% in Q4 2009. The telecommunications industry in particular demonstrated a greater degree of resilience than average, as the services provided have assumed increasing importance in the day-to-day lives of customers. Broadband household penetration alone increased from 21.1% early in the year to 31.7% by December 2009.

Clearly, there was a high level of awareness and excitement about broadband in the country in 2009, with customers becoming savvier on the Internet and its applications. Social networking sites such as Facebook and Twitter have grown in popularity, becoming an integral part of many Malaysians' lives. Such increased exposure to the Internet has whetted their appetite for more and more bandwidth to cater to their needs. Despite the fierce competition, TM continued to win customers and maintained its leadership position in the broadband segment with 1.43 million customers as at end 2009, a growth of 11.8% from 1.28 million customers a year ago.

#### OUR 2009 FINANCIAL PERFORMANCE

We are transitioning well from being a provider of fixed line voice to a new-generation communications provider. Our non-voice services – including Internet, and multimedia and data – overtook voice services in terms of revenue generation for the first time in 2009, contributing 53.5% of total revenue, up from 49.1% in 2008.

At the same time, the various initiatives undertaken to tighten our belts and improve efficiencies were reflected in TM's overall financial results for the year 2009.

TM posted a revenue of RM8,608.0 million compared to RM8,674.9 million in 2008. Despite the marginal decline of 0.8% year-on-year, our normalised revenue for 2009 (excluding the exceptional revenue from special project MERS 999 of RM235.2 million in 2008 against RM94.9 million in 2009) was 0.9% higher than in 2008. These results were driven primarily by high-growth services (data, Internet and multimedia) which registered year-on-year growth of 16.0% and 8.8% respectively.



PERSPECTIVE  
**GROUP CHIEF EXECUTIVE  
OFFICER'S STATEMENT**



TM registered a profit after tax and minority interests (PATAMI) of RM643.0 million, a healthy increase of 180.4% from RM229.3 million (excluding the results of the demerged Axiata Group Berhad) recorded in 2008. This was mainly due to lower operating costs, unrealised exchange gain on the translation of foreign currency borrowings and the absence of one-off loss on disposal of an equity investment of RM88.8 million recorded in 2008. TM also recorded a better earnings before interest, tax, depreciation and amortisation (EBITDA) of RM3,102.9 million, up 6.4% from RM2,917.0 million achieved in the corresponding period in 2008.

### **STRONG FOCUS ON OPERATIONAL IMPROVEMENT AND CAPITAL EFFICIENCIES**

While we compete to offer the best value to our customers, we continue to focus on keeping a tight rein on costs management and capital efficiencies. With our Performance Improvement Programme (PIP) 2.0, we have targeted our cost management efforts at process improvements and cost optimisation, while capital efficiency improvement was directed towards reducing accounts receivable days and optimising our capital expenditure (capex). Here are the positive results achieved:

- We recorded a lower direct cost to revenue ratio of 21.0% in 2009 as compared to 21.7% in 2008;
- Having improved our Accounts Receivable (AR) collection days from 115 to 106 in 2008, we further reduced the figure to 101 days as at end 2009;
- As part of our capital efficiency initiatives, we monetised RM398.6 million worth of staff housing loans; and
- We recorded a 14.1% Business as Usual (BAU) capex over revenue ratio, an improvement from 16.7% in 2008, via better planning and coordination in executing BAU and High Speed Broadband (HSBB) projects capex, and also establishing a more robust procurement approach.

### **MEETING CUSTOMERS' NEEDS**

Competition to win customers was definitely stiff in 2009. TM felt the impact of the stiff competition, especially in the broadband space, which has attracted the entry of new players offering wireless technologies such as HSDPA, WiMAX and Wi-Fi. In response, TM stepped up our efforts to cater to the increasing demands of broadband users, challenging ourselves to be more innovative and creative in designing new products and service offerings.

With the aim of injecting real value for money in our services, TM introduced several popular packages, including Streamyx Wi-Fi@Home, Staff Package, Streamyx Combo Wi-Fi@Home, Business Wi-Fi@Office RM10 Package for Voice and the Student Package 'Gradpack'. We registered about 38,000 new installations (gross additions) for customers in December alone and in January 2010 the number soared to about 41,000 (the highest monthly installations recorded over the last 20 months). This very encouraging trend was achieved despite the stiff competition from wireless broadband players.

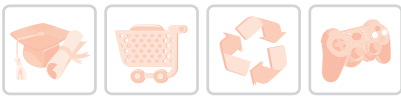
In mid-November 2009, we introduced another attractive package for our customers, the Super Upgrade Deal. By end December 2009, this highly popular offering had garnered a take-up rate of about 21,000, and by end February 2010, we had about 43,000 subscribers moving into higher speed broadband. This serves as a good indication that existing customers are willing to move into faster speed Internet access should the service be available at a reasonable price. The introduction of HSBB triple play will provide further impetus for customers to move up to higher speeds.

In ongoing efforts to promote wireless connection outside of the home, we increased the number of Wi-Fi zones (hotspots) from 1,270 to 2,069 as at end 2009, concentrating particularly in the Klang Valley. Now, Streamyx customers can access the Internet at most major fast food chains, hotel lobbies, public and private universities and airports, to name a few targeted locations. We will continue to increase our Wi-Fi areas aggressively as we seek to attain higher levels of quality service for our customers.

For corporate clients, and in particular small and medium-sized enterprises (SMEs), we offer communications and IT services that were once available only to the largest businesses, enabling them to cut their costs and improve their services.

The year was also marked by a very real increase in efforts to improve our customers' experience at every interface. TM spent 3.6% of our revenue (or RM308.0 million), more than the 3.0% that had been initially targeted, towards this end.

A large portion of our investment in enhanced service delivery was in our networks and systems. TM has recently migrated our core network into the latest IP infrastructure, area by area, in order to transform into a new-generation network service provider. The new core network provides a future-proof



platform for a more integrated service proposition, capable of supporting a large ecosystem of applications and more sophisticated voice, Internet and data services. The convergence of multiple, parallel networks onto a single IP-based infrastructure will further secure the functionalities required to provide multi-Class of Service (CoS), coupled with end-to-end quality of service (QoS).

This translates into innovative value-add for our customers who will get to enjoy all current voice, Internet and data services such as TM Homeline, Streamyx, Internet Protocol Virtual Private Network (IPVPN), Metro-e, TM Direct and Voice over Internet Protocol (VoIP) on a common platform.

TM's customer-centric efforts also addressed some 'pain points' – for example the time taken to install new lines or networks, and the time taken to repair breakdowns. As a result of all these initiatives, our customer satisfaction index improved 5.0% for the overall TM brand.

### HIGH-SPEED BROADBAND – PROVIDING A FASTER, RICHER AND MORE RELIABLE ONLINE EXPERIENCE

Since signing the Public-Private Partnership (PPP) with the Government in September 2008 to develop HSBB, we have been channelling our energies and resources into this new service platform which will revolutionise the way Malaysians live, work and communicate. The HSBB project is a first of its kind in the world with regards to the scope involved and the aggressive scheduled roll-out. Work began in earnest in 2009 with a target to deliver HSBB service by the first quarter of 2010.

I am also pleased to report that TM has successfully delivered every milestone as outlined in the schedule of the project to date. These include:

- March 2009 – disclosure of the HSBB Wholesale Services Indicative Terms and Conditions for all licensed service providers;
- April 2009 – launch of the first HSBB Wholesale service, HSBB (Transmission); and
- December 2009 – completion of the physical infrastructure passing 152,000 premises, surpassing the actual target of 150,000 premises passed.

TM has carried out an extensive two-phased test of our HSBB services (triple play of voice, high-speed Internet and IPTV) via a friendly user trial in four designated areas – Taman Tun Dr Ismail, Subang Jaya, Bangsar and Shah Alam – which was started in Q4 2009. In our effort to better gauge the quality and responses, free user trials were conducted in over 400 employee and customer premises with minimum network access speeds of 10Mbps.

As these achievements and activities indicate, the HSBB project is well on track. Indeed, TM is set to launch our first HSBB service on 24 March 2010 in the four trial areas mentioned, namely Taman Tun Dr Ismail, Subang Jaya, Bangsar and Shah Alam.

### STAYING AGILE AND RELEVANT

As we move into a world of limitless possibilities with HSBB, TM is rapidly transforming into a lifestyle brand. The Everyone Connects campaign held in the second half of 2009 marked our entry into the social media space, encouraging youth to connect, communicate and collaborate. The campaign was such a hit, today we have more than 35,000 active members on everyoneconnect.net. We started with a song seeding campaign and already we are receiving requests to use the platform for other projects to reach out to more people, including the underprivileged.

In order to maintain our cutting edge in the new lifestyle era, we acknowledge the need to ensure our biggest asset – our people – are able to deliver the services expected of them. It is our people who translate complex technology into simple, effective services. To ensure their skills keep pace with emerging technologies, we constantly train and retrain our technical staff. With the advent of HSBB, we have embarked on particularly intensive training on fibre technology. Last year alone, 7,000 employees underwent targeted IP-based training.

Training and development is not centred only on our technical staff, but on all 24,744 TM employees. Technical and behavioural competency is stressed in creating a team of high-performing, engaged and motivated employees who can, and do, make a difference to customers, shareholders, the company and themselves. Our goal is to combine the strengths of being a large company with the speed and flexibility of a small company.

PERSPECTIVE  
**GROUP CHIEF EXECUTIVE  
OFFICER'S STATEMENT**



To maximise the potential of our employees, those who display leadership qualities are identified from across the organisation through a talent management programme, and are given the opportunity to fast-track their career development.

### TM, A PARTNER IN NATION-BUILDING

TM has from the word go been a partner to the Government in developing the nation. Today, our focus is on supporting the Government's vision of promoting greater, and more equitable, socio-economic growth through broadband.

To encourage the uptake of broadband in rural areas and marginalised communities, we have embarked on several projects in collaboration with the Government. TM has built and is operating broadband networks offering speeds of 2 to 4 Mbps at 10,000 schools nationwide. More recently, we are launching into a project to encourage the use of broadband among university students from low-income families. TM is to provide 100,000 such students with Netbooks connected to Streamyx for an affordable RM50 a month. Such initiatives will not only help bridge the digital divide, which is one of our ultimate objectives, but will also fuel the development of local content which appeals to this captured segment of the youth market. TM employees, too, have been given the opportunity to experiment with broadband through Netbooks.

As part of our Universal Service Provision (USP) pledge, TM manages 168 Community Broadband Centres (CBCs) and 99 Community Broadband Libraries (CBLs) in rural areas across the country. Each is manned by one or two supervisors who manage the centres and provide training on broadband use. The CBCs are equipped with 10 to 20 computers while the CBLs have two to four computers.

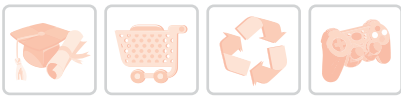
The Government itself is a major client of TM. We provide information and communication technologies (ICT) to help transform the Government into a paperless administrator. TM subsidiary GITN Sdn Bhd has been commissioned as the sole network infrastructure provider for the e-Government, which forms an integral part of the nation's Vision 2020. Our challenge is to provide a platform for government agencies to share their resources through a secured telecommunications network.

Of course, the most exciting play in broadband is HSBB, which will not only position TM as a new-generation telco but also carries the hope of transiting Malaysia into its next development phase. HSBB will greatly enhance the country's economic competitiveness regionally and globally. Offering speeds of 10 Mbps to 1 Gbps, it will accelerate the national IT and knowledge economy agenda, creating many job opportunities in an evolving ICT industry. Businesses will benefit from enhanced productivity, wider market reach and access to distributors and suppliers from anywhere in the world. Consumers stand to gain from a more exciting, more entertaining and seamless digital lifestyle with products allowing them to stream videos in real-time, monitor the house from the office or even when overseas, video chat with friends, and seek medical advice from specialists on the other side of the world, among many others.

Our HSBB partnership with the Government entails offering open access to HSBB to all licenced broadband and content players, allowing them to tap into the network and further increase broadband penetration. This will create healthy competition, which will ultimately be to the benefit of end users and hence the nation.

### GREEN CAMPAIGN

Over recent years, we have become convinced of the urgent need for all corporations to play their part in reducing the global carbon footprint so as to safeguard the environment. Towards that end, I'm pleased to say that Menara TM has been designed to be energy-efficient. Other than in-built features that lower our electricity load, we adopt certain practices to further increase our energy conservation. For example, all air-conditioners are switched off at a certain hour after work. Employees are encouraged to think about how they can make small yet meaningful changes in their daily lives. TM launched a 'reduce, reuse and recycle' campaign last year, which is ongoing and which targets not only TM employees but also personnel from other tenants in Menara TM. We enhanced this effort with an all-encompassing green campaign called Bumiku to get staff to be excited about practising green habits.



We also initiated a tele-working scheme that allows some of our sales staff to work from outside the office, using ICT to connect themselves to their supervisors. This reduces their need to travel, hence lowers their fuel consumption. While telcos like TM can reduce their own CO2 emissions, their most important role in contributing towards a greener future is by helping others to also reduce their carbon footprint. By providing technologies that connect people efficiently and seamlessly, no matter where they are, we are helping to create lifestyles that are less reliant on fossil fuels, hence generating carbon savings far greater than TM's own.

Our greening initiatives extend to rural and isolated areas without electricity, where we are experimenting with solar panels to power Very Small Aperture Terminal (VSAT) and ICT equipment in schools and community centres. To create awareness about the environment among the students, TM inked a partnership with the Malaysian Nature Society to carry out 'Earth Camp' nationwide in 2010. TM Earth Camp is a three days and 2 nights nature camp program to give students a firsthand experience with nature.

## CORPORATE GOVERNANCE

TM's Corporate Governance policies uphold the company's integrity, and ensure we operate in an open and transparent manner in relation with all our stakeholders. In formulating our Corporate Governance Framework we have referred to the Malaysian Code on Corporate Governance as well as the coloured books produced by the Putrajaya Committee on Government-linked Companies (GLC) High Performance. Our Corporate Governance Framework is further strengthened by other policies and guidelines – such as our Code of Business Ethics (CBE) and our Procurement Ethics – that reinforce an ethical culture at all levels within the Group, from the Board of Directors to Senior Management and employees. The framework is not static, but is continually updated with international best practices relevant to the telecommunications industry.

A key principle we live by is 'uncompromising integrity'. This applies to our actions with employees, customers, suppliers, business partners, shareholders, regulatory bodies, stakeholder communities and even competitors. We are led in our Corporate Governance by our Board of Directors, which are aligned to the Directors' training needs and who are themselves provided training to keep abreast with governance issues.

## BUSINESS OUTLOOK FOR 2010

Following from the dynamism in the broadband space that we experienced last year, we believe 2010 will see an explosion in broadband. Competition in the industry can only be expected to intensify, but there remains much room for growth, as our household broadband penetration stands at about 32.4% (as at February 2010). Further, as more transactions will be conducted online, we will focus on embedding security features to safeguard consumers and in so doing establish TM as the 'trusted and secure' ICT service enabler. We will continue to play our part to contribute towards the national target of 50% household broadband penetration rate by end 2010.

Convergence of fixed line and wireless broadband will increase, enabled by the IP platform TM is developing. I believe there will be greater cooperation between fixed line and wireless players as true convergence means allowing the consumer to enjoy the same look and feel of content on either medium. While TM will be powering this convergence by providing the IP platform required, we hope to see a reciprocal open access arrangement with regard to content. This would further enhance the ICT experience of Malaysian consumers.

With that in mind, we certainly look forward to the retail commercial launch of our HSBB services to customers in the four exchange areas of Bangsar, Taman Tun Dr Ismail, Subang Jaya and Shah Alam on 24 March 2010. Following this launch, customers can expect best-quality service and network access speeds (port speed) in excess of the current fastest available Streamyx speed of 4Mbps. HSBB also targets superior end-to-end network performance, including international bandwidth.

As HSBB, is an Open Access network, we welcome other industry players to join the network. This will help elevate the level of ICT services offered within the nation, and fuel the development of the local content and applications industry. The Government is already initiating various measures to boost this industry, for example setting up the Integrated Content Development Taskforce (ICON) which seeks to develop rich multimedia education, entertainment and user-generated content that suits the Malaysian culture and way of life to generate more local-centric (as opposed to International-bound) broadband activity.

PERSPECTIVE  
**GROUP CHIEF EXECUTIVE  
OFFICER'S STATEMENT**



The Government's call to property developers to ensure all new buildings are fiberised is another positive step that will boost broadband uptake, while also enhancing the value of the property.

In terms of overall products and service offerings, TM will continue to innovate and introduce new services like the iTalk Mobile-dialer, a software installed in mobile phones to automate calls using the iTalk account; and mobile homelines with cordless phones. Our focus will not only be on getting it right with good products, but getting it right with the strategic marketing of these. We will intensify our market surveys for greater understanding of our target consumers so as to meet their needs more fully and cost-effectively.

#### ACKNOWLEDGEMENTS

I would like to take this opportunity to welcome our new Chairman, Datuk Dr Halim bin Shafie, who succeeds Tan Sri Dato' Ir Muhammad Radzi Haji Mansor with effect from 31 July 2009. Datuk Dr Halim has been closely engaged with the development of the industry and in his post as Chairman of the Malaysian Communications and Multimedia Commission (MCMC) from 2006 to 2009 had direct dealings with TM. His keen insight into the industry will enhance the Board and contribute significantly towards the formulation of business strategies for growth.

I would also like to record our heartfelt appreciation to Tan Sri Dato' Ir Muhammad Radzi for his immense contribution to TM. He was a pillar of strength during the many pivotal points of TM's evolution including the technological changes, expansion into new businesses and through the demerger in 2008. Under his guidance, TM has become Malaysia's broadband champion and the leading new-generation communications provider.

I also wish to record our appreciation to Ms Wang Cheng Yong who retired as our Company Secretary on 13 February 2010. On behalf of the entire TM family, I wish to express the Company's heartfelt gratitude to Ms Yong for her dedication and contribution throughout her 18-year tenure with TM. We wish her all the best in her future endeavour.



On that note, I would like to welcome Encik Idrus Ismail to the TM family as our new Chief Legal, Compliance & Company Secretary with effect from 1 December 2009.

I believe TM is well positioned to continue delivering value to both customers and shareholders. I would like to thank the Board for its support, insight and counsel. I would also like to thank our 24,744 employees for their ongoing customer focus, as well as all our stakeholders including the Government, regulators and business partners, for their support that has enabled us to deliver on our promises.

**Dato' Zamzamzairani Mohd Isa**  
*Group Chief Executive Officer*



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# BUSINESS REVIEW





**OVERVIEW**

TM's Retail business focuses on providing a range of innovative solutions and building customer relationships in the key retail customer segments of Consumer, Small and Medium Enterprise (SME), Enterprise and Government.

**CONSUMER**

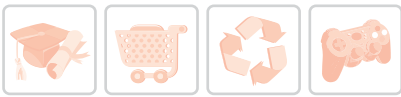
In 2009, Consumer segment devoted significant attention to providing converged customer service to TM fixed line and broadband customers under one roof. It also focused on increasing customer convenience at TMpoint, its main retail outlet. Here, customers can now pay their bills via new channels of payment such as e-kiosks, and also make non-TM related transactions, for example top up their pre-paid transport cards and settle their Astro bills. In the pipeline are provisions to allow for the payment of TNB and Syabas bills, as well as the installation of user-friendly multipurpose kiosks.

In terms of promoting the Direct Exchange Line (DEL), or fixed line, Consumer segment ran various programmes such as Customer Premises Equipment Ownership (CPEO). As a result, an average of 30,000 new registrations per month was recorded at TMpoint outlets – 98.0% of the 2009 target. Various marketing strategies and programmes were also deployed for broadband. Consumer segment had segmentised the market according to lifestyle, which is divided into four categories, kids, young adults, mature and foreigners.

Consumer segment also embarked on initiatives to tackle the Chinese community. It collaborated with MY FM on a road show that stopped at six venues. During the road show, a survey was conducted to find out what customers wanted. The results showed that many wanted to watch Eason Chan live. Consumer segment subsequently managed to get the Hong Kong singer to perform in a concert in Malaysia, selling out 50,000 tickets. Consumer segment also sponsored three Chinese movies from Hong Kong, and flew in the actors for their movie premieres as well as to meet their Malaysian fans.

Strategies to increase consumers' usage of fixed line included the RM10 package which was well received. On top of that, TM Consumer offered unlimited free calls on Fixed-to-Fixed and attractive rates (as low as 10 sen per call) on Fixed-to-Mobile with Blockbuster Deals.

For broadband, TM Consumer continued in its efforts to increase the number of Streamyx Zones by installing wireless broadband access (WiFi) at strategic public places such as shopping malls, hotel lobbies/lounges, hospital cafes, common areas in universities/colleges and airports. It targets to create 10,000 Streamyx Zones nationwide in 2010.



Localised events at each state such as Chill Out, Gegar Felda and others were organised by the team, who also collaborated with strategic partners on events such as Hot FM Jam to promote Consumer Broadband, voice and other services. The Marketing & Consumer Services and Event teams took part in these initiatives.

### SALES AND MARKETING ACTIVITIES

Various sales and marketing promotions and activities were held over the year to attract new customers, retain existing ones and promote new products and services. A number of these are regular ongoing events.

*iTalk Party*, held at TMpoint outlets on the 25<sup>th</sup> & 26<sup>th</sup> of every month, pushes sales of the iTalk prepaid card.

*Streamyx Combo Party*, held at certain TMpoint outlets every month, serves as a platform to launch new IT CPE products and promote new Streamyx packages.

*Personalised iTalk Photo Card* promotes iTalk services at selected TMpoint outlets.

*TMpoint Red Carpet Day* is a monthly loyalty event to create a TMpoint 'fan base' with attractive discounts, promotions and freebies, and to increase awareness of TM's full range of products and services. Sales Channel Management (SCM), TM Consumer Sales Team and other partners were invited to set up counters at these one-day events.

*IT Fest at TMpoint* was held at TMpoint outlets in the Klang Valley from 20 to 30 April 2009. Co-organised with IT partners like Aztech, Riger and Thundermatch, it contributed to new Streamyx registrations.

*TMpoint Festive Deal Pack is Back Campaign* is a yearly sales promotion for TM products and services during the festive season. The 2009 campaign from 26 August until 31 December entitled customers to promotions, discounts and various freebies.

*TM Homeline IDD Promo*, which ran from 3 September till 31 December 2009, offered TM Homeline residential customers service class code K (Kediaman) special rates to increase IDD traffic minutes and TM Homeline usage of IDD calls, as a special reward.

*KTS Super Wednesday* was carried out at selected TMpoints from 6 October until year end to boost sales of Key Telephone System (KTS). Walk-in business customers received door gifts, a waiver on the deposit for second line and above, special number selection at only RM200, and savings of at least RM900 for business line registration (based on three lines).

*iTalk iWIN Contest* was open to all registered iTalk users who use a minimum of RM8 per month from 12 November 2009 until 28 February 2010. It rewards 800 winners daily, eight winners weekly and one winner monthly with five consolation prizes.

*RM10 Package Promotion* which ran from 1 April until year end, offered TM Homeline residential customers unlimited free Streamyx local calls and national calls (TM fixed line to TM fixed line), mobile calls and OLN0s (Other Licensed Network Operator) fixed at RM0.30 per minute as well as free cordless phones. The package allowed customers to make more calls from their fixed lines and yet pay less than they would have as compared to making calls from their mobile phones.

### PROSPECTS

On the service front, 2010 will be very challenging in view of new developments which have transformed the competitive landscape. Revenue will be largely contributed by fixed line services and Streamyx subscribers.







## SMALL MEDIUM ENTERPRISE (SME)



*Signing Ceremony of a Collaboration Agreement between Brampton Holdings Sdn. Bhd. and Telekom Malaysia Berhad*

Small and Medium-sized Enterprise (SME) segment was established to support the growth of SMEs in Malaysia and to improve SME customers' experience. SME segment aspires to become the preferred communications partner for SMEs in Malaysia and a key pillar of growth for TM.

### INTERNET/BUSINESS BROADBAND SERVICES

Internet recorded a year-on-year growth of 15.3% driven by growth in Business Broadband and TM Direct services. In 2009, SME segment drove greater broadband penetration in the SME sector with exclusive promotions on Business Broadband packages. The Business Broadband FIXED IP Promo with 30.0% discount and Business Broadband SOHO Promo with discounted tiered pricings as low as RM99, introduced mid-year, were successful in increasing Business Broadband uptake.

SME segment also introduced the WIFI@OFFICE, a WiFi package with free WiFi modem and 1GB e-storage that applies to all Business Broadband packages, enabling SME customers to enjoy the convenience of a wireless working environment. The RM0 entry cost promotion in November 2009 provided additional benefits to SME customers by waiving installation and activation charges.

### VOICE SERVICES

The SME ONE Plan was introduced as a dual broadband and voice offering designed for SMEs. It comes with free fixed line rental, free calls of up to RM68 per month, competitive call rates, free 100 Infoblast SMSes and a free cordless telephone for each new subscriber. This package was designed to help SMEs to stay connected with their clients and associates at all times and conduct their business in a cost effective and efficient manner.

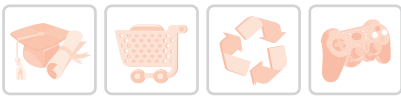
At the same time, existing promotions such as Flexi Destina and Smartcall packages will continue to meet growing demand for competitive call rates at Public Switched Telephone Network (PSTN) quality.

In 2009, too, TollFree was promoted with emphasis on the ViSight marketing tool which gives customers speedy access to first-hand tracking reports.

### DATA & VALUE-ADDED SERVICES

In view of the increasingly challenging economic climate, SME segment is engaging customers' interest in affordable IP networking solutions. These include IPVPN Value and IPVPN Lite which are beneficial to SME business owners who need to stay connected to multiple locations at high speed, reliable and secure connectivity.

On 3 June 2009, SME segment officially launched *mybizpoint.com*, a virtual platform that facilitates e-commerce at affordable price which helps business customers to create more business opportunities by utilising the Internet.



## SALES & MARKETING ACTIVITIES

Key initiatives and programmes emphasised on the following four key areas:

### FOCUSED MARKET OF SME

Solutions and activities focused on three categories of SMEs – Small Office Home Office (SOHO)/micro, small and medium enterprises – to give customers better experience and to meet their different needs.

### AWARENESS & EDUCATION FOR BUSINESS

SME segment reaches out to customers through SME BizNet seminars which aim to increase awareness of the importance of Information and Communication Technology (ICT) and how it can help manage and grow their business.

SME segment has set up nine SME Corners at TMpoint outlets in Selangor, Penang, Melaka, Negeri Sembilan, Johor, Sabah and Sarawak to serve as one-stop, value-added service centres for SME customers. These SME Corners are designated kiosks where personalised service is given to walk-in business owners enquiring about TM's business products and services.

### COMMUNITY BUILDING

SME segment continued to collaborate with various associations, corporations and Government agencies to stay connected with the business community in Malaysia. Joint events such as Domestic Investment Seminars (DIS) with Malaysian Industrial Development Authorities (MIDA) and The Great ICT Sale (GIS) with Multimedia Development Corporation (MDEC) have helped TM to achieve that objective.

Realising the continuing vitality of the Chinese SME community, SME segment has launched its Shang Qun microsite, the latest addition to its existing *tmsme.biz* portal. Shang Qun is a Chinese-language microsite which enables Chinese-literate SMEs to access SME-related content that are current and relevant to their businesses.

### ENABLER FOR SMEs

SME segment provides products and services geared for the different stages of running a business, from its start-up to expansion. The cost-effective solutions provided by packages such as the SME ONE Plan, Business Broadband FIXED IP PROMO and IPVPN Lite are particularly beneficial to SMEs in today's challenging economic environment.

In addition, SME segment cross-advertises its SME customers as part of its own commercial advertising which shows TM's involvement in the various business facets of SME's customers.

### PROSPECT

SME segment is confident of its growth in Internet, Data and Solutions services as SMEs will continue to demand greater accessibility and efficiency.

TM SME in support of Enterprise 50 Awards 2009





## ENTERPRISE

As part of the realignment of TM's business focus towards customer-centricity in 2008, TM formed a new Line of Business known as Enterprise segment on 1 April 2009, to serve the requirements of Enterprise customers for end-to-end Information and Communication Technology (ICT) and Business Process Outsourcing (BPO) services.

In this dynamic ICT market place, one has to constantly keep abreast of ever evolving technology and changing market needs. With VADS Berhad (VADS) positioned as the ICT arm of TM, Enterprise segment will continue to move up the value chain and deliver innovative solutions to serve and fulfill the ICT/BPO requirements across all customer segments.

### PRODUCTS & SERVICES

#### VOICE

Retention of revenue and offering competitive call rates remained key focus areas of voice services. Customised call plans such as Smartcall and Flexi Destina were used to manage voice churn as well as to satisfy customers' need for cost effectiveness. Both call plans have proven to be effective win-back or win-over strategies to retain customers and to further expand TM's share in this market.

#### DATA & INTERNET/BUSINESS BROADBAND

Data and Internet/Business Broadband services achieved growth of 15.0% and 12.6% respectively over 2008 performance. In 2009, 8,478 sites were connected to the Internet Protocol (IP) platform. It is envisioned that Data & Internet services will continue to grow as Enterprise customers leverage more intensely on connectivity and Internet platforms to run their operations.



*Data Centre and hosting services provided nationwide throughout Malaysia*

#### ICT SERVICES

VADS, which has served the Enterprise market for 18 years, continues to improve and enhance its Managed ICT Services. Its privatisation on 12 February 2009 better positions the company to bring together people, processes and technology to enable Enterprise customers to make more effective and dynamic use of ICT. By delivering innovative solutions, Managed ICT Services add value and reduce the complexity for Enterprises. These services provide Enterprises with technology roadmaps that empower them to be more efficient and productive.

#### BPO SERVICES

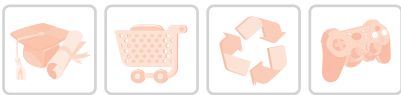
Business Process Outsourcing (BPO) continued to gain a stronger foothold in local and regional arenas. Through VADS Business Process Sdn Bhd, BPO has seen marked improvement and innovation in the areas of telemarketing, customer care and technical support outsourcing. BPO Customer Care services range from Technical Support, Customer Care, Receivables Management, Customer Retention and Revenue Generation. Services under BPO Technologies include Hosted Contact Centres and BPO Technology Solutions.

On 30 April 2009, VADS established PT VADS Indonesia, to manage the contact centre operations of the leading mobile telco there. Within its first year, PT VADS Indonesia, which operates from Jakarta and Yogyakarta, has turned around the contact centre operations, exceeding the targeted service level. Prospects for PT VADS Indonesia are bright in tandem with the fast growing contact centre market in the country.

People development continued to be a priority at BPO services. Several initiatives are continuously undertaken to develop highly competent customer service representatives with the right blend of soft and technical skills to provide better services, hence increase customer satisfaction. This initiative also prepares a highly skilled workforce to support the High Speed Broadband (HSBB) project to be launched in March 2010.

#### PROSPECTS

Demand for Data and ICT services is expected to increase in line with heightened business confidence in 2010. Hence, it is expected that Enterprise segment will continue to grow in 2010.



## GOVERNMENT

Government segment provides Federal ministries, agencies and state governments with data connectivity such as TM Internet Protocol Virtual Private Network (IPVPN), Metro Ethernet Layer 2, managed Internet connectivity utilising Metro Ethernet technology that supports high speeds of up to 1Gbps and Information and Communications Technology (ICT) services including network and Internet security. In 2009, it intensified its efforts to provide even more competitive services and packages.

With widespread connectivity and ICT offerings, Government segment is poised to position TM as the trusted partner to the Government of Malaysia (GoM) in providing solutions and networking services. It also enhances the Group's ability to provide enriched, differentiated and scalable products and services to customers.

### VOICE SERVICES

Retention of revenue and offering competitive call rates remained key focus areas of Voice services. Customised call plans such as Privilege Plan and Flexi Destina were used to manage voice churn as well as to satisfy customers' need for cost effectiveness. Government segment will extend its voice communication packages to all new government offices and branches throughout the country.

### DATA AND ICT SERVICES

Growth of the Data and ICT business represented one of the Group's major achievements in 2009. Government segment intends to keep the momentum going by further developing its ICT services.

Currently there are 5,000 IPVPN lines and the number is expected to grow, given the GoM's aggressive efforts in implementing online services. While sustaining IPVPN, EG\*Net and SchoolNet businesses, Government segment together with its subsidiary GITN Sdn Berhad (GITN) will grow its Value-Added Services (VAS) business and expand its network-related products such as Managed Security Services (MSS) and System Integrator (SI) by developing the managed and outsourcing business, and nurturing this market.

Together with GITN, Government segment supplies all e-Government applications with managed network connectivity and managed security services.

### BRIDGING THE DIGITAL DIVIDE

Government segment has consistently improved and expanded its network to cater to the education sector. One of its aims is to strengthen the SchoolNet project that connects 10,000 schools throughout the country. The user-friendly SchoolZone portal, widely used by teachers and students at primary and

*Dato Seri Utama Dr Rais Yatim's visit to Telekom Malaysia*



*Tan Sri Mohd Sidek Hassan witnessed the MERS 999 System and CCTV Cyberjaya Integration*





secondary levels to exchange and share teaching and learning material, has been enriched with more interactive features. The GoM will continue to prioritise e-learning in schools, universities and other training institutions, hence there is a need to cater for the anticipated rise in demand for applications and content.

Similar efforts to bridge the digital divide are being made under Universal Service Provision (USP) initiatives which aim to equip rural communities, senior citizens and people with disabilities with the basic tools to increase their use of ICT. To date, Government segment being one of the service providers for USP has provided telephony, Community Broadband Library (CBL) and Community Broadband Centre (CBC) services in 51 districts. Under the shared infrastructure for the East West Highway Tower, Government segment has completed 20 towers in Baling, Jeli and Hulu Perak.

### SALES AND MARKETING ACTIVITIES

Sales and marketing activities were directed towards strengthening business relationships. Government segment places strong emphasis on a knowledgeable sales force and personnel to establish itself as a trusted partner to the GoM in providing ICT services and solutions. It plays an active role in various government ICT initiatives that promote wider adoption of ICT in everyday life. With ICT as a key driver in moving the economy up the value chain, efforts will be intensified to mainstream ICT services and facilities.

In all its activities, Government segment ensures the highest quality in accordance with international standards. It is ISO 9001:2000 certified for Project Management Services encompassing the delivery, implementation, testing and commissioning of Wide Area Networks (WAN), followed by their operation and maintenance. Meanwhile, efforts are being made to acquire ISO 27001:2005 Information Security Management System (ISMS) for the Security Operation Centre in 2010.

### PROSPECTS

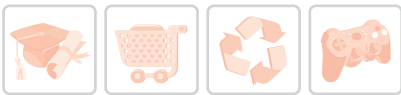
Growth of Government segment is expected to be driven by increasing demand for Internet Protocol (IP) and broadband services with additional bandwidth-hungry multimedia and data applications coming into use by various ministries and their agencies. With the expected improvement in the economy, growth is anticipated based on the need for high speed connectivity in Intranet and Internet connectivity. Growth is also expected to be driven by the introduction of newer ICT services utilising the available network connectivity. Finally, with a vision to be the GoM trusted partner, Government segment will intensify efforts in assisting the GoM to elevate its public service delivery.

*Launch of Sudut IT, Sekolah Kebangsaan Panglima Adnan, Bagan Pinang Port Dickson, Negeri Sembilan*



*SchoolZone portal and SchoolNet Facilitator briefing*





#### OVERVIEW

Wholesale Business, which includes Fiberail Sdn Bhd (Fiberail) and Fibrecomm Network (M) Sdn Bhd (Fibrecomm), is TM's business and marketing arm for telecommunications infrastructure nationwide. It offers a comprehensive range of unparalleled telecommunications facilities and services to licensed network operators such as network facilities providers (NFP), network service providers (NSP) and applications service providers (ASP) for mobile, fixed line, WiMAX, broadband and Internet.

Most of Wholesale Business' offerings are governed by rules and regulations as set by the Malaysian Communications and Multimedia Commission (MCMC). These include the Mandatory Standards on Access, Mandatory Standards on Access Pricing and Access List Determination.

Fiberail is a joint venture formed by Telekom Malaysia Berhad and Keretapi Tanah Melayu Berhad (KTMB) in 1992. In 2006, Petrofibre Network Sdn Bhd (PFN) became a third partner following the sale of its assets. Through KTMB, Fiberail initially built its fibre optics backbone along the railway tracks. When PFN joined the fold, Fiberail was able to expand this fibre optics backbone along Petronas gas pipelines, thus providing extensive fibre optics network coverage from north to south and along the East Coast of Peninsular Malaysia.

Fibrecomm was incorporated in 1997 as a joint venture between Celcom and Tenaga Nasional Berhad (TNB) and subsequently became a subsidiary of TM after the demerger exercise in 2008. This synergistic alliance has allowed Fibrecomm to establish a second extensive fibre optics network that spans across Peninsular Malaysia, running along TNB's high voltage transmission lines from Malaysia's borders with Thailand and Singapore. Fibrecomm has further extended its reach into East Malaysia through a collaboration with Sacofa Sdn Bhd.

Wholesale Business acts as a neutral infrastructure service provider, offering open access to all network service providers. It supports the Government's Malaysian Information, Communications and Multimedia Services 886 (MyICMS 886) vision to deliver advanced information, communications and multimedia services by 2010. This includes 50% broadband penetration in Malaysian households.

#### FINANCIAL PERFORMANCE

Wholesale Business recorded a commendable financial performance in 2009, maintaining a consolidated total revenue above the RM1 billion mark to hit RM1,166.7 million. This was an increase of 8.5% from the RM1,075.7 million earned in the previous year. Wholesale Business' remarkable performance was driven mainly by a significant growth of 26.9% in Data services, which increased by RM105.5 million from the 2008 figure. This was due to surging bandwidth backhaul demand from mobile operators and new broadband players.

Wholesale Business' growth in revenue, coupled with effective cost management, resulted in a tremendous increase in EBIT of RM189.2 million from RM89.4 million in 2008. Despite the significant growth in operating revenue, operating cost was tightly controlled and marked a 0.5% decrease from that in 2008.



Wholesale Business is confident of sustaining its excellent performance through continuous efforts to provide access and connectivity to network service providers and accommodate their growing demand through TM's existing extensive network and the new HSBB network.

## OPERATIONS

Focusing on the domestic market, Wholesale Business provides a comprehensive range of telecommunications facilities and services to all licensed network operators covering both regulated and commercial offerings. To date, its range of services encompasses Voice, Data, Access and Infra services.

### VOICE SERVICES

#### VoIP

Wholesale VoIP services are targeted at ASPs venturing into the VoIP business in Malaysia. In view of intense competition from other wholesale voice providers, Wholesale Business is committed to intensifying its efforts to offer competitive rates and strengthening its promotional initiatives to increase VoIP traffic minutes.

#### Interconnect Minutes

Wholesale Business continues to offer interconnect services which allow for the seamless flow of voice and data between different networks.

### DATA AND ACCESS SERVICES

#### High Speed Broadband (Transmission) Service

High Speed Broadband (Transmission) Service provides high speed IP-based backhaul connectivity in HSBB areas over the new HSBB network designed with high quality and reliability. This service is from within the HSBB product portfolio that offers an end-to-end solution from access to core and international connectivity across key economic and industrial areas.

#### Wholesale Ethernet

Year 2009 witnessed significant growth of Wholesale Ethernet, reflecting the increase in demand for high speed IP-based access services from licensed network operators who, in turn, are driven by the need to secure scalable networks to accommodate growing numbers of mobile and broadband customers.

#### Domestic Bandwidth

Described as the fastest point-to-point connection to tomorrow's world, Domestic Bandwidth services offers transmission speeds ranging from 64Kbps to 10Gbps. Built on an extensive nationwide network infrastructure, Domestic Bandwidth services is able to provide a host of high speed circuit-based digital leased line services for various applications that enable service providers to expand their suite of options and choices to suit customers' business needs.

#### Digital Subscribers Line (DSL) Wholesale

Year 2009 witnessed a significant growth in the take-up of DSL Wholesale, a positive indication that local Internet service providers (ISPs) are supporting the National Broadband Plan. DSL Wholesale allows ISPs to leverage on extensive wholesale DSL network coverage while controlling the network layer, enabling them to offer their own unique brand of broadband packages in the market.

#### IP Wholesale

With the growth of IP-based services, there is greater need for cost-effective backhaul networks. Wholesale Business provides readily available state-of-the-art IP Multi Protocol Label Switching (MPLS) infrastructure with extensive nationwide coverage to enable instantaneous connectivity between geographically dispersed sites, reducing the time and cost to build new networks.

*Providing excellent service to network operators*

