

trüüst



GROUP CORPORATE COMMUNICATIONS

TELEKOM MALAYSIA BERHAD
(128740-P)


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 [@tmcorp](https://twitter.com/tmcorp)

trust



TELEKOM MALAYSIA BERHAD (128740-P)
2012 ANNUAL REPORT

Because, with 
you're getting services from a name
you know and trust, backed by years of experience.
With an incredible range of content and high speed
connections, be it Streamyx or UniFi for homes, with complete
end-to-end solutions for businesses, TM offers faster, richer
and a more reliable customer experience. Whether it's
entertainment, information or communications,

**we help you connect,
communicate and collaborate.**

Our customers can count on us to deliver.

**Trust us.
We know broadband best.**

After all, we are
Your Broadband Champion.

ambitious
momentous
courageous
focus
continuous
generous

inside this report

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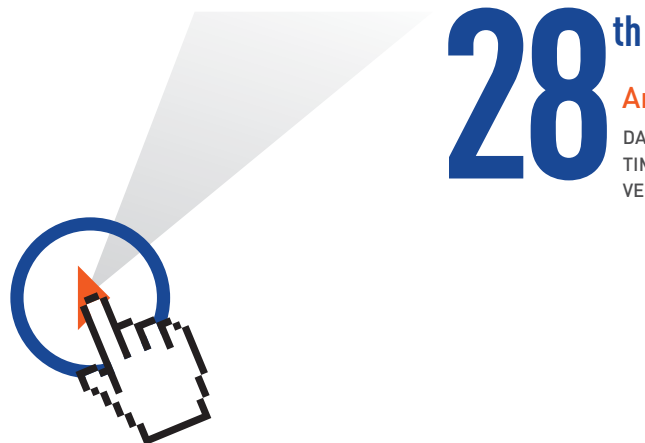
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28th

Annual General Meeting

DATE 7 May 2013, Tuesday
TIME 10.00 a.m.
VENUE Kristal Hall, TM Convention Centre,
Menara TM, Jalan Pantai Baharu,
50672 Kuala Lumpur, Malaysia

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

VisionMission

“ Kristal Values

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

Kristal Song



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

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

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

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

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



Taking success **further** with



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

The four strategic thrusts of PIP 2.0 are:

CUSTOMER

Centricity and Quality Improvements

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

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.

ONE

Company Mindset with Execution Orientation

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

LEADERSHIP

Through Innovation and Commercial Excellence

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

No. **1** broadband provider in Malaysia

more than **2** million
broadband customers

RM9.99 billion revenue
highest revenue growth in the industry at 9.2%

1.377 million
premises passed for high speed broadband deployment

37.4 %
total return to shareholders (TRS)

27,257 employees
TM's most valuable asset

RM787.0 million
total dividend payout

Facts at a
Glance

trust

Perspective

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ambitious



As your Broadband Champion, we are always pushing boundaries to lead the industry in the pursuit of better performance, product and service quality and heightened customer experience.



Dear Shareholders,

It is my great pleasure to report to you on a year that has been remarkable and rewarding, historic and hopeful.

CHAIRMAN'S STATEMENT

A year where we strengthened our position as a trusted corporate citizen, building on the foundation of integrity and transparency in our operations, and created greater shareholder value. A year when we not only fulfilled, but surpassed our promise to deliver the roll-out target of 1.34 million premises passed under the high speed broadband (HSBB) project, as set out in the landmark Public-Private Partnership (PPP) agreement with the Government from years ago.

A year when we took our role as the nation's trusted partner in development and leading new generation communications' service provider to the next level, further increasing the reach and quality of a significantly enhanced broadband lifestyle to the people. A year when we achieved what could be thought of as impossible only a few years ago – a fixed line operator registering the highest revenue growth in the telecommunications industry.

It is indeed an exciting period in the history of our Company. The demerger in 2008 gave us the opportunity to re-invent ourselves, gave us the focus we needed to build a new and solid foundation for growth. We improved our fundamentals and prepared our people for the challenges and changes ahead. When the rubber hit the road, I am heartened to say they rose to the occasion and delivered what was expected of them year after year.

This passion and commitment shown by our employees as well as management, make me optimistic and hopeful that we are only at the start of this tremendous journey, and that many more outstanding successes await us the horizon.



DELIVERING VALUE FOR OUR SHAREHOLDERS

I am pleased to report that in 2012, TM registered our strongest full year performance to date since the demerger exercise. We met all three Headline Key Performance Indicators (KPIs) with a commendable revenue growth of 9.2%, Earnings Before Interest, Tax Depreciation and Amortisation (EBITDA) margin of 32.3% and customer satisfaction measure of more than 72.0, well above the global telco average of 68.0.

The 9.2% revenue growth was moreover the highest among the industry's major players, and among the highest of fixed line operators globally. This indeed adds to the sense of achievement of our Company and bodes well for our future.

Profit After Tax And Minority Interest (PATAMI) for FY2012 grew by 6.1% to RM1.26 billion as compared to RM1.19 billion in 2011. Excluding mainly the gain on deferred tax income and unrealised forex gain, our normalised PATAMI stood at RM881.0 million, an increase of 38.8% against RM634.8 million in 2011.

We further substantiated our claim as Malaysia's Broadband Champion with a 7.4% growth in our customer base, from 1.92 million in 2011 to 2.07 million in 2012. UniFi coverage reached 1.377 million premises passed in 96 exchange areas, exceeding our promise to the Government of 1.34 million. By the end of 2012, we had more than 482,000 Unifi customers. As of the third anniversary of HSBB, on 24 March 2013, we had activated more than 520,000 UniFi customers, which translates to a take up rate of more than 37.0%, going beyond global benchmarks of similar service roll-outs.

To you our shareholders, in line with our continued focus on strong and sustainable returns, I am also pleased to announce that the TM Board of Directors has recommended a final dividend payout of 12.2 sen per share on top of the interim dividend of 9.8 sen per share amounting to RM351.0 million distributed in September 2012. This brings the total dividend payout to 22.0 sen per share, amounting to RM787.0 million. With the interim dividend, TM has met its dividend commitment of RM700.0 million or up to 90.0% of normalised PATAMI, whichever is higher.



We are particularly pleased that TM has not only met our dividend commitment to our shareholders year after year as promised since the demerger, but that for the first time, we have exceeded the RM700.0 million payout mark. For the year ended December 2012, we delivered a total return to shareholders (TRS) of 37.4%. From the date of our demerger in April 2008 to the present, our TRS is a very impressive 237.1%, making it among the best in the telco sector. On behalf of TM, I would like to take this opportunity to thank our loyal shareholders for their continued investment and confidence in the Company.

DELIVERING HIGH SPEED BROADBAND

2012 was yet another milestone year, during which we successfully delivered the roll-out target of the HSBB project as promised in the PPP, acclaiming global recognition as the fastest and most comprehensive of its kind in the world.

The Government of Malaysia, fully realising the positive impact of broadband on the development of the country, had taken a bold step by co-investing in the HSBB project, marked by the signing of the PPP agreement with TM in 2008. Since then, TM has taken the baton and has run with it. We committed to offer the first commercial service to Malaysians in the first quarter of 2010, and we did. We committed to fully complete the project by end-2012 with coverage of 1.34 million premises, and we did, achieving 1.377 million premises passed.

It was a globally-acclaimed success, in terms of the scope of this endeavour, the speed of its completion as well as its take-up rate. We have received encouraging remarks from regional and international bodies such as FTTH Council Asia Pacific, BT Teleconsult, McKinsey & Co, and the European Commission.

Looking back, it was not by any means an easy feat. It could not have been done without the support of the Government nor the dedication of our 27,257 strong workforce. Our people have managed to maintain existing operations while undergoing tremendous transformation, both as an organisation and on an individual basis, to deliver this new technology service. On that note, I would like to take this opportunity to say how proud I am of every single member of the TM family, for their hard work, dedication and perseverance, but most of all for their belief in our shared future.

With the HSBB and Internet Protocol (IP) infrastructure in place, TM is a big step closer towards our vision of becoming an Information Exchange. As an Information Exchange, whenever there is a flow of information from one user to another, no matter where they are nor whose customers they are, we believe that information will touch TM's physical and virtual 'network' at some point in that transfer.

This is in line with prevalent trends in the industry, particularly with respect to customer behaviour and their expectations of being able to choose services and content – regardless of location, technology or device.

HSBB is a pervasive infrastructure, capable of carrying huge amounts of data and information, from basic voice to the most sophisticated of Information and Communications Technology (ICT) services. It also promised to be a neutral infrastructure, open for other service providers to use. In fact, a number of major providers have taken up capacity in our HSBB network, and they now use it to carry traffic to and from their own customers.

This position that we have strategically moved ourselves into puts us right in the middle of the communication grid, with information among users flowing all around us, and inevitably through us. This is true to our Information Exchange vision.

TRUSTED PARTNER IN NATIONAL DEVELOPMENT

The Economic Transformation Programme (ETP) introduced by the Government aims to propel the nation into high income status by the year 2020. Broadband, and HSBB in particular, is the catalyst for many of the National Key Economic Areas (NKEAs), whose industry growth would be made much faster with leading edge ICT infrastructure and services.

Broadband has the potential to revolutionise the way Malaysians live, work and play, while delivering real economic benefits via increased productivity, and this is already proven in the enhanced lifestyles of TM's more than 2.0 million broadband customers. It will also spur the development of the domestic content industry and e-commerce. According to a World Bank study, a 10.0% increase in household broadband penetration can increase Gross Domestic Product (GDP) growth by more than 1.0%.

TM means to make good on our aspiration to become Malaysia's broadband champion and the leading new generation communications provider. While we work towards delivering on the PPP, we remain always mindful of TM's role in nation-building, as a catalyst and key driver of the Communications Content and Infrastructure (CCI) NKEA as well as the National Broadband Initiative (NBI). Moreover, we remain committed



to the Government-linked Company (GLC) Transformation Programme and ultimately to our shareholders in increasing shareholder value.

HSBB is also a strategic initiative in that it can help the country achieve its objective of inclusiveness. This objective is intrinsic to the philosophy of 1Malaysia, where no citizen should be left out of the development and prosperity of the nation. ICT is indeed a critical enabler of this vision – providing access to information and tools that can help increase the standard of living of all Malaysians.

Inclusiveness firstly requires ubiquity of network. TM has long been a close partner to the Government towards this end. Since the first telephone lines were laid in the country more than 120 years ago, we have strived to ensure our extensive telecommunication infrastructure reaches Malaysians nationwide. With this network acting as a base, many applications that bring convenience and efficiency to individuals, businesses and Government can be carried on top of it. The more sophisticated the applications, the faster and more reliable the network needs to be. HSBB is designed to play this role now and well into the future.

This philosophy of inclusiveness is also at the core of the Digital Malaysia programme, which seeks to create an ecosystem that promotes the use of ICT in all aspects of the economy. Under Digital Malaysia, all communities will be empowered to connect globally and interact in real time resulting in increased GDP, enhanced productivity and improved standards of living. Once again, TM with our extensive and sophisticated telecommunications infrastructure, remains excited to

support this goal, and to continue as a trusted partner in the development of our great nation.

TRUSTED CORPORATE CITIZEN

TM places the highest priority in conducting our business with integrity, transparency and strong governance. One of the National Key Result Area (NKRA) under the Government Transformation Programme (GTP) focuses on Fighting Corruption, and I am proud to report that TM is at the forefront among corporate Malaysia in this area.

We fully support the National Integrity Plan (NIP), which advocates enhanced corporate governance, business ethics and corporate social responsibility. The same year the NIP was launched, in 2004, TM produced our Code of Business Ethics (CBE) in the form of a handbook. In 2010, we became the first GLC to offer the CBE as an e-learning module for easy reference by employees. In 2011, our efforts intensified with the signing of a Corporate Integrity Pledge. We also signed a Memorandum of Understanding (MoU) to become a 'Rakan Integrity' of the Institute of Integrity Malaysia (IIM), which commits us to planning, implementing, executing, overseeing and evaluating the principles as contained in the NIP within the Company. Then in January 2012, we launched our Integrity Pact, which is an agreement between TM and our vendors to perform business dealings free of bribery and corrupt practices.

2012 was the year when we reinforced awareness on integrity among our employees. Building upon one of our core values of "Uncompromising Integrity", a structured campaign was implemented

throughout the year, with constant and consistent communication, delivered through nationwide road shows as well as talks. TM leaders have also played their role to remind and guide their team. The message of integrity, I believe, has reached every level of our workforce, and there is now heightened knowledge and appreciation among our people of this important value.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

In our transformation journey, the agenda of corporate responsibility and sustainability has been ingrained in our actions and decisions, from the boardroom in setting the direction of sustainability initiatives to be driven throughout the organisation, down to all working and operational levels of TM's business, touching many outside of TM as well.

TM has always advocated balance between our bottom line and our role as a responsible corporate citizen, approaching it from the four dimensions of workplace, marketplace, community and environment. The latter two dimensions are further broken down into three Corporate Social Responsibility (CSR) pillars, namely Community/Nation-building, Education and the Environment.

In the workplace, our employees or Warga TM continue to exemplify their passion for TM through increased teamwork and a collaborative spirit. Our focus on internal engagement programmes and on consistent and regular open dialogue with TM leaders have played an important role in ensuring our workforce is fully on board with the task at hand and our business objectives. This has resulted in our Employee Engagement Index (EEI) known as My1TM Survey hitting



an all record high on 90.0% in 2012 with 85.0% staff participation. This score exceeds that of global high performing companies on the same benchmark scale; a testament to the energy of Warga TM.

In the marketplace, TM made commendable progress in our efforts to improve Customer Experience in a year that was dedicated to the same. In particular, TM had a great year for Social Media management, where we firmly established TM as a listening organisation that engages with our customers, through our active Twitter accounts @TMCorp, for latest updates and corporate news, as well as @TMConnects, our dedicated customer service channel which complements our suite of other traditional channels.

Under the Education pillar, in 2012 we continued to be directly involved with various levels of the education system in the nation, from our School Adoption Programme which aims to boost the academic performance of rural schools through ICT, all the way to providing opportunities for higher education and skills development at the Multimedia University (MMU) and Multimedia College (MMC). All these were further strengthened by Yayasan TM, a foundation that has provided scholarships to more than 13,000 deserving students.

We added our first special needs school, Sekolah Kebangsaan Pendidikan Khas Pekan Tuaran, Sabah, being also the first GLC under PINTAR Foundation's fraternity to do so, as well as Sekolah Menengah Kebangsaan Chenderiang, Perak, which has a sizeable Orang Asli student population, to our family of 12 adopted schools in total to date. This furthers our aim of more inclusiveness in our Corporate Responsibility (CR). In

exploring more on programmes relating to Orang Asli students, one school in Pahang will be launched as another PINTAR school soon, together with a school in Selangor for 2013.

Under the Community/Nation-building pillar, we continue to support the Government's Universal Service Provision (USP) vision of achieving universal access, universal coverage and universal service, in line with the intention to bridge the digital divide amongst Malaysians. In doing so, TM as Malaysia's Broadband Champion, commissioned and collaborated on various initiatives together with our Ministry and regulatory body. These included the Community Broadband Centre (CBCs) or *Pusat Internet 1Malaysia* (PI1M), Community Broadband Libraries (CBLs) or *Perpustakaan Jalur Lebar* and *Kampung Tanpa Wayar* all of which are aimed at achieving the target set by the NBI of 75.0% household penetration by 2015.

TM is also taking a proactive role in alleviating poverty and helping to provide a more sustainable livelihood for single mothers and their families through Program Sejahtera. In 2012, the efforts for the pilot project in Pahang finally bore fruit after three years when two daughters from different families graduated with flying colours, bringing their hard-earned Diplomas home for their mothers to be proud of and consequently, were offered to be a part of TM's family through employment with us. The success of this pilot programme has encouraged us to kick off the second phase of Program Sejahtera, this time in Kelantan. Five families have been selected in the state, to start their journey to a better quality of life. With the collaboration with Yayasan Sejahtera and Yayasan Pendidikan & Vokasional Wanita Malaysia (YPVWM),

the participants of the programme are set to realise their greater potential next year.

I am also proud of the progress we have made under the Environment pillar. 2012 saw us embark on our Carbon Management Plan, by streamlining our environmental data collection and monitoring process throughout the Group. As 1TM, we see this as an opportunity to be an even more transparent Company in measuring, monitoring and reporting our environmental footprint.

At the same time, we also believe that each one of us has the power to make a positive impact on the environment and our general surroundings. I am heartened to see the active participation shown by our employees in the internal environmental programme, BumiKu. More activities were rolled out during the year under this initiative including BumiKu Fun Run, BumiKu Green Week, 'Gotong-Royong 1TM' which was held simultaneously nationwide, and our flagship BumiKu Camp. This spirit of volunteerism in TM also extends itself to all our community and CR programmes, where employees get involved to help make each event a meaningful success.

Externally, we continue to expand our reach to achieve greater impact by collaborating with other organisations that share the same aspirations. We have been partnering with the Malaysian Nature Society (MNS) in conducting the TM Earth Camps, which entered its third year in 2012. The series of six nationwide nature camps aims to increase students' awareness of Malaysia's rich biodiversity through real-life experience, in the hope that they will share their appreciation of nature's beauty with friends and family, while building the foundation for a heightened



appreciation of the environment for generations to come. Ensuring that we continually 'connect the dots' in our approach to CR, we invited students from our adopted schools to be involved with community work during these camps. Our subsidiaries, Menara KL and Muzium Telekom often come on board with educational and environmental activities of their own with respect to our history and heritage.

Further, as we migrate from legacy digital into a fully IP based network, we are coincidentally becoming 'greener', as this requires less energy and less space to operate, thus minimising our carbon footprint and wastage. We have also introduced an unofficial brand name for our network: TM E³ Infra – Efficient, Effective, Elastic, demonstrating the enhanced features of our infrastructure.

Our 2012 Sustainability Report provide further details of our Corporate Responsibility programmes.

PROSPECTS

Although we anticipate that the broadband space will be more competitive in the coming year, we are optimistic that we can meet these challenges with the high value proposition of our products and services. The competitive landscape continues to evolve with the entrance of new players into the market, and we expect to continue seeing healthy competition from fellow broadband providers. TM always welcomes competition as it fosters more innovative services and options which ultimately benefits the end user/consumer.

As for TM, we remain committed as Malaysia's Broadband Champion to bring an enhanced and integrated digital lifestyle to Malaysian homes and businesses through our full and comprehensive suite of broadband services. We will continue to deliver high speed broadband via both UniFi and Streamyx, in terms of infrastructure and services, both of which are undergoing continuous improvements in our efforts to deliver the desired customer experience. UniFi already delivers speeds of 5, 10, 20, 30 and 50 Mbps while Streamyx offers speeds of 4 and 8Mbps. There are many exciting product and services developments being planned, which will increasingly prove to be technology neutral with focus on lifestyle benefits. We remain true to the intention to deliver HSBB and Broadband for the General Population (BBGP) in our holistic approach to providing broadband to the nation across all segments.

After the successful implementation of the second phase of our performance improvement programme (PIP) 2.0, we have embarked on our third phase of PIP or PIP 3.0 as further explained in our Group Chief Executive Office's (GCEO) statement. Against this backdrop, TM is set to take its stage of growth to the next level.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to put on record our utmost gratitude to our shareholders and other stakeholders for your steadfast trust in us, particularly in our efforts to bring the Company to greater heights. We

will continue to work hard to ensure we create value for you in all that we do. We thank our customers, business partners and the media for your loyalty and support. To the Government and regulator, TM reinforces our commitment to support the agenda of industry development and a knowledge economy through the proliferation of ICT.

To my fellow Board members, thank you for your active participation and contribution at all Board and Committee meetings. Your wisdom and vision have guided the Company through the highs and lows of our transformation journey. To the Management – your dedication, drive and determination have helped translate our vision into business results and returns to our stakeholders.

Last but not least, we take our hats off to each and every one of the 27,257 employees of TM. With a strong one-company mindset, you have demonstrated yet again the power of passionate teamwork. Without your perseverance and commitment, we would not have achieved such tremendous success. I trust that we will continue to prove that when we put our hearts, our heads and our hands together, we are capable of an even greater future.

Dato' Sri Dr Halim Shafie
Chairman

TM has every reason to celebrate the achievements of 2012 – for this we are extremely grateful. Thanks to the incredible energy and tireless dedication of our people, as well as with the unwavering support from all our stakeholders, we have delivered a truly spectacular year – recording not only the highest revenue growth in the industry for the full year ended 31 December 2012 at 9.2%, but the highest revenue growth since our historic demerger in 2008.

TM has also fulfilled, and even surpassed, the commitment we made with the Government of Malaysia under the HSBB PPP Agreement to roll-out 1.34 million premises passed by the end of 2012; achieving 1.377 million premises passed. We maintain our broadband leadership, with over 2.0 million customers, and with over 520,000 UniFi customers by the third anniversary of HSBB on 24 March 2013; together with our commitment to an enhanced customer experience.





GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

For our valued shareholders, TM has not only met our dividend commitment every year since demerger, but we are especially pleased that for the first time, TM has exceeded the RM700.0 million payout mark, with a total 2012 payout of RM787.0 million. In pursuing financial and commercial excellence, TM has never forgotten our corporate responsibility nor our role in nation building – and continue to make headway in our path to long term sustainability.

We hope what this all has proven is that the trust that you, our stakeholders, have placed in TM throughout these years, have indeed been well founded. "TRUST US" is the theme chosen for our 2012 Annual Report – in appreciation of the same trust you have given us, and a symbol of our commitment to you.

TM DELIVERS STRONGEST PERFORMANCE SINCE DEMERGER

In 2012, TM recorded an impressive 9.2% rise in Group revenue to RM9.99 billion from RM9.15 billion recorded last year, outstripping industry growth and the strongest performance to date since the demerger in 2008. The improved performance was mainly driven by healthy growth across all key products – Internet and multimedia particularly UniFi, data and other services.

Dato' Sri Zamzamairani Mohd Isa
Group Chief Executive Officer



EBITDA for FY2012 stood at RM3.23 billion, which is higher by 4.7% compared to FY2011 on the back of higher operating revenue. Normalised EBITDA margin was 32.0% in line with Headline KPIs.

PATAMI grew by 6.1% to RM1.26 billion as compared to RM1.19 billion recorded last year also due to higher revenue, together with the recognition of deferred tax income and unrealised forex gain. Normalised PATAMI, excluding mainly the gain on deferred tax income and unrealised forex gain, stood at RM881.0 million, an increase of 38.8% against RM634.8 million in 2011. This was attributed to higher revenue and lower tax expense.

The solid year performance has meant that TM has made significant progress on our comprehensive action plan to position ourselves for our next stage of growth and profitability. This achievement is indicative of the strong momentum we have established and continue to make in the execution of our sustainable growth strategy.

We concluded the 2nd phase of our Performance Improvement Programme (PIP) 2.0, and are happy to report that we have been successful in its implementation. The results and achievements recorded over the last three years, speak for themselves. Within that time, we strengthened our position in the market, as your trusted broadband champion, and as a trusted partner in telecommunications services not just across the domestic sectors, but also regionally. We are well on our

way towards our goal of becoming an Information Exchange, as we envision it. As new markets grow and are created, such as the Internet of Everything, it's increasingly clear that the Information Exchange is at the centre of that future. Now well into our new fiscal year, we have introduced PIP 3.0 in the last quarter of 2012, where you will see a very focused, more agile and aggressive company that is focused on transformation, execution and customer experience; helping our customers effectively use our end-to-end product offerings and business solutions to transform their lives and businesses.

TM is also pleased to announce that we have achieved all three KPIs set for TM in 2012. This time last year, we announced to the market our target of revenue growth of 5%, Normalised EBITDA margin of 32% and customer satisfaction measure based on the customer satisfaction measure (TRI*M index score) of 72. With the continued emphasis on improving the quality of customer experience as well as its products and services, TM achieved a TRI*M index score of more than 72.0; which is well above the global telco average score of 68.0.

We also recorded continued improvement in capital expenditure (capex) efficiency, with total capex spend/revenue ratio improving from 28.0% for FY2011 to 25.5% in 2012 despite increased requirements arising from customer projects as well as for the HSBB project. Total capex spend for FY2012 was RM2.55 billion, which is lower in total against FY2011.

In line with our continued focus on TM value creation through continuous improvement on shareholder returns and capital management, the Board of Directors has recommended a final dividend payout of 12.2 sen per share of approximately RM436.4 million, on top of the interim dividend of 9.8 sen per share amounting to RM350.6 million paid in September 2012. The total dividend payout amounts to 22.0 sen per share, or RM787.0 million. The combination of our highly committed employees, extensive brand reach, valued partners and vendors and balance sheet strength has put us in an excellent position to capture the significant growth opportunities available from our markets and to generate sustainable value for our shareholders. The payout of the final dividend, subject to the approval of the shareholders is expected to be made in June 2013.

YOUR BROADBAND CHAMPION

TM continued to maintain our leadership position in the Broadband market space. Our customer base grew by about 7.4%, from 1.92 million in 2011 to 2.07 million in 2012. In terms of UniFi subscription growth, we continued where we left off in 2011, where demand remained strong and showed no sign of slowing down; such that we closed 2012 with more than 482,000 customers, a 104.0% improvement against FY2011. With 1.377 million premises passed on the back of 96 exchanges, this translates to a takeup rate of more than 35.0%, going beyond global benchmarks of similar service roll-outs. Earlier in 2013, we



achieved another milestone for UniFi, when the service surpassed the half a million customer mark. To date, TM has activated more than 520,000 UniFi customers and we are continuing the momentum into 2013. We remain committed to our mission as the trusted broadband provider for the nation, evidenced by our strong combined customer base of both Streamyx and UniFi.

TM remains committed as Malaysia's Broadband Champion to bring an enhanced and integrated digital lifestyle to Malaysian homes and businesses through our full and comprehensive suite of broadband services. Further, we are responsible to assure Malaysians that the brand TM itself and all our products stand for trust, quality and service.

HSBB can be delivered to Malaysians at service speeds of 4Mbps and above utilising a myriad of technology-neutral ways to suit all budgets and segments of our customers. In our next phase of broadband growth, TM will continue to deliver HSBB via both UniFi and Streamyx, in terms of infrastructure and services, both of which are undergoing continuous improvements in our efforts to deliver the desired customer experience.

In our suite of HSBB services, in 2012 we added BIZ30 and BIZ50 Mbps packages for our SME customers so that now UniFi delivers speeds of 5, 10, 20, 30 and 50Mbps whilst this year, we recently introduced an 8Mbps Streamyx package in addition to the existing 4Mbps. Of course, Streamyx continues

to offer our lower speed packages as well. There are many more exciting product and services developments in the plan, which will increasingly prove to be technology neutral with focus on the benefits of a broadband lifestyle.

We are continuing to build a portfolio of compelling content for HyppTV, which is part of the UniFi triple play residential packages for consumers and in 2012, we have also made it available on an optional basis for businesses under our UniFi BIZ packages. HyppTV content has grown in leaps and bounds and is currently the fastest growing pay TV service in the country. When we launched the service in March 2010, HyppTV started with just 22 channels – it currently has a total of 107 channels – consisting of 17 free channels with 8 radio channels, 47 premium channels, 15 Video-On-Demand (VOD) genres and 20 interactive channels – with 23 Channels in High Definition (HD).

Given the big demand for Sports entertainment, a milestone moment for HyppTV was when we broke the Sports content barrier last year, with the introduction of our dedicated and live sports channels, HyppSports HD and FOX Football Channel to bring a wide selection of global sports programming to the living rooms of Malaysians. Malaysians are able for the first time, to view four UEFA Champions League and UEFA Europa League matches via HyppSports live in HD simultaneously, whilst FOX Football Channel is Malaysia's first dedicated football channel.

Further to this, we have created 'value for money' package offerings such as our Platinum Pack where customers are able to view 30 Premium channels for just RM30 per month, which comes to just RM1 per channel per month and the latest being the Ruby Pack, of 10 world class Asian and Chinese channels.

With IP-based technology, IPTV allows more rich content and applications to be broadcast via our platform, creating an Internet walled garden environment. Such advantage gives opportunities to Content Providers (local and international) to leverage on our platform to promote their content via our IPTV service.

TM has always believed that the prevailing and future industry development trends continue to centre on changing and increasingly sophisticated customer behaviours. These customers want to experience the same service regardless of the devices or technologies serving them, hence the challenge is for service providers to give them that same experience over a multitude of devices and technologies. We also believe we are up for that challenge.

Beyond the home and office, TM still continues to serve the nomadic user via our extensive 20,000 TM WiFi hotspots nationwide, which are currently undergoing a significant upgrading exercise to ensure better quality and coverage.

TM has also kept its promise to keep the HSSB network open, offering our fibre network on a wholesale basis to other service providers with the shared goal on increasing broadband reach for all. We have also continued to work together with property developers in smart partnerships to bring UniFi into their new developments. To date, we have signed up more than 20 such partnerships.

Towards ensuring greater reach for Malaysians in the Internet Age, our initiatives supporting Broadband for the General Population (BBGP) and in bridging the digital divide, complements HSSB in our holistic approach in providing broadband to the nation.

TM strongly supports the nation's aspiration of achieving a broadband penetration of 75.0% by the year 2015. To date, Malaysia has already achieved 67.0%, in which TM contributes more than 45.0% of this. To further realise this goal, TM works together with the Malaysian Communications and Multimedia Commission (MCMC) through the Universal Service Provision (USP) Fund to provide Internet connection to local communities by establishing 284 *Pusat Internet 1Malaysia (PI1M)* nationwide, particularly in the underserved areas. We assist in the 1,622 locations of the *Kampung Tanpa Wayar*, or Wireless Villages. TM has also been actively involved in the establishment of *Perpustakaan Jalur Lebar (PJL)*, a project aimed at upgrading community broadband libraries with computers, complete with Internet connection to be used collectively by local communities. Currently, there are 98 operating PJLs nationwide.

In the bigger picture, this forms part of our established approach to Corporate Responsibility and Sustainability in the four dimensions of Marketplace, Workplace, Community and Environment, and our focus pillars of Education, Community/Nation-Building and Environment. This is covered in more detail in our Chairman's Statement as well as a dedicated chapter later in the Annual Report, and of course, separately in our stand-alone Sustainability Report.

CUSTOMER EXPERIENCE – SERVICE WITH HEART

TM has always been a customer-centric organisation and staying true to this, had declared 2012 as the Year of Customer Experience. Intensified efforts were made to enhance customer experience at every touch point across the different delivery environments, services and interaction channels, which aims not only to equip frontline staff with the hardware for good service, but also stresses the importance of 'heart ware' to create a positive and lasting impression on the customers.

I would like to take this opportunity to thank each and every one of our TM "Front-liners" – the ones who interact with our customers 24/7, 365 days a year; at the Call Centres (both at TM and our subsidiary VADS Berhad), TMpoint outlets, the technicians who go out to install and restore services, our sales people across the many customer segment business lines who tirelessly man our more than 30,000 ground events a year, and especially at the States (where the rubber hits the road), for their tireless efforts to ensure that the TM customer experience will always be a good and improving one. They are our true TM Ambassadors.

Customer service is indeed a critical function for TM. As of last year, the Customer Service Management (CSM) division is also undergoing a transformation where its processes will be strengthened, streamlined and simplified so it better support the Lines of Businesses (LOBs), and ultimately, to better serve our customers.

TM has two specific units that look into the training of our front-liners, the Technical Academy as well the Customer Service Academy (CSA) which was established in August 2011 to develop TM's human capital capabilities in terms of delivering a Superior Customer Experience, through our SMILE programme. SMILE comprises three semesters of training and in 2012, 3,756 participants completed the programme, marking an increase of 188.0% from 2011.

2012 was also a great year for TM in Social Media, especially in the way we engage and build closer relationships with our customers. We firmly established TM's presence as a warm voice that is credible and cares, that listens to our customers and takes action. TM has fully embraced social media as an effective platform for both external and internal communications, with our Twitter accounts @TMCorp and service channel @TMConnects, @EveryoneConnects and @TeamMsia, as well as Facebook accounts EveryoneConnects and TeamMalaysia. For instance, in addition to existing "Keeping Customers Informed" channels such as website announcements, call centre alerts, TMpoints and direct messages; through Social Media we created announcement

hashtags to better alert Twitter followers on important or critical notices through #TMAAlerts, #TMNews and #TMTips. TM also initiated #FabFridayTM weekly contests via @TMCorp. #FabFridayTM was so well received; it has appeared as a top trending topic in Malaysia 16 times since its establishment in May 2012. In December 2012, "Telekom Malaysia" became one of the top 10 talked about topics in the world.

A unique initiative was also introduced in 2012 to bring our employees who do not normally face customers closer to people they serve. This *Salam Mesra* Customer Engagement Programme ran for 10 weeks from October to December 2012, and saw about 5,000 employees from headquarters and non-sales units from the states go to the ground and meet customers door-to-door. Participation in this programme proved to be a new positive experience for the employees, who obtained greater insight into ground operations. This programme also proved that TM's employees are open to adapting to a new Mindset and Work Culture Change in line with an approach focusing on "thinking out-of-the-box" and "working beyond-our-box".

This has resulted in the promising customer satisfaction TRI*M index score of more than 72.0 surpassing the headline KPI and global average. This emphasis on Customer Experience will certainly continue into 2013 and beyond.

TEAMING WITH PASSION: THE SPIRIT OF 1TM

At the heart of any Company, and even more so in this journey of transformation is the spirit of our people. In TM, this dynamic energy that is the driving force of change, is called Teaming With Passion (TWP).

Of all our achievements over these last three years, and most important to me, it would be how our people have raised the energy and spirit of TWP. We have all come together as 1TM, with a fiery passion to win, grounded in our core KRISTAL values and we took on whatever challenge that came our way.

TM employees believe we have a unique privilege that we have a responsibility to make good on. Everything we do in our daily jobs will ultimately have an impact to the development of Malaysia, as we play an important role in transforming the way Malaysian connect, communicate and collaborate towards a better future; in the ways we touch their lives through our products and services.

TM has proven that we can change and transform – in the way that we work and in the way we approach the market and better serve our customers. That has truly been the proudest achievement of all.

In recognition of the immense contribution of our people and impact of this contribution to the business, TM has long placed great emphasis on employee development and their well-being, for which the Company has earned numerous accolades over the years. In 2012, TM won the Gold award for the Employer of Choice by the Malaysian Institute of Human Resource Management (MIHRM) in recognition of

sustained and continuous commitment to the development of its human talent. TM firmly believes in helping our employees realise their full potential. This is achieved through a range of initiatives, from structured learning and development programmes to cohesive leadership and career development, systematic coaching and personal enrichment opportunities.

The leadership team at TM also take employee engagement very seriously, and gladly devote quality time to ensure group messages and directions are cascaded down effectively and regularly, formally and informally, through townhalls, *teh tarik* sessions, deep dives, and so on; encouraging an open dialogue for employee feedback at the same time.

As a result, our 2012 My1TM Survey or employee engagement index recorded a score of 90.0%, which is 13 percentage points higher than the Malaysian norm, a significant 15 percentage points higher than the Global Telco (GT) norm and five percentage points better than Global High Performing Companies (GHPC) norm.

Reaching out to the next potential generation of TM, we organised our inaugural Career & Education Fair also in 2012. It received an overwhelming response from 18,726 attendees, 84.0% of whom were below the age of 28. This strengthened TM's position as the preferred employer among the youth, and contributed to TM winning Malaysia's 100 Leading Graduate Employers in the Telecommunications Sector for the first time. This bodes well for future TM leaders to take the company onwards and upwards.

PIP 3.0: THREE MAIN PILLARS OF PRIORITY MOVING FORWARD

TM first launched PIP 1.0 in 2006, to enhance operational efficiencies in addressing the serious twin challenges of fast declining voice revenue and slow broadband revenue growth. Following the streamlining of TM's core business, these guidelines were remodeled to further tighten operations, enhance customer service, improve internal capabilities and produce healthier profits. By the time of the demerger in 2008, TM had managed to arrest this decline, and started to turn the Company around towards growth again.

Next, it was important to maintain this momentum, and at the same time build a strong foundation for the future growth of the Company. The result was PIP 2.0, introduced in November 2008 which focused on four strategic thrusts - **C**ustomer centricity and quality improvements; **O**perational excellence and capital productivity; **O**ne company mindset with execution orientation; and **L**eadership through commercial excellence or "**COOL**".

On the operational aspect, PIP 2.0 continued to tighten TM's operations, enhance customer service, improve internal capabilities and produce a healthier bottom line. Fast forward, the PIPs have seen encouraging results in mitigating the decline in the fixed line business where TM managed to arrest the decline in 2009, followed by a modest growth of 2.1% in Group Revenue in 2010, then 4.1% last year, followed by the commendable revenue growth of 9.2% this year.

TM's ongoing transformation journey stands in good stead and will allow the Group to maintain the momentum of growth that has already been established.

Some of the achievements during this time have been historic milestones. TM not only completed the roll out the HSBB network and services in time, within cost and with the workforce motivated and intact; it is globally recognised as one of the fastest and most cost effective, given the wide scope of this ambitious endeavour. TM and Malaysia have also achieved the highest take-up rate to date by regional comparison. Moving forward, in achieving the aspiration towards becoming an Information Exchange and catering to the ever-changing business dynamics, TM has recently kicked off PIP 3.0 that will focus on three main areas:

- **Continued Growth** - continue to focus on TM's core business of voice and broadband whilst at the same time maximising the usage of our network and exploiting new growth opportunities.
- **Fundamental Productivity Shift** - sustaining profits by increasing productivity, adopting best practice cost and capital efficiencies. Towards this end, operational excellence will be further improved, focusing on four key areas; namely the streamlining and optimisation of the network, processes, procurement and people.

- **Improve Institutional Health Drivers** - accelerate transformation of the Company into a customer-centric organisation by inculcating the value of "Total Commitment to Customers" into every level of the organisation. Internally, TM has also adopted a new market approach to further increase focus on our key customer segments.

Execution of the PIP 3.0 will be a focal point for TM in 2013. The Company's focus for 2013 will still be to maintain its position as Malaysia's Broadband Champion anchoring on Streamyx and UniFi as its key broadband products, delivering an enhanced and integrated digital lifestyle to all Malaysians.

Competition is expected to intensify in the retail space, but it also creates opportunities for TM, aligned with the Information Exchange aspiration, a concept which we introduced last year. To recap, it is envisioned that whenever there is a flow of information from one user to another, regardless of what device they use, anytime, anywhere, we want that information to touch TM, no matter whose customers they are.

In support of this, TM's domestic reach is already the most extensive but so is our international reach, owning or leasing capacity on more than 10 submarine cable systems spanning more than 60,000 fibre-route miles around the globe. During the year, the second phase of its private international submarine cable system Cahaya Malaysia (ASE) was completed, connecting Malaysia and Japan to Tseung Kwan O landing station in Hong Kong. This will be ready for service by March 2013. The first phase of Cahaya Malaysia connecting Malaysia to Japan has been carrying Internet traffic since 20 August 2012. Cahaya Malaysia will form the backbone linking TM's first data centre in Hong Kong, the VADS Data Centre, to Malaysia and Japan.

VADS together with TM Enterprise and TM Government, is poised to take leadership in the Managed Accounts and Information and Communication Technology (ICT) and Business Process Outsourcing (BPO) segment. VADS has 15 Data Centres, 14 located across Malaysia and one in Hong Kong. These centres are highly secure, with ISO 27001-certified infrastructure, and are Tier III-ready with multigigabit connectivity. In 2012, it became the first Malaysia-based ICT company to achieve the Cisco Managed Services Master Channel Partner certification after passing a stringent technical and operational audit. The certification enables VADS to offer Cisco-based managed services globally. VADS also

signed its first telepresence global collaborative agreement, with AT&T. The AT&T Business Exchange directly supports telepresence in more than 130 companies and organisations. VADS managed contact centres comprise more than 5,000 contact centre seats across 13 delivery centres in Malaysia and Indonesia.

Thus, we believe that TM offers the most holistic and seamless end-to-end solutions in the market, cutting across connectivity, ICT infrastructure (including Cloud Services), Value-Added Services (VAS) and BPO Services. TM brings together people, processes and technologies to enable more effective and dynamic use of information technology and communication. Our aim is to empower businesses with value-based innovative solutions and services by offering expertise so that customers can focus on their core business.

Against this backdrop, the Company's efforts will continue to be focused on creating value for its stakeholders. TM has announced its Headline KPIs for 2013 consisting of revenue growth of 6%; EBIT Growth of 3%; and customer satisfaction measure of 72. This is in line with the stable economic outlook as forecast by Malaysian Institute of Economic Research (MIER) of 5.0-6.0% range for the next two years. However, with due regard to the global economic uncertainty, industry liberalisation, regulatory changes and intensely competitive telecommunication landscape, we expect TM's growth prospects to remain positive.

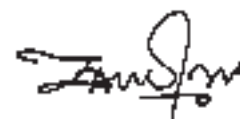
ACKNOWLEDGEMENTS

What a year it has been. TM would not be where we are today without the formidable support of our stakeholders. Our gratitude and utmost appreciation goes out to first and foremost, our customers and shareholders, for the trust you have bestowed on us, and to whom we commit to delivering continuous value.

To our Board of Directors, our Chairman, the management of TM and all Warga TM – thank you for your leadership, guidance and support, hard work, energy, dedication and the strong belief in our bright shared future together.

TM is in the business of connecting, communicating and collaborating – and our various business partners, our suppliers and media friends, our fellow industry players, have also lived up to that mantra with us in serving our customers, for which we are grateful.

To the Government of Malaysia, our Ministry and regulators; our highest appreciation – TM was entrusted to deliver a nation-transforming project in HSBB four years ago. We are very proud to have indeed delivered this for Malaysia and for all Malaysians, but truly TM was all the more fortunate for it; as it has meant the start of our own fundamental transformation – and one, that is hoped will only take us to greater heights, in the service of Malaysia.



Dato' Sri Zamzamzairani Mohd Isa
Group Chief Executive Officer

THE TELECOMMUNICATIONS SECTOR: REVIEW & OUTLOOK

FACTS AT A GLANCE

66.0%

Household broadband penetration rate in 2012

510,000

FTTH/FTTB subscribers – highest in Southeast Asia*

1.377 million

HSBB premises passed in 2012



REVIEW OF 2012

Malaysia has a vision to achieve developed nation status by 2020, and one of the main pillars of a developed nation is advanced telecommunications services. Today, Malaysia has a technologically progressive economy, with widespread adoption of modern technologies in almost all sectors¹. The Malaysian Institute of Economic Research (MIER) had reported Malaysia's 2012 GDP growth to be 5.1%, however Bank Negara Malaysia subsequently announced a better-than-expected GDP growth of 5.6%, fuelled by strong domestic demand².

2012 saw the completion of Phase 1 of the High Speed Broadband (HSBB) network project launched in March 2010. This Public Private Partnership (PPP) between the Government and TM achieved the targeted network infrastructure roll-out and premises passed covering inner Klang Valley and key economic and industrial zones throughout the country, including the Iskandar Malaysia region. As at end December

2012, TM had deployed HSBB infrastructure at 97 exchange areas achieving 1.377 million premises passed, surpassing the target of 1.335 million premises³.

The take-up of UniFi continued to be strong, exceeding 484,000 subscribers as at end 2012 as compared to 236,000 at the end of 2011³. The Fibre-to-the-Home (FTTH) Council Asia Pacific had in 2011 declared Malaysia to have the highest FTTH take-up in Southeast Asia, while BT TelConsult, a UK-based Telco consulting firm, acknowledged the country as having the third fastest HSBB roll-out in the world. IDC, a global market intelligence firm, estimates that there were 18.7 million Internet users in Malaysia in 2012, translating into roughly 65.0% of the population having Internet access. Fixed broadband attributed to 46.4% of the total broadband subscription. We believe Internet adoption has been growing faster than ever before mainly due to competitive pricing and a stable economy resulting in a higher disposable income for many⁴.



In 2012, MCMC had reported a 66.0% household broadband penetration rate⁵, with all telcos racing to achieve a 75.0% broadband household penetration rate by 2015 as targeted by the Government. Malaysia has the second highest Internet penetration in Southeast Asia (SEA) in 2012, after Singapore⁶, in part attributed to the Government's National Broadband Initiatives (NBIs) and Digital Malaysia programmes.

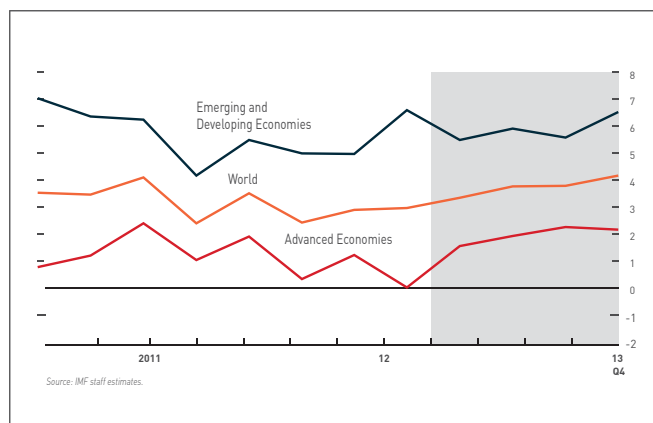
The year ended with an interesting development on the regulatory front when the MCMC allocated the 2600MHz spectrum band to eight companies for Long Term Evolution (LTE) services⁷. This is a positive move for the country, as now Malaysians can enjoy high speed broadband even when on the go. We believe LTE will complement TM's UniFi service, the same way that 3G had complemented TM's Streamyx service years ago.

2013 OUTLOOK

The global economy is expected to gradually strengthen in 2013, as factors underlying the current soft global market activity subside⁸. According to the International Monetary Fund (IMF), global GDP growth is expected to reach 3.5% in 2013 from 3.2% in 2012.

GLOBAL GDP GROWTH

(Percent, quarter over quarter, annualised)



Source: IMF staff estimates

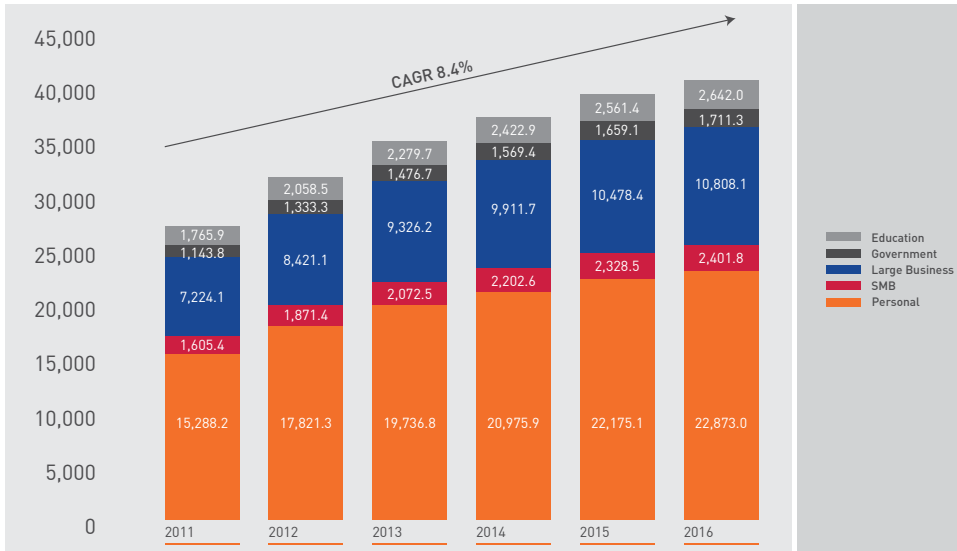
On the local front, MIER has revised upwards its GDP growth forecast from 5.4% to 5.6%¹, backed by resilient domestic demand. This supports a positive Malaysian telecommunications industry outlook driven by the Internet/data segment⁹. IDC forecasts that the Malaysian telecommunications industry will continue to maintain a stable compound annual growth rate (CAGR) of approximately 4.8% from 2012-2015¹⁰.

We believe the industry will continue to see good high-speed broadband take-up rates to homes and offices. The roll-out of 4G LTE services is also expected to provide a stimulus to the sector. Within the broadband space, we expect our take-up rate to remain strong, supported by continued growth in UniFi and the launch of 8Mbps Streamyx for both the Consumer and SME market segments in early January 2013, enabling subscribers to enjoy high speed broadband beyond UniFi coverage areas.

TM will continue to show the value of high speed broadband by bringing more content and applications to the market. Competition is also expected to intensify with the likely convergence of the telco-multimedia industries as more players move into the Internet Protocol television (IPTV) space⁹. According to the Multimedia Research Group Inc, the number of global IPTV subscribers is expected to reach 83 million at end 2013, tripling from 28 million in 2009¹¹. We are confident, however, that our own HyppTV will remain competitive as we continue to add to its current 114 channels including 10 sports channels. Most recently we have introduced LIVE football matches from the UEFA Champions League, UEFA Europa League, Spanish Liga BBVA and the best of American sporting action from the All Sports Network (ASN).

On the traditional voice front, Gartner Inc., an information technology research company, foresees increasingly more domestic and international voice traffic moving from fixed connections to over-the-top (OTT) service providers, such as Skype. However, Gartner believes that most consumers will still retain their fixed lines for its voice quality. PSTN lines are low cost and usually packaged as double play service with broadband or as a triple play service when video is added¹², or when packaged to enable other digital home lifestyle applications such as home security, interactive games and other services.

MALAYSIA INTERNET USERS BY SEGMENT (2011 – 2016) ('000)



Malaysia Internet Users by Segment, 2011 - 2016 ('000)

Category	2011	2012	2013	2014	2015	2016	2011-2016 CAGR (%)
Personal	15,288.2	17,821.3	19,736.8	20,975.9	22,175.1	22,873.0	8.4
SMB	1,605.4	1,871.4	2,072.5	2,202.6	2,328.5	2,401.8	8.4
Large Business	7,224.1	8,421.1	9,326.2	9,911.7	10,478.4	10,808.1	8.4
Government	1,143.8	1,333.3	1,476.7	1,569.4	1,659.1	1,711.3	8.4
Education	1,765.9	2,058.5	2,279.7	2,422.9	2,561.4	2,642.0	8.4
Total	27,027.3	31,505.5	34,891.9	37,082.4	39,202.5	40,436.2	8.4

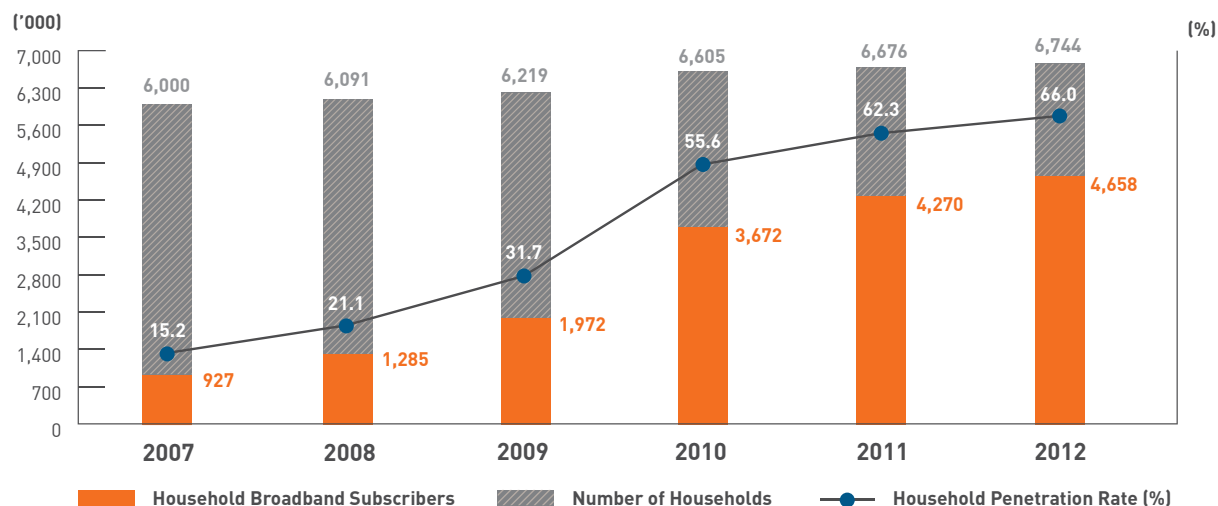
Source: Malaysia Internet and eCommerce 2012-2016, Forecast and Analysis, Dec 2012, IDC

According to IDC, the ICT market outlook in 2013 is expected to be upbeat with ICT spend growing 7.6% from over RM9 billion in 2012 to cross the RM10 billion mark¹³. This is further encouraged by the launch of Digital Malaysia in 2011 by the Ministry of Science, Technology and Innovation (MOSTI) and the Multimedia Development Corporation (MDeC). This new national programme aims to create an ecosystem that promotes ICT in all aspects of the economy in order to boost our Gross National Income, enhance productivity and improve our standard of living¹⁴. Cloud services, however, have yet to fully takeoff, due to lack of familiarisation of the service among local businesses. More positively, we believe a strong

signal from the Government could create the right momentum for cloud adoption¹³.

In conclusion, we believe we will continue to see healthy competition among multiple service providers in 2013. Business will be increasingly challenging due to the growing popularity of OTT service providers such as Google, Skype, YouTube and Apple TV for communication as well as content. We are aware of these challenges and have put plans in place to continue to deliver value to our customers. TM maintains its vision of becoming an Information Exchange with the objective of transforming TM to be a connectivity, ICT and content hub for the region.

MALAYSIA, HOUSEHOLD BROADBAND SUBSCRIBERS & PENETRATION RATE (2007 - 2012)



Category	2007	2008	2009	2010	2011	2012
Household Broadband Subscribers ('000)	927	1,285	1,972	3,672	4,270	4,658
Number of Households ('000)	6,000	6,091	6,219	6,605	6,676	6,744
Household Penetration Rate (%)	15.2	21.1	31.7	55.6	62.3	66.0

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* FTTH Council Asia Pacific

STRATEGIC JOURNEY

TM's journey began when it was established as the Malayan Telecommunications Department in 1946. Post-independence, it was called the Telecommunications Department, Federation of Malaya and then renamed as Jabatan Talikom Malaysia (JTM) in 1964. Its journey has mirrored that of the country, and when the Government launched a policy to corporatise key public services, JTM was one of the first to be privatised. This took place in 1987, following which JTM became Syarikat Telekom Malaysia Berhad. In 1990, it was listed on the Main Board of Bursa Malaysia under its current name, Telekom Malaysia Berhad (TM).

TM has literally built the country's telecommunications and broadcasting infrastructure. It was instrumental in setting up the nation's first mobile network, the ATUR450, in 1985 and later the first GSM network in 1995. By 2003, it was the largest integrated telco in Malaysia with both fixed and mobile operations.

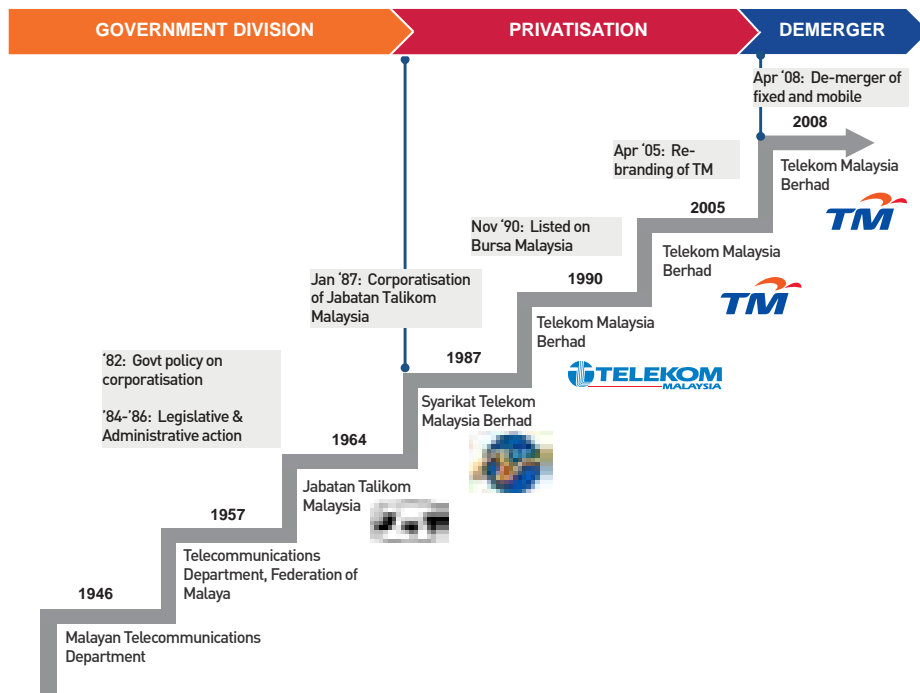


Figure 1: TM's evolution from a Government department to a public-listed GLC today

By 2008, TM had become a regional telco powerhouse with a presence in nine Asian countries other than Malaysia, namely Sri Lanka, Bangladesh, Indonesia, Cambodia, Pakistan, India, Iran, Singapore and Thailand. Given its size, the Board of Directors approved a plan to demerge TM's fixed and mobile businesses for better focus. With the demerger, completed in April 2008, two leading telecommunications companies were created – Axiata, the regional mobile champion; and TM, the domestic broadband champion.

TM'S STRATEGIC JOURNEY

TM continued to forge ahead with renewed energy to grow the domestic fixed business. With a clear vision for the future, a three-phase Strategic Plan was crafted.

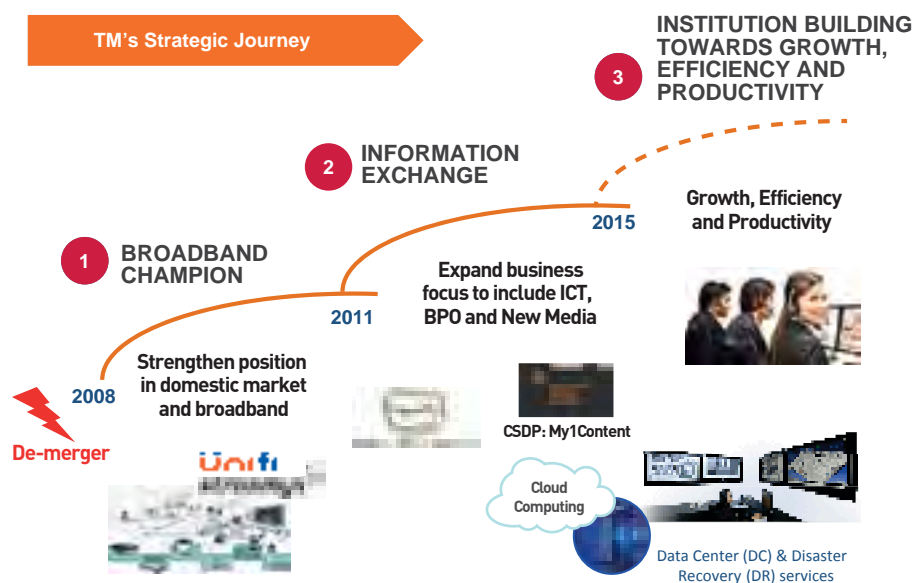


Figure 2: TM's Strategic Plan

PHASE 1: BROADBAND CHAMPION

The first phase of TM's transformation involved strengthening its leadership in the broadband space. This was accompanied by restructuring the organisation into six customer-facing segments – Consumers, SMEs, Enterprise, Government, Wholesale and the Global market – in order to establish better focus with a single point of contact when serving customers.

In September 2008, TM entered into a Public Private Partnership with the Malaysian Government to build and deliver the nation's first high speed broadband (HSBB) network. Central to this was migration of the core network to an all-IP platform. The new Core Network, known as the Next-Generation-Network (NGN) was completed in 2010 forming the basic building blocks for the HSBB superhighway connecting all of Malaysia.

At the same time, TM started building the HSBB access network nationwide. On 24 March 2010, UniFi, the nation's first HSBB service, was launched. By the end of 2012, TM had deployed the HSBB network to 1.377 million premises, on schedule and below budget.

The HSBB Project is an acknowledged success, with the FTTH Council Asia Pacific citing Malaysia as having the highest take-up of high speed broadband service in Southeast Asia and BT Telconsult, a UK-based telco consulting firm, crediting the HSBB network roll-out as one of the fastest and lowest cost in the world.



PHASE 2: INFORMATION EXCHANGE

Having laid the foundation for the NGN, TM continued to expand its business into Information and Communications Technologies (ICT), Business Process Outsourcing (BPO) and New/Digital Media, in line with its vision to transform into Malaysia's 'Information Exchange'. By this, TM intends to be the preferred telco partner for all types of traffic – from voice and data to multimedia and video. TM envisages becoming the meeting place of choice for people to connect, communicate and collaborate be it for personal communication, business, education or entertainment.

TM further expanded into the content space with the launch of HyppTV, its own brand of IPTV service. This marked TM's ability to aggregate content from various content providers and seamlessly channel them to end customers via its NGN. HyppTV today has 107 channels including 12 sports channels featuring live football matches from the UEFA Champions League, UEFA Europa League, Spanish Liga BBVA and the best of American sporting action from the All Sports Network (ASN).

In addition, TM launched My1Content on 13 June 2012, the first integrated Digital Marketplace for content buyers and sellers to meet and do business. This was built on the Content Service Delivery Platform (CSDP) developed in partnership with the Malaysian Government, in the spirit of building and promoting the local content industry.

TM has invested by either building or leasing capacity in more than 10 submarine cable systems, which span about 60,000 fibre-route miles around the globe. TM's first private international cable system, Cahaya Malaysia, was fully operational in February 2013 connecting Malaysia with Hong Kong and Japan. A cable landing station in Hong Kong forms the key link in connecting TM's own data centre in Hong Kong (VADS HKDC) with Malaysia and the rest of the world. TM's data centre in Hong Kong was also instrumental in strengthening TM's ICT footprint outside Malaysia.

TM has also entered into several strategic collaborations to improve its content delivery service, thus attracting more traffic onto its network. In November 2011, it established a partnership with Akamai, a leading Cloud Platform Provider in the US, for the Akamai NetStorage facility in South Asia to be hosted in TM's data centre in Cyberjaya. This improved the Internet surfing experience of customers in Asia while keeping traffic contained within the region.

To maintain its position as the preferred connectivity partner, TM will introduce the My1Hub service by the first quarter of 2013. This will offer an end-to-end solution covering both the domestic and international portion of its partners' connectivity requirements. My1Hub will be neutral, leveraging on TM's connectivity and ICT infrastructure, which includes its data centre, data recovery and a suite of managed services.

PHASE 3: INSTITUTION BUILDING TOWARDS GROWTH, EFFICIENCY AND PRODUCTIVITY

Moving forward, TM will focus on continued growth and institution building towards efficiency and productivity. As Malaysia's leading new generation communications provider, TM aspires to be the country's catalyst of growth. Key to its success is support from stakeholders, namely its employees, the Government and regulators, industry leaders as well as business partners and customers. Embracing the spirit of 1Malaysia, TM seeks cooperation from industry leaders to build a stronger economic landscape for the country. Together, TM believes that we can propel Malaysia towards becoming a high-income, developed nation by 2020.



Group Financial Highlights

Perspective

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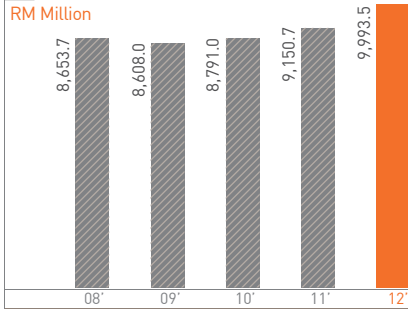
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In RM Million	2008	2009	2010	2011*	2012
OPERATING RESULTS#					
1. Operating revenue	8,653.7	8,608.0	8,791.0	9,150.7	9,993.5
2. Profit before taxation and zakat	332.6	921.6	1,360.2	1,001.2	1,069.6
3. Profit for the financial year					
– Continuing operations	260.5	673.3	1,245.0	1,237.1	1,305.9
– Discontinued operations	624.9	–	–	–	–
4. Profit attributable to equity holders of the Company					
– Continuing operations	213.6	643.0	1,206.5	1,191.0	1,263.7
– Discontinued operations	562.6	–	–	–	–
KEY DATA OF FINANCIAL POSITION#					
1. Total shareholders' equity	10,204.8	6,946.1	7,659.7	7,424.0	6,894.8
2. Total assets	22,881.1	20,237.4	21,079.0	22,252.3	22,195.9
3. Total borrowings	7,000.0	6,713.5	5,532.0	6,410.4	7,140.4
SHARE INFORMATION#					
1. Per share					
Earnings (basic)	22.5 sen	18.3 sen	33.9 sen	33.3 sen	35.3 sen
Gross dividend	26.3 sen	23.0 sen	26.1 sen	19.6 sen	22.0 sen
Net assets	295.3 sen	196.0 sen	214.7 sen	207.5 sen	192.7 sen
2. Share price information					
High	RM3.70	RM4.00	RM3.60	RM5.09	RM6.40
Low	RM2.54	RM2.60	RM3.04	RM3.50	RM4.71
FINANCIAL RATIOS#					
1. Return on shareholders' equity	5.2%	7.5%	16.5%	15.8%	17.7%
2. Return on total assets	3.9%	3.3%	5.9%	5.6%	5.9%
3. Debt equity ratio	0.7	1.0	0.7	0.9	1.0
4. Dividend cover	0.9	0.8	1.3	1.7	1.6

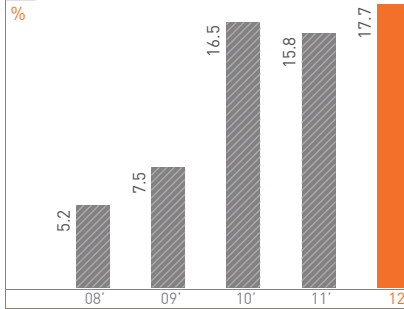
* Restated due to impact of transition to Malaysian Financial Reporting Standards (MFRS).

Comparative figures were restated due to impact of other changes to comparatives as disclosed in note 50 to the financial statements.

Operating Revenue



Return on Shareholders' Equity

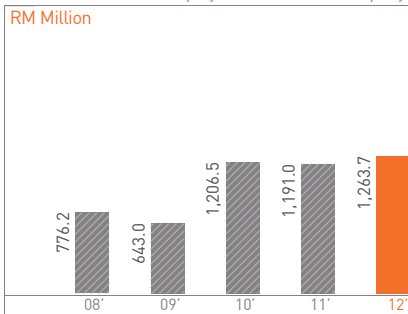


Recorded

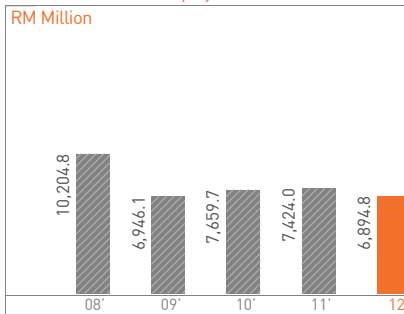
9.2%

revenue growth,
surpassing industry
growth

Profit Attributable to Equity Holders of the Company



Total Shareholders' Equity

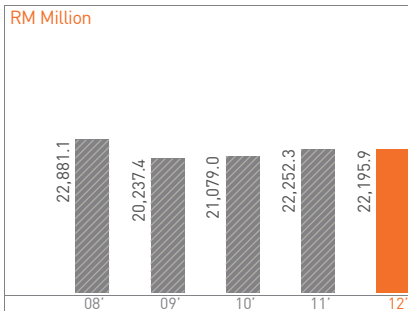


Profit attributable to
equity holders grew

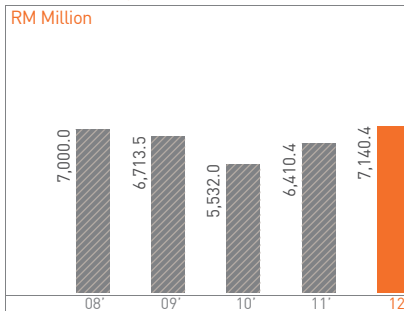
6.1% to
RM1,263.7

million on the back of
improved performance

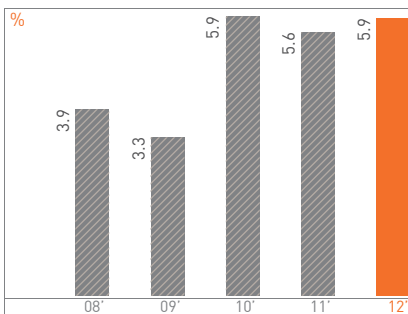
Total Assets



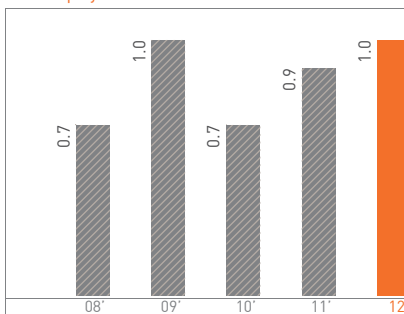
Total Borrowings



Return on Total Assets



Debt Equity Ratio





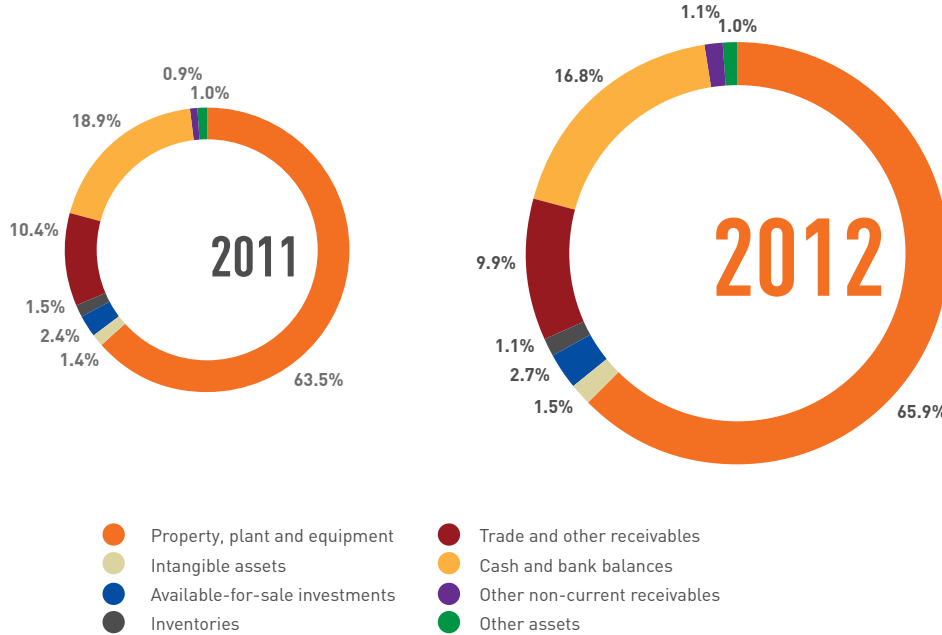
Simplified Group Statement of Financial Position & Segmental Analysis

Perspective

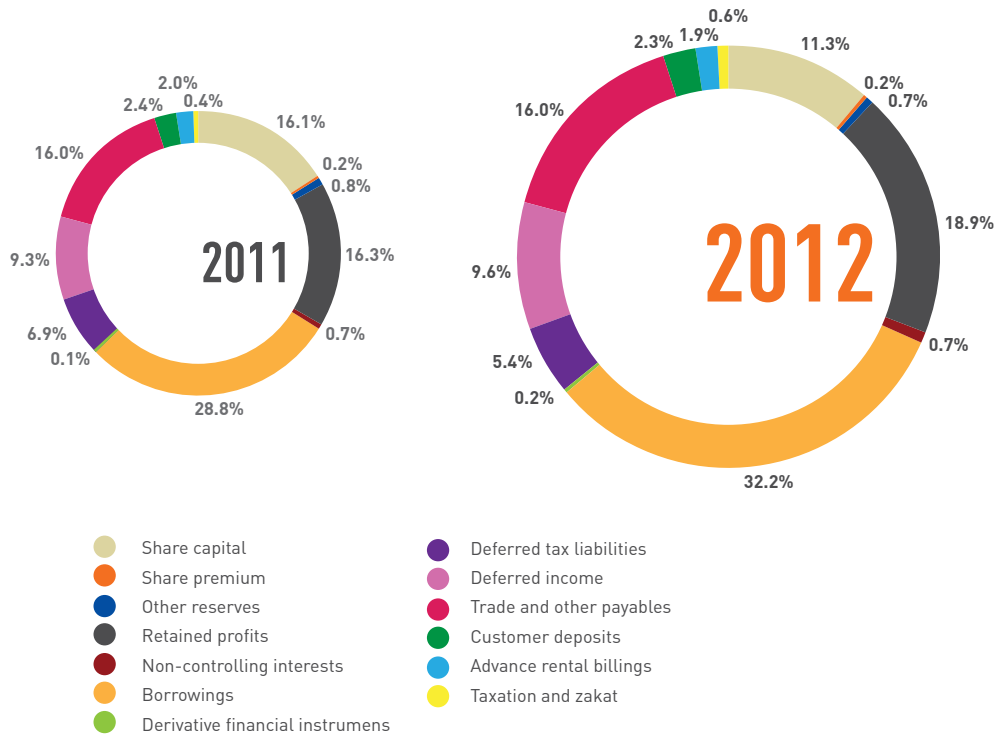
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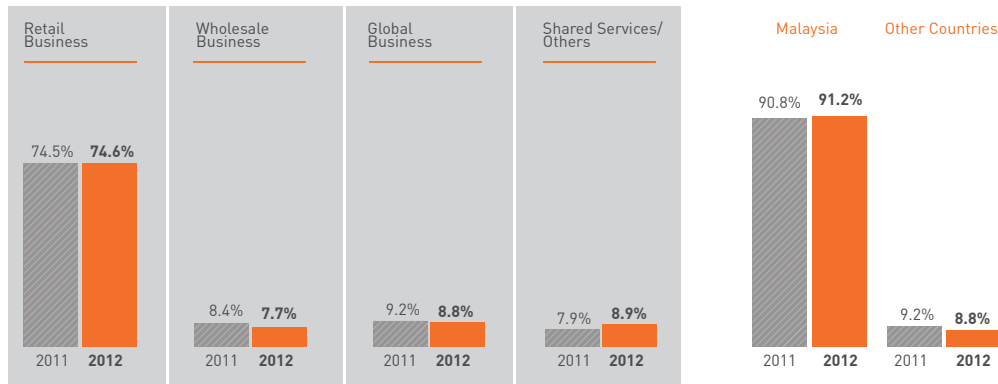
TOTAL ASSETS



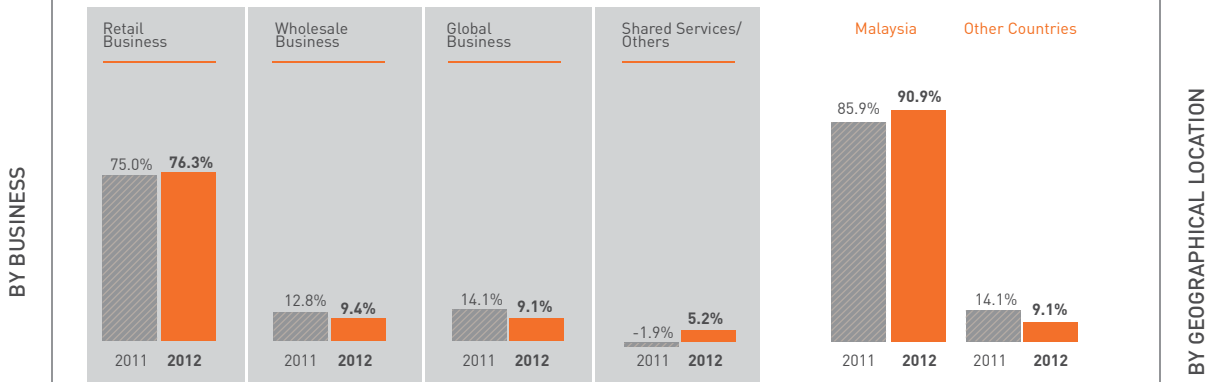
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY



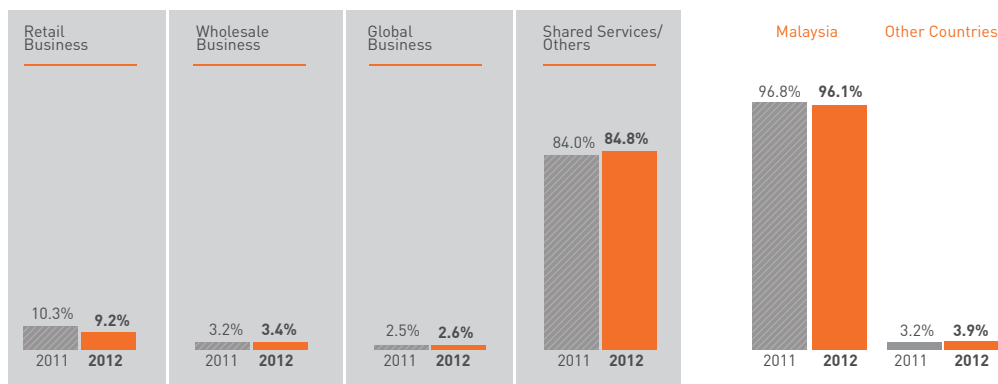
Segment Operating Revenue
for the financial year ended 31 December



Segment Results
for the financial year ended 31 December



Segment Assets
as at 31 December



In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2012
Operating revenue	2,383.8	2,425.0	2,375.4	2,809.3	9,993.5
Operating profit before finance cost	273.4	297.1	222.4	394.3	1,187.2
Profit before taxation and zakat	299.3	185.6	238.5	346.2	1,069.6
Profit attributable to equity holders of the Company	250.6	348.5	301.4	363.2	1,263.7
Basic earnings per share (sen)	7.0	9.7	8.4	10.2	35.3
Single-tier dividend per share (sen)	-	9.8	-	12.2	22.0

2012

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

2011

INVESTOR RELATIONS

COMMITMENT TO SHAREHOLDERS

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

In the financial year 2012, we demonstrated this commitment by declaring a paid and proposed total net dividend payout of RM787.0 million to our shareholders, which consisted of:

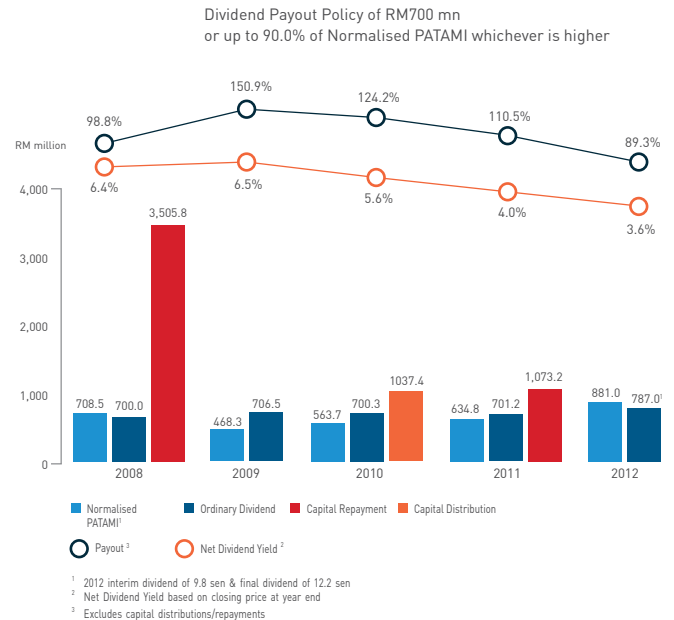
- An interim dividend of 9.8 sen per share amounting to RM350.6 million which was paid on 28 September 2012; and
- A proposed final dividend of 12.2 sen per share amounting to RM436.4 million.

In 2012, we outperformed our peers in share price performance and remained among the top telcos in terms of total shareholder return. Our 12-month total shareholder return as at 31 December 2012 was 37.43% and from the date of our demerger (25 April 2008) up to 31 December 2012, was 237.12%.

Shareholder Base

Our shareholder base as at 31 January 2013 comprised 26,593 institutional and private/retail shareholders. Our substantial shareholders are Khazanah Nasional Berhad, the Employees Provident Fund (EPF) and AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera, which together account for 52.99% holding of the Group. Meanwhile, our foreign shareholding as at 31 January 2013 stood at 15.13%.

SHAREHOLDERS' RETURN



Transparency

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

As a responsible corporate citizen committed to conserving the environment, we published our fourth Sustainability Report in 2012, which was accorded the Global Reporting Initiative (GRI) rating of A+. In addition, we won the Best Sustainability Award for Malaysia from the National Center for Sustainability Reporting in Jakarta.

In 2012, we also won in two categories at the National Annual Corporate Report Awards (NACRA) – the Silver Award for Overall Excellence for Best Annual Report and the Industry Excellence Award for Main Board Companies under the Trade & Service Category.

In addition, TM was recognised at the Alpha Southeast Asia's Institutional Investor Corporate Awards for Malaysia 2012 where we won for the Best Annual Report, and were among the top three for the Most Organised Investor Relations, Most Consistent Dividend Policy, and Best Strategic CSR.

DIVIDEND POLICY

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

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

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

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

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- (standalone credit profile of "a-")
- Fitch A-

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

TM EXISTING DEBTS

LOCAL CURRENCY DEBT

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

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

	MTN 250621	MTN 130921	MTN 101221	MTN 130522	MTN 191222
Coupon	4.50%	4.20%	4.20%	4.00%	3.95%
Tenure	10 years	10 years	10 years	10 years	10 years
Price	104.44	102.26	102.24	100.70	100.16
Yield	3.88	3.89	3.90	3.91	3.93
Principal (RM)	300,000,000	300,000,000	200,000,000	250,000,000	300,000,000

Note: MTN is an abbreviation for Medium Term Note

FOREIGN CURRENCY DEBT

	Global Bond 2014 ¹	Global Bond 2025 ¹
Coupon	5.25%	7.875%
Price	106.25	143.78
Yield	1.54	3.53
Principal (USD)	465,055,000	300,000,000

¹ Bond price as of 31 December 2012

	Term Loan
Interest Rate	0.91375% ¹
Tenure	Due 2017
Principal (JPY)	7,800,000,000

¹ The loan was swapped to RM exposure with an interest rate of 3.62%



INVESTOR RELATIONS

We place great emphasis on maintaining a strong relationship with our investors. To ensure that they are kept abreast of our strategies, performance and key business activities, we continuously engage with our investors through a planned investor relations programme.

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

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

Quarterly Financial Results Announcement and Briefing

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

Financial Results Presentations

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

Investor Engagement

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

The Group CEO, Group CFO and Investor Relations team actively carry out Investor Relations activities such as holding regular meetings and conference calls with fund managers, analysts, rating agencies and other stakeholders, in Malaysia and abroad. On occasion, members of Senior Management and the Board of Directors also participate in these activities.

In 2012, we reached out to a wider investor audience internationally by participating in non-deal roadshows and conferences in the US and Thailand, in addition to Singapore and Hong Kong.

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

• Investor Relations Portal

In our efforts to enhance stakeholders' access to the Company, the Investor Relations unit maintains a portal, <http://www.tm.com.my/ap/about/investor/Pages/home.aspx>, on TM's corporate website, which serves as an excellent platform of communication and source of information for shareholders and the general public. The portal contains the Group's annual reports, financial results, investor presentations, capital structure information, press releases and disclosures to Bursa Securities. The portal is updated in a comprehensive and timely manner.

• Feedback

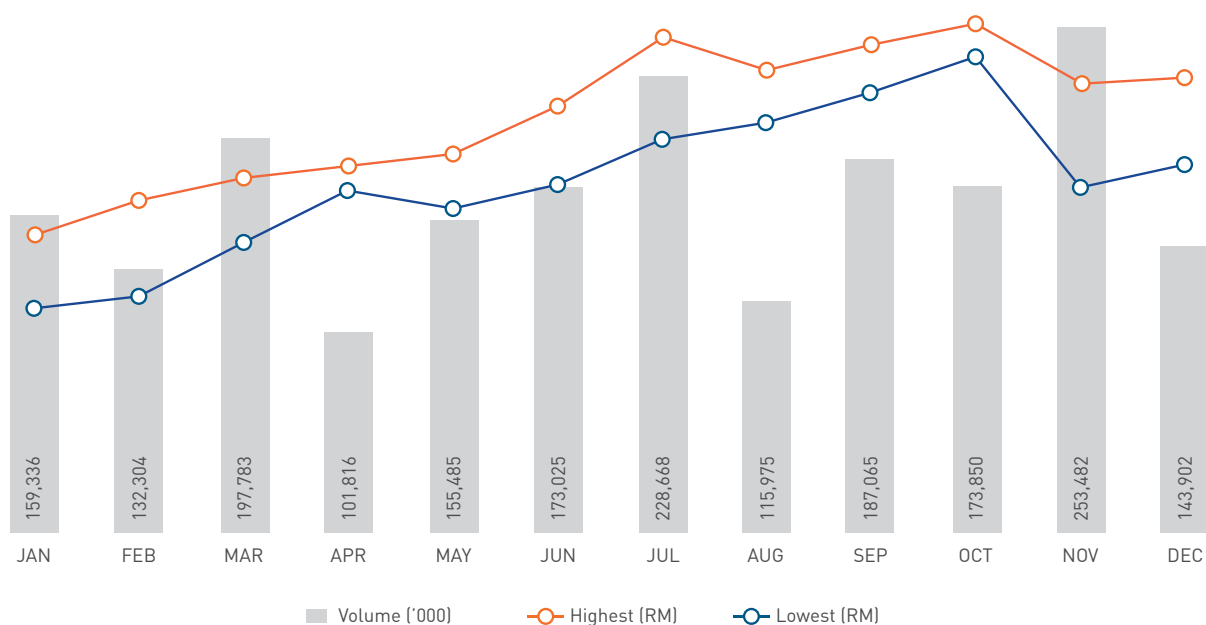
TM recognises and highly values feedback from the investing community. This helps to ensure that we constantly meet their requirements while further improving our relationship with this stakeholder group through direct communication. To further enhance our Investor Relations function, we seek constructive ideas through on-going engagement with stakeholders as well as provide an avenue through which they may communicate with the team at investor@tm.com.my.

STOCK PERFORMANCE

We have been listed on Bursa Malaysia since 1990. In 2012, TM shares recorded a total turnover of RM11,246 million, with 2,023 million shares traded as compared to a total turnover of RM7,609 million with 1,879 million shares traded in 2011.

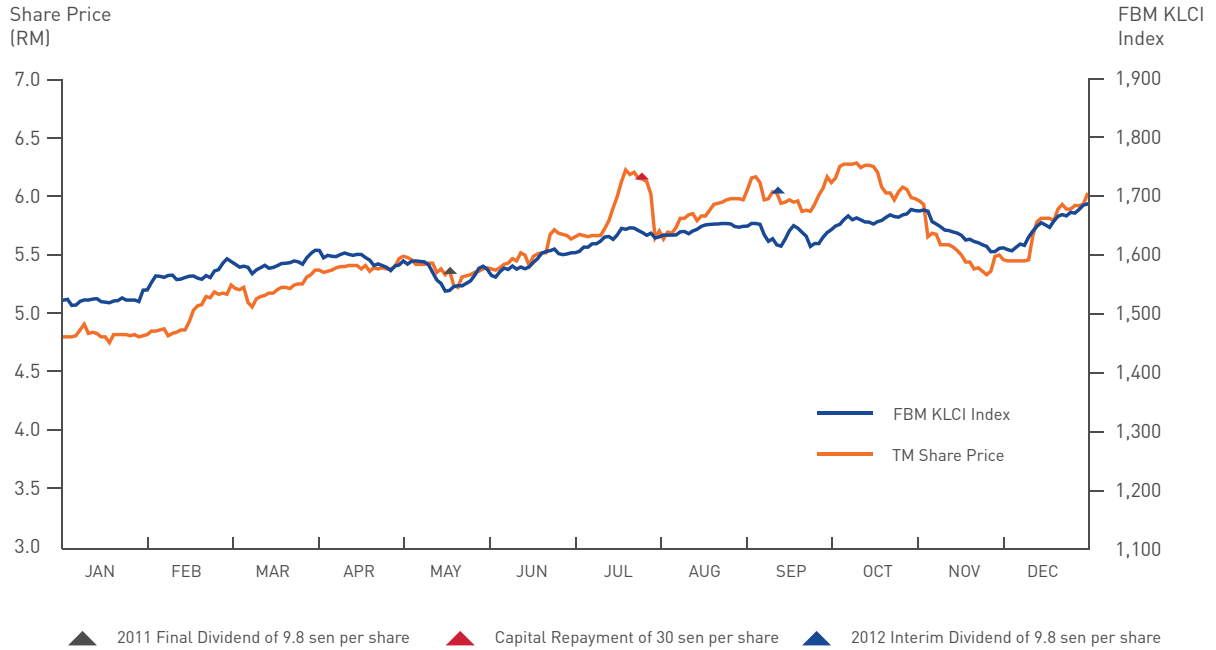
SHARE PRICE & VOLUME TRADED

2012 Monthly Trading Volume & Highest-Lowest Share Price

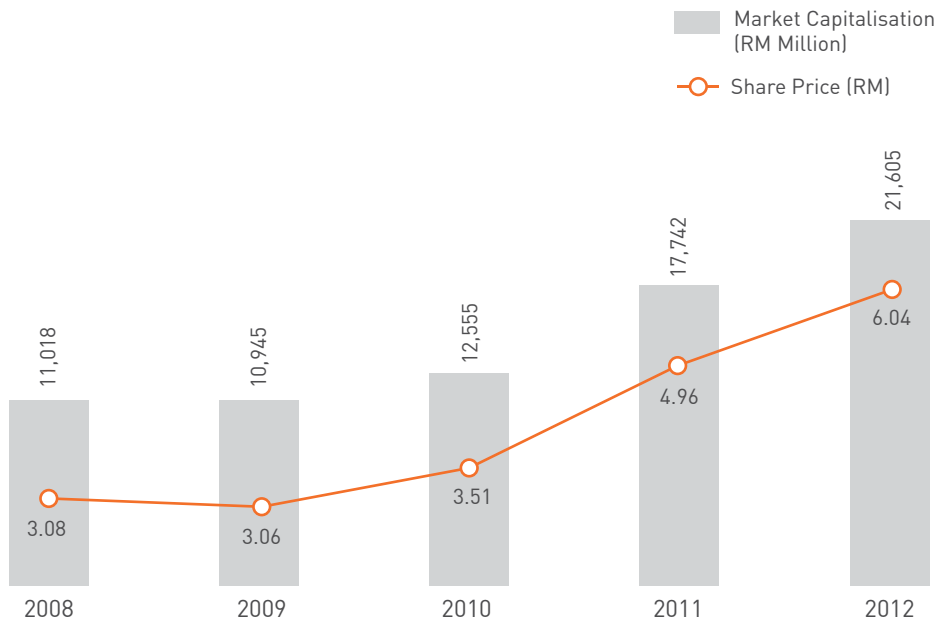


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume ('000)	159,336	132,304	197,783	101,816	155,485	173,025	228,668	115,975	187,065	173,850	253,482	143,902
Highest (RM)	4.99	5.22	5.37	5.45	5.53	5.85	6.31	6.09	6.26	6.40	6.00	6.04
Lowest (RM)	4.71	4.77	5.04	5.30	5.21	5.33	5.56	5.64	5.79	5.97	5.31	5.43

TM SHARE PRICE PERFORMANCE VS FBM KLCI 2012



MARKET CAPITALISATION/ SHARE PRICE



FINANCIAL CALENDAR

24 FEBRUARY 2012

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

13 APRIL 2012

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

 **8** MAY 2012

27th AGM and EGM of the Company.

24 MAY 2012

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

30 MAY 2012

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2012.

8 JUNE 2012

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

31 JULY 2012

Date of entitlement to the Capital Repayment.

15 AUGUST 2012

Completion date of the Capital Repayment and date of payment of the Capital Repayment.

29 AUGUST 2012

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2012 and declaration of an interim single-tier dividend of 9.8 sen per share for the financial year ended 31 December 2012.

14 SEPTEMBER 2012

Date of entitlement to the interim single-tier dividend of 9.8 sen per share for the financial year ended 31 December 2012.

28 SEPTEMBER 2012

Date of payment of the interim single-tier dividend of 9.8 sen per share for the financial year ended 31 December 2012.

30

NOVEMBER 2012

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2012.

27

FEBRUARY 2013

Announcement of the audited consolidated results and declaration of final single-tier dividend of 12.2 sen per share for the financial year ended 31 December 2012.

12

APRIL 2013

Issuance of the 28th AGM Notice together with the Annual Report for the financial year ended 31 December 2012 and Circular to Shareholders.



7

MAY 2013

28th AGM of the Company.

10

MAY 2013

Date of entitlement to the final single-tier dividend of 12.2 sen per share for the financial year ended 31 December 2012.

27

MAY 2013

Date of payment of the final single-tier dividend of 12.2 sen per share for the financial year ended 31 December 2012.

trust

Corporate Profile

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- 46** Media Milestones in 2012
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- 66** Contact Us
- 68** Group Corporate Structure
- 70** Group Organisation Structure



momento*us*



We are passionate about accomplishing greatness in all aspects of our business. We accept every challenge that comes along; overcoming obstacles to give our best, always raising the performance bar.

ABOUT US



TM is the largest integrated communications solutions provider in Malaysia, and a leading regional telco. In supplying the country with cutting-edge telecommunications, it has gained recognition for rolling out one of the fastest and lowest cost high speed broadband (HSBB) programmes in the world. The Company is now building on its next-generation network to lend further support to the country's development into becoming a high-income nation. It is gearing up to complete its transformation from a telephone exchange into an information exchange, supplying the communications needs of all Malaysians domestically, regionally and internationally.

Since being established as the Telecommunications Department of Malaya in 1946, TM has developed and continuously improved the country's telecommunications and broadcasting infrastructure. By 2008, it had become a regional telco powerhouse with presence in nine Asian countries other than Malaysia. A strategic demerger was then carried out to separate the regional mobile operations – now managed by Axiata; and the rest of the fixed line business, managed by TM.

The year 2008 was also a turning point on another front. In September, TM signed a public private partnership with the Government of Malaysia to build and deliver HSBB, leading to a spectacular roll-out of the service. Within 18 months, UniFi, the nation's first HSBB service, was launched. TM has since been extending the service to more areas nationwide, achieving 1.377 million premises passed by end 2012, on schedule and below budget. The take-up rate of UniFi has increased in tandem, and reached 400,000 subscribers five months ahead of schedule in 2012.

As Malaysia's broadband champion and to deliver an enhanced and integrated digital lifestyle to all Malaysians where everyone can connect, communicate and collaborate, TM is opening its HSBB infrastructure to other service providers. As at end 2012, four telcos have signed up for access service.



To further enhance the content industry, TM is collaborating with industry players and the Multimedia Development Corporation (MDeC) to develop a vibrant Content Service Delivery Platform (CSDP), My1Content. The neutral and open portal will assist local contentpreneurs gain a foothold in the local market while exposing them to the regional and international markets.

At the same time, TM is forging more partnerships with leading ICT providers locally and internationally to feed growing demand for sophisticated products and services. ICT arm, VADS, is spearheading TM's foray into the ICT and business process outsourcing (BPO) sectors, where TM is already making its presence felt. It is the first in Malaysia and second in Southeast Asia to provide TelePresence Exchange (TPX) services and the first in Malaysia to offer comprehensive three-layer cloud services and a technology neutral cloud infrastructure.

In support of the Government's vision to transform the country into a multimedia hub, TM is upgrading its network, systems and products internally while further enhancing its international network capacity. The first phase of Cahaya Malaysia (ASE), TM's first private submarine cable network developed with NTT Communications Corporation, went live on 20 August 2012 connecting Malaysia to Japan. The second phase, which will connect Malaysia and Japan to the Tseung Kwan landing station in Hong Kong, was completed in March 2013, and is now ready for service.

The many changes taking place at TM have led to increased focus on training and development of its over 27,000 employees, to ensure they have the knowledge and skills required of an information exchange. At the same time, the Company is reinforcing a customer-centric mindset focusing on a positive customer experience at every touch point. In 2012, TM initiated and adopted customer-oriented KPIs to improve the customer experience at its contact centres for Voice, Broadband and UniFi services.

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

The Company's commitment to serving the people reflects a deep-rooted sense of corporate responsibility (CR) that underlines all its actions. As a former state-owned enterprise, TM continues to bridge the digital divide. It also places much emphasis on education, which has been the focus its foundation, Yayasan TM (YTM), since its establishment in 1994. To date, YTM has disbursed a total of RM444.8 million in scholarships that have benefited a total of 12,979 students. At the same time, TM's Multimedia University, set up 16 years ago as the country's first private university, has produced a total of 30,484 graduates.

As a responsible corporate citizen, TM is also conscious of its duty to reduce its carbon footprint and takes into consideration the environmental impact of all its business decisions to ensure a sustainable future.

In 2011, it launched a Carbon Management Plan and carried out a group-wide audit of carbon emissions to serve as a baseline for future activities to reduce this. Progress of the Carbon Management Plan and other sustainability initiatives are highlighted in TM's annual Sustainability Report.

Excellence in TM is an on-going theme that cuts across the board, and is reflected in awards for almost every aspect of the Company's operations. In 2012, TM won The BrandLaureate Top Ten Masters Awards 2012 for the Most Preferred Brand in ICT – Broadband; the PC.Com 12th Readers Choice Awards 2011 for Best Wired Broadband; the 2012 Frost & Sullivan Asia Pacific ICT Award, Singapore, for Fixed Broadband Service Provider of the Year; the Employer of Choice Gold Award in the Malaysia HR Awards; the Silver Award for Overall Excellence at the National Annual Corporate Report Awards 2012; and the Best Sustainability Award by the National Center for Sustainability Reporting (NCSR), Jakarta. VADS, meanwhile, won a string of awards, including two Golds at the Contact Centre World Awards; and the 2012 Global Services 100 Provider on the Global BPO Challengers category.

TM has transformed the telecommunications landscape in Malaysia in the 66 years of its existence. Throughout its journey, it has built a sound reputation for always delivering on its promises. The Company's message, as it evolves into the exciting next-generation era of telecommunications is, therefore, appropriate – Trust Us.

**TM is
Malaysia's
Broadband
Champion**



MILESTONES OVER TWO CENTURIES

1800s

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

1900s

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

- Launch of television services in Peninsular Malaysia
- 1968** The Telecommunications Department of Sabah and Sarawak merges with Peninsular Malaysia, forming the Telecommunications Department of Malaysia
- 1970** The first international standard satellite earth station is commissioned in Kuantan, marking the advent of live telecasts in Malaysia
- 1975** Establishment of the Automatic Telex Exchange
- 1979** Introduction of International Direct Dial (IDD) facilities
- 1980** Malaysia commissions its own submarine cable linking Kuantan and Kuching
- 1982** Introduction of Telefax and International Maritime Service
- 1983** Introduction of data communications
- 1984** Introduction of packet switch technology, leading to Malaysia's own public data network
- 1985** • Commissioning of the ATUR service using 450 analog cellular radio technology, a first in Asia
- Introduction of the Multi Access Radio System, providing rural customers with easier access to telephone services
- 1987** Jabatan Telekom Malaysia (JTM) is corporatised, forming Syarikat Telekom Malaysia Berhad (STMB), the nation's first privatised entity
- 1988** Introduction of digital INTELSAT Business Service
- 1989** Introduction of the 800 toll-free service
- 1990** • Introduction of international toll-free and prepaid cardphone (Kadfon)
- Listing of STMB on the Main Board of Bursa Malaysia Securities Berhad and introduction of the new company logo
- 1991** • The Company is rebranded as Telekom Malaysia
- Introduction of Malaysia Direct, Home Country Direct
- 1992** Introduction of Video Conferencing and CENTREX
- 1993** Introduction of ISDN services
- 1996** Introduction of 1800 MHz digital TMTOUCH cellular services
- 1997** Introduction of Corporate Information Superhighway (COINS), Telekom Malaysia's state-of-the-art, high-capacity enterprise solution



- 2001**
 - Launch of BlueHyppo.com, Telekom Malaysia's lifestyle Internet portal, which records more than 290 million searches a year
 - Introduction of broadband services with the launch of Streamyx
 - Telekom Malaysia becomes a major partner in the launch of the state-of-the-art submarine cable Asia Pacific Cable Network 2 (APCN2)
 - Establishment of TM Net as the largest Internet Service Provider in the Southeast Asian region
 - Launch of CDMA fixed wireless telephony service
- 2002** Award of the 3G spectrum to Telekom Malaysia
- 2003** Merger of Celcom and TMTOUCH, forming Malaysia's largest cellular operator
- 2004** Restructuring of TM TelCo into two Strategic Business Units (SBUs) – TM Wholesale and TM Retail
- 2005**
 - Telekom Malaysia undergoes a major rebranding exercise and TM is adopted as the new brand
 - Launch of 3G Services – first in Malaysia
 - Acquisition of 27.3% interest in PT Excelcomindo Pratama Tbk of Indonesia
- 2006**
 - TM forges strategic partnership with Vodafone, becoming a Vodafone Partner Network with a global reach of an estimated 179 million mobile customers worldwide
 - TM implements the second phase of its restructuring exercise, organising the Group's business into Malaysia Business, Celcom, TM International and TM Ventures
 - XL, TM's Indonesian subsidiary, secures a 3G licence while Dialog, TM's subsidiary in Sri Lanka, launches South Asia's first 3G service
 - Acquisition of the remaining 49.0% in Telekom Malaysia International (Cambodia) Company Limited (formerly known as Cambodia Smart Communications Ltd), Cambodia and 49.0% interest in Spice Communications Private Limited, India
- 2007**
 - TM initiates a consortium to develop an undersea cable system, Asia-America Gateway (AAG), linking Southeast Asia and USA
 - 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 the 2008 Frost & Sullivan Malaysia Telecom Awards including The Alternative Voice Service Provider of The Year for the first time
 - TM signs a Public Private Partnership (PPP) agreement with the Government to roll out the High Speed Broadband (HSBB) project
 - TM grabs five NACRA 2008 awards, including the Gold Award for Overall Excellence, Silver for Corporate Social Responsibility and Best Designed Annual Report
 - TM and Verizon collaborate to develop and improve Local IP capabilities
- 2009**
 - TM discloses Indicative Terms & Conditions for HSBB (Wholesale) service
 - TM wins three awards at the 2009 Frost & Sullivan Malaysia Telecom Awards, including Broadband Service Provider of the Year for the fifth year
 - MMU makes the Top 200 Asian Universities in QS.com Asia Universities Rankings 2009



- TM signs Wi-Net on as its first HSBB (Wholesale) customer
- TM joins a new submarine cable consortium to develop the Asia Pacific Gateway (APG)
- TM's core network infrastructure is upgraded to Next-Generation Network (NGN) technology
- TM commences physical work for HSBB access infrastructure
- AAG, a new undersea cable linking Southeast Asia to USA, starts commercial traffic
- TM wins four awards at NACRA 2009, including Gold for Overall Excellence, Corporate Social Responsibility and Best Annual Report in Bahasa Malaysia
- 2010** • TMpoint On Wheels (TMOW) is launched for added convenience to customers in under-served areas
- TM signs a pact with Manchester United to be the Official Integrated Telecommunications Partner of the English football club in Malaysia
- 20 content partners join hands with TM to provide a diverse mix of content for TM's IPTV service
- TM delivers its promise of launching the next generation High Speed Broadband (HSBB) service with the brand name UniFi
- The inaugural TM Earth Camp for school children, organised in collaboration with the Malaysian Nature Society (MNS), is held
- TM is conferred the Anugerah Majikan Prihatin from the Ministry of Human Resources for the first time, in conjunction with the 2010 Labour Day celebration
- HyppTV, TM's IPTV service, offers UniFi customers linear, premium and VoD titles
- TM wins the First Runner-Up Overall award at the Malaysian Business – CIMA Enterprise Governance Awards 2010
- TM signs Maxis on as the first service provider to subscribe to TM's HSBB (Access) service
- Deployment of TM's HSBB service, UniFi, reaches more than 750,000 premises passed and 48 coverage areas
- TM wins five awards at NACRA 2010, including Golds for Overall Excellence and Best Design and Platinum for Corporate Social Responsibility
- 2011** • TM collaborates with NTT to establish a new submarine cable system, Cahaya Malaysia, connecting Malaysia to Hong Kong and Japan
- TM records profit of RM1,206.5 million in 2010, an increase of 87.6% from the previous year and meets all three Headline KPIs
- Menara Kuala Lumpur Sdn Bhd signs a 10-year concession agreement with the Government of Malaysia for the operation, management and maintenance of Menara Kuala Lumpur
- UniFi celebrates its first anniversary
- TM clinches four awards at the 2010 Frost & Sullivan Malaysia Telecoms Awards – Broadband Service Provider of the Year, Data Communications Service Provider of the Year, Managed Service Provider of the Year and Managed Security Service Provider of the Year
- TM galvanises the nation's sports spirit with the launch of Team Malaysia
- TM offers the first Managed TelePresence services in Malaysia in collaboration with Cisco
- UniFi's 100,000th customer receives a trip of a lifetime to Wembley Stadium, London, to watch Manchester United FC's Champions League match
- As part of its environment conservation activities, TM plants 200 trees at Zoo Negara and adopts two Malayan tapirs
- VADS becomes the country's first cloud provider by partnering with MIMOS to offer cloud computing services
- TM further entrenches its support for national football by becoming the official partner of the national football team
- TM signs a partnership with NAZA TTDI to install HSBB in the first UniFi township project in the Central region
- UniFi reaches Melaka and Kedah, ahead of schedule
- TM partners with Google to offer Google AdWords to SMEs in Malaysia
- TM introduces its geomatic application – TM SmartMap
- TM inks HSBB Wholesale service agreements with Celcom Axiata Berhad and Packet One Networks Sdn Bhd
- TM establishes a strategic partnership with Akamai to host Akamai's NetStorage on TM's network

- Launch of *Gemuruh Suara* song and music video, as part of Team Malaysia's campaign, ignites the passion of sports fans
 - TM launches its point-based loyalty programme, TM Rewards
 - TM signs its second HSBB service agreement with Dynasty View Sdn Bhd to install HSBB in a new phase of the Seri Austin residential development in Johor Bahru
 - TM takes home top honours at NACRA 2011 with the Overall Excellence Platinum Award for its Annual Report
 - TM is honoured as the ICT Organisation of the Year and also wins the ICT Personality of the Year at PIKOM's 25th Anniversary Gala Dinner and ICT Leadership Awards 2011
 - TM signs a deal with GJH Avenue Sdn Bhd to install HSBB in Phases 1 and 2 of Taman Paya Rumput Perdana, making these the first UniFi-equipped townships in Melaka
 - TM clinched the Best Wholesale Ethernet Service APAC 2011 award by Metro Ethernet Forum (MEF) at the Carrier Ethernet Service Provider Awards APAC 2011 in Singapore
 - TM adds Office 365 to its suite of world-class ICT solutions through a partnership with Microsoft
 - The Batam-Dumai-Melaka (BDM) submarine cable system goes live, ready to carry commercial data traffic
- 2012**
- UniFi reaches Perak, Terengganu and Pahang
 - TM launches its Integrity Pact, strengthening the Company's commitment to total integrity across the Group
 - TM turns in a strong full-year performance for the financial year 2011, with revenue of RM9.15 billion and exceeding all three headline KPIs
 - TM inks an HSBB Wholesale service agreement with REDtone
 - UniFi turns two
 - Capital TV, Malaysia's first local business television channel, is launched and comes on board HyppTV
 - TM holds the first TM Career & Education Fair 2012
 - TM embarks on a nationwide Cable Theft Prevention campaign
 - SK Pendidikan Khas Pekan Tuaran, Sabah becomes the first school for special needs children to be adopted under TM's PINTAR School Adoption Programme
 - TM clinches four awards at the 2012 Frost & Sullivan Malaysia Excellence Awards, including the coveted Service Provider of the Year award, which was won for the first time since the 2008 demerger
 - Four new HyppTV channels – EC Inspirasi, Outdoor Channel HD, UTV Stars and Kids Co – are added to HyppTV's growing stable
 - TM bags the Best Broadband Carrier award at Telecom Asia Awards 2012 in Bangkok
 - TM's first data centre outside Malaysia opens in Hong Kong
 - TM gears up for IPv6 adoption with an IPv6-ready network
 - TM's broadband subscriber base hits the 2 million mark
 - My1Content portal, a national repository of local content developed by TM, is launched
 - TM organises the Team Malaysia Fan Run 2012 to rally support for Malaysian Olympians
 - Prime Minister Dato' Sri Mohd Najib Tun Haji Abdul Razak makes his maiden visit to TM Convention Centre and officially launches the convention facilities
 - UniFi surpasses the 400,000 subscribers mark ahead of its year-end target
 - TM extends the Program Sejahtera to Kelantan, with the launch of the second phase of the programme
 - Cahaya Malaysia, TM's latest submarine cable system, starts carrying traffic to Hong Kong
 - HyppTV launches its first dedicated live sports channel – HyppSports HD
 - Membership of the TM Rewards loyalty programme hits 1,000,000
 - TM introduces UniFi BIZ30 and BIZ50 packages as well as HyppTV for UniFi Biz packages
 - TM signs collaborative agreements with relevant parties towards the creation of a Smart and Connected Nusajaya
 - VADS extends its TelePresence reach worldwide via collaboration with AT&T

MEDIA MILESTONES IN 2012



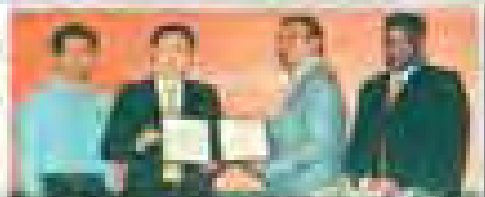
VADS looking to expand ICT business in Indonesia

Vodafone Australia Digital Services (VADS) is looking to expand its ICT business in Indonesia. VADS, a subsidiary of Vodafone Australia, is a leading provider of ICT services to businesses in Australia. The company is currently in the process of establishing a presence in Indonesia, with a view to providing a range of ICT services to businesses in the country.



TM leads charge for athletes

Telekom Malaysia (TM) has led the charge in providing ICT services to athletes. TM has provided a range of ICT services to athletes, including mobile phones, internet access, and other services. TM has also provided a range of other services to athletes, including training facilities, and other services.



TM's profit almost triples

Telekom Malaysia (TM) has reported a significant increase in profit, with its profit almost tripling. TM's profit for the year ended 31 December 2012 was RM1.1 billion, compared to RM370 million for the year ended 31 December 2011. This increase in profit is due to a number of factors, including an increase in revenue, a decrease in expenses, and a decrease in taxes.



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TM launches HK centre

New state facility to meet increased demand for cloud-based services.

Telekom Malaysia (TM) has launched a new state facility in Hong Kong to meet the increased demand for cloud-based services. The new facility is located in the Kowloon district of Hong Kong, and is a state-of-the-art facility that provides a range of cloud-based services to businesses in Hong Kong. TM has also provided a range of other services to businesses in Hong Kong, including mobile phones, internet access, and other services.

New channels for sports fans

New channels for sports fans. TM has launched a range of new channels for sports fans, including mobile phones, internet access, and other services. TM has also provided a range of other services to sports fans, including training facilities, and other services.



TM, REDKone target SMEs

Telekom Malaysia (TM) and REDKone are targeting SMEs. TM and REDKone have launched a range of services for SMEs, including mobile phones, internet access, and other services. TM and REDKone have also provided a range of other services to SMEs, including training facilities, and other services.



TM launches online local content

Telekom Malaysia (TM) has launched online local content. TM has provided a range of online local content to businesses in Malaysia, including mobile phones, internet access, and other services. TM has also provided a range of other services to businesses in Malaysia, including training facilities, and other services.



Four new channels, and it's no hype

Four new channels, and it's no hype. TM has launched four new channels for sports fans, including mobile phones, internet access, and other services. TM has also provided a range of other services to sports fans, including training facilities, and other services.



Unifi subscribers surpass target

Unifi subscribers surpass target. Unifi has exceeded its subscriber target for the year. Unifi has provided a range of services to subscribers, including mobile phones, internet access, and other services. Unifi has also provided a range of other services to subscribers, including training facilities, and other services.

2012 CORPORATE EVENTS



1 19 JANUARY**UniFi Launch in Perak**

UniFi was launched in Perak by Dato' Dr Mah Hang Soon, Perak State Exco of Health, Local Government, Consumer Affairs, Public Transportation and Non-Muslim Affairs, who represented Dato' Seri DiRaja Dr Zambry Abd Kadir, Menteri Besar of Perak. Dato' Joseph Salang, Deputy Minister of Information, Communications and Culture, was also present.

20 JANUARY**Integrity Pact with Vendors**

TM launched an Integrity Pact with its vendors to further strengthen the multiple integrity initiatives adopted in its business operations. The launch was attended by Dato' Sri Haji Abu Kassim Mohamed, Chief Commissioner of the Malaysian Anti-Corruption Commission (MACC).

22 FEBRUARY**Launch of TM Media Delivery Service**

The TM Media Delivery Service (TM MDS) was launched in partnership with Octoshape, an industry leader in global streaming technologies.

2 14 MARCH**REDtone signs on for HSBB**

TM signed an MoU with REDtone Marketing Sdn Bhd for the provision of HSBB service. TM was represented by Dato' Sri Zamzamzairani Mohd Isa, TM Group CEO and Datuk Bazlan Osman, TM Group CFO while REDtone was represented by Dato' Wei Chuan Beng, Managing Director and Lau Bik Soon, Group CEO of REDtone International Berhad.

15 MARCH**TM Earth Camp to Carry On**

TM and the Malaysian Nature Society (MNS) signed an agreement to continue to collaborate on TM's nationwide environmental camps, TM Earth Camp, in 2012. TM was represented by Dato' Sri Dr Halim Shafie, TM Chairman while Prof Dr Maketab Mohamed, MNS President, signed on behalf of the NGO.

3 22 MARCH**Launch of SME BizFest™**

TM officially launched its inaugural SME BizFest™ at Menara Kuala Lumpur. The event was officiated by Azizi A Hadi, EVP of TM SME, accompanied by Dato' Rozalila Abdul Rahman, TM Chief Marketing Officer and Suzana Mohd Salleh, GM of Small Enterprise, TM SME.

29 MARCH**Channel for Corporate Malaysia**

TM's HyppTV launched Malaysia's first local business television channel, Capital TV, on Channel 127. The 24-hour daily business channel is broadcast in full high definition (HD).

4 31 MARCH**Perak School to have WiFi**

TM adopted Sekolah Menengah Kebangsaan Chenderiang in Temoh, Perak, under the third phase of its PINTAR school adoption programme. SMK Chenderiang will be the first PINTAR school to have full access to WiFi.

6 APRIL**TM Career & Education Fair 2012**

TM organised its inaugural TM Career & Education Fair from 6-8 April 2012 at Menara TM. The event was attended by Deputy Minister of Higher Education Dato' Saifuddin Abdullah, TM Chairman Dato' Sri Dr Halim Shafie and TM Group CEO Dato' Sri Zamzamzairani Mohd Isa.

5 9 APRIL

TM Adopts Special Needs School

TM added Sekolah Kebangsaan Pendidikan Khas Pekan Tuaran, Sabah to its list of adopted schools, making it the Company's first school for special needs children. The official ceremony was attended by the Minister of Community Development & Consumer Affairs of Sabah, Datuk Hajah Azizah Datuk Seri Panglima Haji Mohd Dun, and TM Chairman Dato' Sri Dr Halim Shafie.

15 APRIL

French News Channel

The French community in Malaysia now has a dedicated channel for the latest updates on international news, thanks to a 24-hour French news channel on HyyptV, France 24.

6 3 MAY

Strategic Partnership with Panasonic

TM and Panasonic Malaysia signed a Collaborative Arrangement Agreement for a strategic partnership to empower Malaysian SMEs. TM was represented by EVP, SME Azizi A Hadi while the agreement was signed on behalf of Panasonic Malaysia by its Managing Director, Jeff Lee.

5 MAY

End of School Adoption Programme Ceremony

TM held a closing ceremony to mark the end of a three-year Projek Sekolah Angkat Bersama Kementerian Penerangan, Komunikasi & Kebudayaan (KPKK) adoption programme of Sekolah Menengah Kebangsaan Pakan. The ceremony was graced by the Deputy Minister of Information, Communications and Culture, Dato' Joseph Salang, and TM Chairman Dato' Sri Dr Halim Shafie.

19 MAY

KL Tower International Towerthon

The prestigious KL Tower International Day Night Towerthon 2012 was flagged off by the Deputy Minister of Federal Territories and Urban Wellbeing, Datuk M Saravanan.

12 JUNE

MMU a top private university

Multimedia University (MMU) maintained its position as the top private university in Malaysia, according to the QS Asian University Rankings 2012. The annual ranking, which is conducted by QS Quacquarelli Symonds Ltd., placed MMU in the 191-200 band, while the ordering of the ranking indicates that MMU is ranked 194 in all of Asia.

7 16 JUNE

Supporting Malaysian Olympians

TM organised a Team Malaysia Fan Run at Dataran Merdeka to encourage all Malaysians to support our athletes in the London Olympics. Some 7,000 runners were flagged off by Deputy Minister of Youth & Sports Dato' Razali Ibrahim together with Group CEO Dato' Sri Zamzamzairani Mohd Isa and Chef-de-Mission of Malaysia's contingent to London, Tun Dr Ahmad Sarji Abdul Hamid.

12 JULY

UniFi Reaches East Coast

The rollout of UniFi continued to the East Coast, making its first stop in Terengganu. The provision of UniFi in Terengganu was officially launched by its Menteri Besar, Dato' Seri Haji Ahmad Said.

18 JULY

Partnership with Milan Utama

TM signed a Collaborative Agreement with Milan Utama Sdn Bhd to provide enhanced content for a Global Positioning System (GPS) navigation solution.

8 7 AUGUST

Celebrating Independence

In conjunction with the National Day celebrations, TM kicked off a nationwide campaign featuring a myriad of activities for its employees and the communities it serves. The celebration was officially launched by the Minister of Federal Territories & Urban Wellbeing, Senator Dato' Raja Nong Chik Datuk Zainal Abidin, together with TM Chairman Dato' Sri Dr Halim Shafie.





9 10 AUGUST

Launch of Safety Campaign

TM, in collaboration with Polis DiRaja Malaysia, launched its annual Op Selamat safety campaign. The campaign stretched over a period of two weeks from 12-26 August 2012, with the theme *Rumah Selamat & Selamat Sampai ke Destinasi* (Arrive Safely Home). It was launched by Inspector General of Police, Tan Sri Dato' Sri Haji Ismail Haji Omar.

20 AUGUST

Cahaya Malaysia Goes Live

TM's latest international submarine cable system, Cahaya Malaysia, which links Malaysia to Japan, began carrying Internet traffic. Its link to Hong Kong has been scheduled for completion during the first quarter of 2013.

15 SEPTEMBER

Pahang is UniFi-ed

The provision of UniFi in Kuantan, Pahang, was launched by the Exco of Information, Science, Technology and Innovation of Pahang, Dato' Haji Mohd Sharkar Haji Shamsudin, who represented the Menteri Besar. The Deputy Minister of Information, Communications and Culture, Dato' Joseph Salang, was also present.

10 28 SEPTEMBER

Launch of Programme IQRA

Yayasan Telekom Malaysia (Yayasan TM) and Yayasan Sofa Negeri Sembilan (Yayasan Sofa) launched the educational Programme IQRA at Sekolah Kebangsaan Tunku Laksamana Nasir, Seri Menanti, Negeri Sembilan. The event was graced by the Yang di-Pertuan Besar Negeri Sembilan, Tuanku Muhriz ibni Almarhum Tuanku Munawir.

11 19 OCTOBER

In Appreciation of Cable Safety

TM organised an appreciation ceremony for the collaborative efforts of various parties to curb cable theft nationwide. These included the Polis DiRaja Malaysia (PDRM) and several community groups. The ceremony was attended by Deputy Inspector-General of Police, Tan Sri Dato' Sri Khalid Abu Bakar, and TM Group CEO Dato' Sri Zamzamzairani Mohd Isa.

6 NOVEMBER

Bringing Cloud Services

TM inked a Collaborative Agreement with the Technopreneurs Association of Malaysia (TeAM) for its Go-To-Market initiative for TM's BizApp Store. This collaboration marks a milestone for TM by bringing cloud services to Malaysian SMEs. TM was represented by EVP of SME, Azizi A Hadi, while TeAM was represented by its President, Ir Aziz Ismail. VADS' CEO, Ahmad Azhar Yahya, also signed the agreement.

12 18 NOVEMBER

Dr Mahathir Awards Entrepreneurs

TM honoured the crème de la crème among its entrepreneurs at the TM Entrepreneur Awards 2012, held at the TM Convention Centre. The awards were given away by former Malaysian Prime Minister Tun Dr Mahathir Mohamad, who is also Honorary President of the Perdana Leadership Foundation.

12 DECEMBER

Improving Human Resources

TM signed a Memorandum of Understanding (MoU) with the Department of Skills Development (JPK) under the Ministry of Human Resources for the exchange of expertise and resources to empower the workforce at both organisations. TM was represented by its Chief Human Capital Officer, Mohd Khalis Abdul Rahim, while JPK was represented by its Director of Skills Development, Dr Pang Chau Leong.

17 DECEMBER

Promoting ICT among SMEs

TM inked an agreement with Interbase Resources Sdn Bhd to promote the adoption of ICT by Malaysian SMEs and, especially, to manage their e-commerce business cost-effectively with the latest bundle of Lelong.my's Web Store feature in TM's MARKETING Tools app. Azizi A Hadi, EVP of SME, signed the agreement on behalf of TM while Lelong.my was represented by its Managing Director, Richard Tan.

AWARDS & RECOGNITION 2012

12 JANUARY

The BrandLaureate Top Ten Masters Awards

- The Most Preferred Brand in ICT – Broadband

11 FEBRUARY

NEF-Awani ICT Awards 2011

- Favourite Telecommunications Company in People's Choice Category

29 MARCH

PC.Com 12th Readers Choice Awards 2011

- Best Wired Broadband for UniFi

12 APRIL

Frost & Sullivan Malaysia Excellence Awards, Kuala Lumpur

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

19 APRIL

15th Annual Telecom Award, Bangkok

- Best Broadband Carrier

24 APRIL

Putra Brand Awards

- Silver for Communications Network Category

8 MAY

Penyedia Perkhidmatan Internet, Kuala Lumpur

- Best Brand in ICT

7 JUNE

Frost & Sullivan Asia Pacific ICT Award, Singapore

- Fixed Broadband Service Provider of the Year

14 JUNE

Urbanscapes-MARKies Award

- Best Idea – Consumer Events/ Experiential
TM EveryoneConnects

18 JUNE

QS Asian University Rankings

- Multimedia University (MMU) the highest ranked Private University in Malaysia (MMU)

19 JUNE

Asia Communications Award, Singapore

- Giorgio Migliarina: Chief Technology Officer of the Year

30 JUNE

World HRD Congress and World Education Congress, Mumbai, India

- For TM Training Centre (TMTC):
 - Best Learning Programme (Best Behavioural Change)
 - Best Practices (Best e-Learning Implementation on a Budget)

11 JULY

Malaysian Software Testing Board Q-Merit Award

- TM R&D



13 JULY

Contact Centre World Top Ranking Performers Award – APAC Region, Singapore

- 5 Gold, 1 Silver and 4 Individual Awards for VADS Berhad

19 JULY

3rd CMO ASIA Awards for Excellence in Branding & Marketing

- Asia's Best Brand Award

8 AUGUST

Global Services 100 Provider

- Winner of the Global BPO Challengers category – VADS (BPO)

31 AUGUST

Contact Centre Association of Singapore Awards

- Bronze for Best Outsourced Contact Centre (VADS)

6 SEPTEMBER

Alpha Southeast Asia's Institutional Investor Corporate Awards for Malaysia

- Best Annual Report
- Top three for:
 - Most Consistent Dividend Policy
 - Best Strategic CSR

17-19 SEPTEMBER

Asia Geospatial Forum, Hanoi, Vietnam

- Asia Geospatial Excellence Award for MERS 999

24 SEPTEMBER

Computerworld Reader's Choice Awards

- Managed Connectivity category

25 SEPTEMBER

11th Computerworld Malaysia Readers Choice Awards

- Gold Award (VADS)

11 OCTOBER

Malaysia HR Awards

- Employer of Choice Gold Award

14 OCTOBER

Customer Relationship Management and Contact Centre Association of Malaysia (CCAM) Awards

- 16 awards for VADS
- VADS the Best of the Best BPO Outsourcer of the Year

24 OCTOBER

Ministry of International Trade & Industry - Industry Excellence Award

- Multimedia University (MMU)

30 OCTOBER

Anugerah Cemerlang Keselamatan dan Kesihatan Kebangsaan

- Won by TM Pahang

1 NOVEMBER

National Annual Corporate Report Awards (NACRA)

- Silver Award – Overall Excellence for Best Annual Report
- Industry Excellence Award for Main Board Companies under the Trade & Service Category

2 NOVEMBER

Contact Centre World Awards

- 2 Gold, 2 Silver and 2 Bronze medals (VADS)

3 DECEMBER

National Center for Sustainability Reporting (NCSR), Jakarta

- Best Sustainability Award for Malaysia

13 DECEMBER

SMI Association of Malaysia SME Recognition Award

- The Sahabat Negara SME Award



2011

THE BRANDLAUREATE TOP TEN MASTERS AWARDS

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

PC.COM 11TH PRODUCT AWARDS

- Best Fixed Broadband

THE BRANDLAUREATE COUNTRY BRANDING AWARDS 2010-2011

- won by Menara Kuala Lumpur

NEF-AWANI ICT AWARDS

- Favourite Telecommunications Company 2010

FROST & SULLIVAN MALAYSIA EXCELLENCE AWARDS

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

READER'S DIGEST TRUSTED BRANDS AWARDS

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

THE BRANDLAUREATE TOP TEN MASTERS AWARDS

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

MALAYSIA 1000'S INDUSTRY EXCELLENCE AWARD FOR COMPUTER PRODUCTS

- Won by VADS Berhad

ACCA MALAYSIA SUSTAINABILITY REPORTING AWARDS

- Reporting on Social Performance

1ST MEF CERTIFIED SERVICE PROVIDER IN MALAYSIA

PIKOM 25TH ANNIVERSARY GALA DINNER & ICT LEADERSHIP AWARDS

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

BEST WHOLESALE ETHERNET SERVICE APAC

MALAYSIAN CORPORATE GOVERNANCE (MCG) INDEX AWARDS

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

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

ANUGERAH PELANCONGAN KEBANGSAAN MALAYSIA 2008-2009

- *Tarikan Pelancongan Terbaik – Tarikan Berinovasi (Buatan Malaysia)*

PC.COM AWARD

- Best Fixed Broadband

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

- Grand Prize

STARBIZ-ICR MALAYSIA CORPORATE RESPONSIBILITY (CR) AWARDS 2009

- Community Category

PRIME MINISTER'S CSR AWARDS 2009

- Best Workplace Practices

PUTRA BRAND AWARDS

- Best Communication Network

BRANDLAUREATE TOP 10 MASTERBRAND AWARDS 2009-2010

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

2010



READER'S DIGEST TRUSTED BRAND

- Streamyx – Platinum

LABOUR DAY CELEBRATIONS

- *Anugerah Majikan Prihatin*

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

INTERNATIONAL INVENTION, INNOVATION AND TECHNOLOGY EXHIBITION (ITEX)

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

MALAYSIAN MEDIA AWARDS

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

ASIA HRD CONGRESS

- Award for Company's Human Capital Development programmes

TOP RANKING PERFORMERS AWARDS APAC REGION FINAL

- Highly Commended Award
- Gold Award
- Silver Award

10TH MALAYSIA HR AWARDS

- HR Excellence – Gold Award

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

- Unified Communications Excellence

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS

- 1st Runner-Up Overall

COMPUTERWORLD READER'S CHOICE AWARDS

- Managed Connectivity Services Provider

IT INSPIRATION AWARDS

- CIO of the Year
- CIO of the CIOs

PRIME MINISTER'S CSR AWARDS

- Best Workplace Practices
- Honourable Mention in the Environment Category

MALAM PENGHARGAAN JALUR LEBAR 1MALAYSIA

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

MALAYSIAN CORPORATE GOVERNANCE INDEX AWARDS

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

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

THE BRANDLAUREATE AWARDS 2008-2009

- Best Brands

HEWITT BEST EMPLOYERS

- 10 Best Employers in Malaysia

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

READER'S DIGEST AWARD

- Trusted Brand – Platinum

MALAYSIAN ASSOCIATION OF RISK AND INSURANCE MANAGEMENT (MARIM) AWARD

- Risk Management Award of Excellence

ABU ASIA-PACIFIC ROBOT CONTEST TOKYO – TOYOTA AWARD

2009

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS

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

CONTACTCENTERWORLD.COM AWARD

- Best Contact Center (250+ Agents)

CISCO AWARD

- Managed Services Partner of the Year (Revenue)

INTERNATIONAL BUSINESS REVIEW AWARDS

- Excellence in the Telecommunications Sector

ANUGERAH PELANCONGAN LIBUR

- The Best Monument Award

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

MALAYSIAN CORPORATE GOVERNANCE INDEX AWARDS

- Distinction
- Best AGM Conducted in 2009

STARBIZ-ICRM CR AWARDS

- Community Category

MALAM ANUGERAH CEMERLANG KESELAMATAN DAN KESIHATAN PEKERJAAN 2007

- TM Sarawak – Gold Award – Telecommunications sector

THE BRANDLAUREATE AWARDS 2007-2008

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

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS

- Merit Award
- Corporate Social Responsibility Category winner

MALAYSIA 1000 TOP TEN AWARDS

- TM received recognition for its outstanding financial performance

STARBIZ-ICR MALAYSIA CORPORATE RESPONSIBILITY AWARDS

- Workplace category

COMPUTERWORLD MALAYSIA READERS CHOICE AWARDS

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

THE TECHNOLOGY BUSINESS REVIEW ASEAN AWARDS

- 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)

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

2008 STRATEGIC PARTNERSHIP & ENTREPRENEURSHIP DEVELOPMENT FOR ICMIC BUSINESS AWARD

- Fixed Telephone Line Category

2008 FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

2008 MSC MALAYSIA 'CYBERCENTRE'

- Menara TM was awarded MSC Malaysia 'Cybercentre' status



CORPORATE GOVERNANCE SURVEY 2008 AWARD FROM THE MINORITY SHAREHOLDER 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

LIBUR MAGAZINE

- Menara KL won The Best Monument Award

THE BRANDLAUREATE AWARD 2006-2007

- Corporate Brand – Telecommunications Industry Category

PC.COM MAGAZINE

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

GSM GLOBAL MOBILE AWARDS

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

LANKA MONTHLY DIGEST

- Dialog won top spot in the Finance Brand Index

STANDARD CHARTERED-FINANCIAL EXPRESS CSR AWARD 2006

- Won by TM International Bangladesh Ltd

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

READER'S DIGEST TRUSTED BRANDS SURVEY

- Trusted Brand in Telecommunications – Platinum Award

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

- 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

- Celcom won 4th place for Brand Visibility

FROST & SULLIVAN ASIA PACIFIC ICT AWARDS

- Service Provider of the Year

ADASIA

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

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

- Dialog won the Outstanding Achievement in Customer Relationship Excellence

MOST ADMIRED KNOWLEDGE ENTERPRISE (MAKE) AWARD

- Won by PT Excelcomindo Pratama Tbk (XL)

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

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

DEWAN BAHASA DAN PUSTAKA – ANUGERAH CITRA WANGSA MALAYSIA 2006

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

60

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 – Celcom Customer Premier Service Team
- Bronze Award – 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 TVC
- Best TVC for TM Chinese New Year advertisement

MALAYSIA'S MOST VALUABLE BRANDS

- Celcom secured fifth place

CORPORATE GOVERNANCE SURVEY REPORT

- TM was ranked second

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

PIKOM ICT SERVICE PROVIDER OF THE YEAR AWARD

- Won by VADS Berhad

NATIONAL AWARD FOR MANAGEMENT ACCOUNTING (NAFMA) EXCELLENCE AWARD

2006

PC.COM MAGAZINE

TM Net Won:

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

THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

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

READER'S DIGEST TRUSTED BRANDS AWARD

- Platinum – Telecom Company Category

THE READER'S DIGEST TRUSTED BRANDS AWARD

- Mobile Service Provider Category – Gold Award

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

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

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

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

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

TMR&D also won the Bronze Award

for two products – the EPON Network Solution and Micro Probes

MALAYSIAN BUSINESS MAGAZINE

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

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

- Won by TMpoint in Alor Star, Kedah



NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

THE BRAND LAUREATE AWARDS 2006-2007

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

TELELINK TELECOMMUNICATION AWARD

- Best Mobile Service Provider in Bangladesh, won by AKTEL

JFB PERFORMANCE AWARD

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

GSM GLOBAL MOBILE AWARDS

- Commendation Award won by Dialog Telekom, Sri Lanka

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA

- *Anugerah Citra Iklan Radio* won by Celcom

GSM ASSOCIATION AWARDS

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

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

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

ASIAMONEY MALAYSIA'S BEST ANNUAL AWARD CEREMONY

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

ACCA MALAYSIA ENVIRONMENTAL AND SOCIAL REPORTING AWARDS 2004

- Commended for Social Corporate Reporting in Annual Report

EUROMONEY MAGAZINE

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

FROST & SULLIVAN AWARD

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

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 Sayat-Sayat Gunung Kinabalu

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

- 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

- 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 – 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

- Best Booth Design Award

CISCO BEST MANAGED SERVICES PARTNER AWARD FOR MALAYSIA

- Won by VADS

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

- 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

READER'S DIGEST

- Superbrands – 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

- Won by TM Net

2003

INTERNATIONAL ARCH OF EUROPE AWARD

- Platinum Award by Telekom Networks Malawi Limited (TNM)

GSM AWARD FOR BEST USE OF WIRELESS FOR EMERGENCY SITUATIONS

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

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

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



2002

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)

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA IKLAN

- Billboard Advertisement Good 2 Talk

PUSPAKOM (PUSAT PEMERIKSAAN KENDERAAN BERKOMPUTER SDN BHD)

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

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

- Largest Paymaster of Service Taxes Award

ANUGERAH KUALITI MENTERI TENAGA KOMUNIKASI & MULTIMEDIA

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

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

- Highest Service Tax Payer

GSM WORLD AWARDS

- 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)

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

2001

GSM ASSOCIATION WORLD AWARD

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

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA LAPORAN TAHUNAN SEKTOR SWASTA

- 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)

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA LAPORAN TAHUNAN SEKTOR SWASTA

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

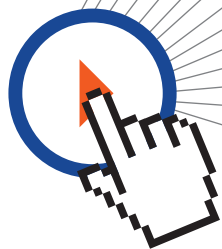
KLSE CORPORATE SECTOR AWARD

- Main Board Trading and Services Category

CORPORATE INFORMATION

BOARD OF DIRECTORS

- Dato' Sri Dr Halim Shafie**
Chairman
Non-Independent Non-Executive Director
- Dato' Sri Zamzamzairani Mohd Isa**
Managing Director/Group Chief Executive Officer
Non-Independent Executive Director
- Datuk Bazlan Osman**
Executive Director/Group Chief Financial Officer
Non-Independent Executive Director
- Dato' Fauziah Yaacob**
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
- Quah Poh Keat**
Independent Non-Executive Director
- Datuk Zalekha Hassan**
Independent Non-Executive Director
- Dato' Ir Abdul Rahim Abu Bakar**
Independent Non-Executive Director
- YB Datuk Nur Jazlan Tan Sri Mohamed**
Independent Non-Executive Director
- Ibrahim Marsidi**
Independent Non-Executive Director
- Davide Giacomo Benello @ David Benello**
Independent Non-Executive Director
- Eshah Meor Suleiman**
Alternate Director to Dato' Fauziah Yaacob
Non-Independent Non-Executive Alternate Director
- Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil**
Alternate Director to Tunku Dato' Mahmood Fawzy
Tunku Muhiyiddin
Non-Independent Non-Executive Alternate Director



SENIOR INDEPENDENT DIRECTOR

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

HEAD OFFICE

Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia

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

STOCK EXCHANGE LISTING

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

SHARE REGISTRARS

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

Tel : 603-2264 3883
Fax : 603-2282 1886
Website : www.tricorglobal.com
Email : is.enquiry@my.tricorglobal.com

AUDITORS

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

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

COMPANY SECRETARIES

Idrus Ismail
(LS0008400)

Hamizah Abidin
(LS0007096)

Zaiton Ahmad
(MAICSA 7011681)

REGISTERED OFFICE

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

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

PRINCIPAL BANKERS

- CIMB Bank Berhad
- Malayan Banking Berhad

CONTACT US

For any enquiries on TM

- Email: help@tm.com.my or you may call:
 - 100, if you are in Malaysia.
 - 1 300 888 123 if you are calling from mobile.
 - 603-2241 1290 if you are calling from overseas.
 - 603-2240 9494 to reach our general line at Menara TM Kuala Lumpur.
- Follow TM on Twitter : @TMCorp (www.twitter.com/tmcorp)

For any enquiries on UniFi, please call:

- 1 300 88 1221
(For Current Subscribers)
- 1 300 88 1222
(Pre Sales / Subscription)



1.



2.



3.

1. HEAD OF INVESTOR RELATIONS

Rohaila Mohamed Basir

Aged 37, Rohaila is responsible for investor relations and reporting to the Executive Director/Group Chief Financial Officer. She graduated with a LLB (Hons.) from the University of Malaya in 1999. She spent five years in private legal practice specialising in banking and corporate finance prior to joining Malaysian Airline System Berhad in 2004, where she served as General Counsel until 2008. She then joined MMC Corporation Berhad as Legal Advisor and later moved on to be Senior Manager, Group Managing Director's Office in 2009, where she headed the corporate communications function and handled investor relations for the company. She joined TM as General Manager (GM), Investor Relations in February 2011.

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

2. CHIEF INTERNAL AUDITOR

Hazimi Kassim

Responsible for management of internal control and review of its effectiveness, adequacy and integrity. Profile as disclosed on page 86 of this annual report.

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

3. CHIEF LEGAL, COMPLIANCE AND COMPANY SECRETARY

Idrus Ismail

Responsible for legal, compliance and company secretarial matters. Profile as disclosed on page 85 of this annual report.

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



4.

5.

4. CHIEF CORPORATE & REGULATORY OFFICER

Ahmad Ismail

Responsible for the Group's corporate and regulatory matters. Profile as disclosed on page 86 of this annual report.

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

5. VICE PRESIDENT, CUSTOMER SERVICE MANAGEMENT

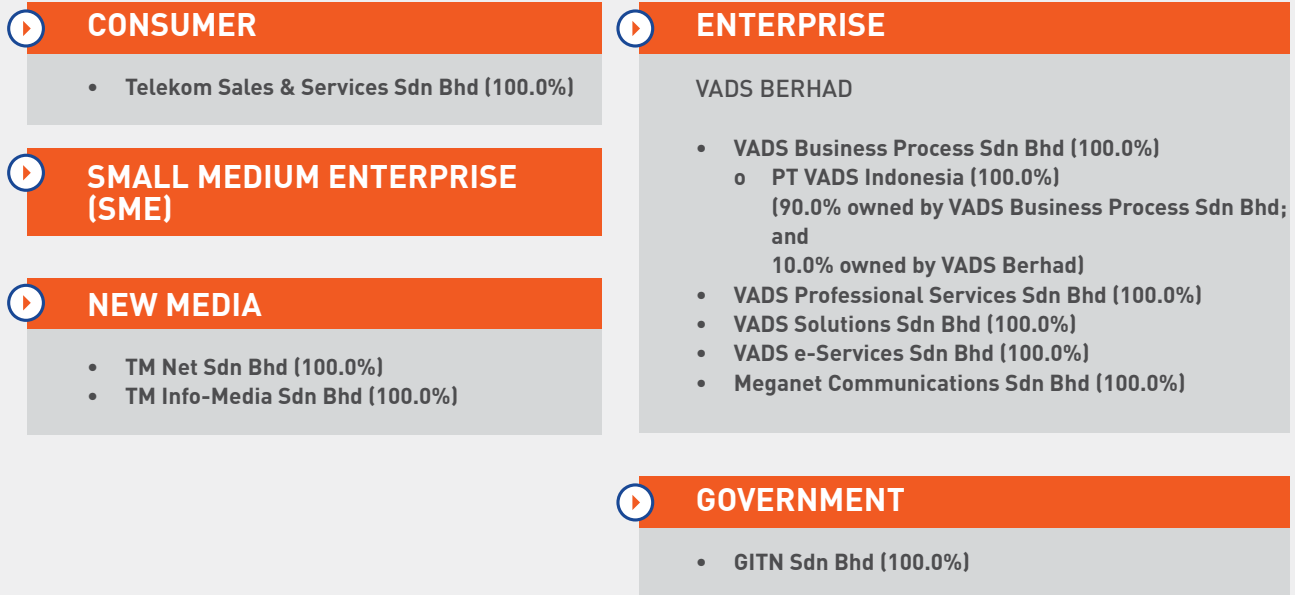
Salmah Mohd Taufek

Aged 50, Salmah is responsible for customer service management. She obtained a BSc in Electrical Engineering from the University of Missouri-Columbia, USA, in 1984. She joined TM in 1985 as an Assistant Manager of Human Capital and has held various positions in her 28 years at TM. In September 2001, she was appointed as State GM, Melaka and in 2002 as GM of Product Consultancy & Programme Management in Data Product Services Division. In June 2004, she headed the Sales Division of TM Wholesale, overseeing TM Domestic Carrier Services and TM Global Services until September 2006. She was then assigned as State GM, Negeri Sembilan until June 2012 before being appointed to her current position as Vice President, Customer Service Management on 1 July 2012.

Tel : 603-2240 2001
Fax : 603- 22408960
Email : salmahmt@tm.com.my



This chart presents TM's subsidiaries*, associates, business support and corporate functions



Legend:

- Line of Business
- Support Business and Corporate Functions
- TM Subsidiary
- * List of TM Group of Companies are shown on pages 375 to 379 of this Annual Report
- # Business Support



GLOBAL & WHOLESALE

WHOLESALE

- Fiberail Sdn Bhd (54.0%)
- Fibrecomm Network (M) Sdn Bhd (51.0%)

GLOBAL

- Telekom Malaysia (USA) Inc (100.0%)
- Telekom Malaysia (UK) Limited (100.0%)
- Telekom Malaysia (Hong Kong) Limited (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%)
 - 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[#]

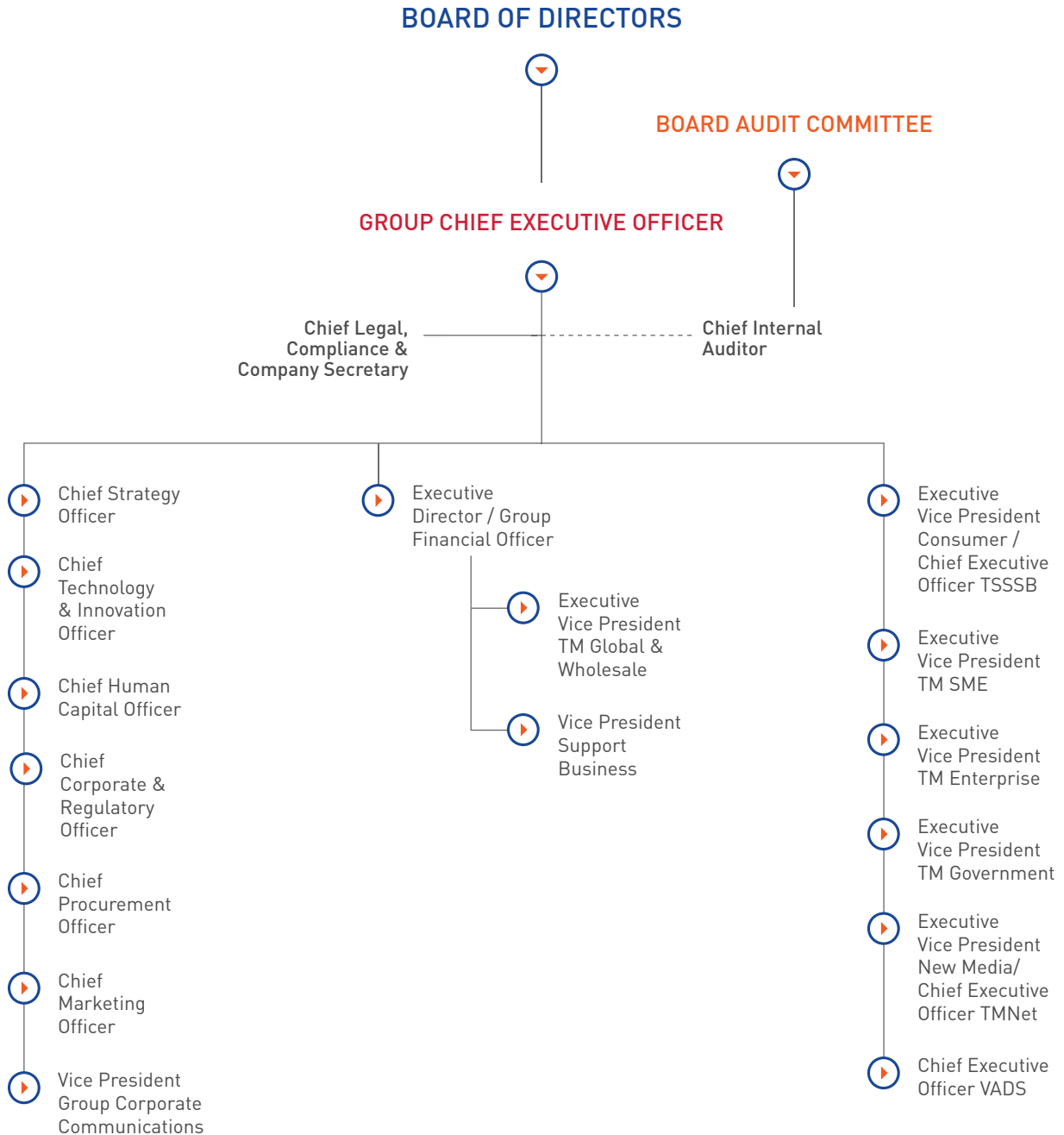
GROUP BUSINESS & CUSTOMER MANAGEMENT[#]

- Telekom Applied Business Sdn Bhd (100.0%)

IT & NETWORK TECHNOLOGY[#]

- Telekom Research & Development Sdn Bhd (100.0%)

CORPORATE CENTRE



trust

Leadership & Accountability

- 72** Board of Directors
- 74** Profile of Directors
- 82** Group Leadership Team
- 84** Profile of Management Team
- 90** Statement on Corporate Governance
- 112** Directors Statement on Risk Management & Internal Control
- 121** Audit Committee Report
- 128** Statement on Internal Audit
- 132** Board Risk Committee Report
- 136** Business Continuity Management (BCM) Report
- 139** Additional Compliance Information
- 143** Corporate Integrity



courageous



Led by intuitive leadership, we are committed to upholding the principles of good governance and integrity in all aspects of our business dealings. In our pursuit of performance excellence, driven by creativity and passion, we are here to make a difference, by doing the right things for our customers, people, stakeholders and the nation.

BOARD OF DIRECTORS

Seated from right to left

Dato' Sri Dr Halim Shafie

Chairman

Non-Independent Non-Executive Director

Datuk Zalekha Hassan

Independent Non-Executive Director

Datuk Bazlan Osman

Executive Director/Group Chief Financial Officer

Non-Independent Executive Director

Standing from right to left

Idrus Ismail

Company Secretary

Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil

Non-Independent Non-Executive Alternate Director

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Non-Independent Non-Executive Director

Dato' Ir Abdul Rahim Abu Bakar

Independent Non-Executive Director

YB Datuk Nur Jazlan Tan Sri Mohamed

Independent Non-Executive Director

Zaiton Ahmad

Joint Secretary





Seated from right to left

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

Dato' Fauziah Yaacob
Non-Independent Non-Executive Director

Standing from right to left

Hamizah Abidin
Joint Secretary

Dato' Danapalan T.P Vingrasalam
Senior Independent Non-Executive Director

Ibrahim Marsidi
Independent Non-Executive Director

Quah Poh Keat
Independent Non-Executive Director

David Benello
Independent Non-Executive Director

Eshah Meor Suleiman
Non-Independent Non-Executive Alternate Director



PROFILE OF DIRECTORS



DATO' SRI DR HALIM SHAFIE

Chairman

Non-Independent Non-Executive Director

Dato' Sri Dr Halim, aged 64, a Malaysian, was appointed Non-Independent Non-Executive Chairman of TM on 31 July 2009. His academic qualifications include Bachelor of Economics (Hons), University of Malaya (1972), Masters in Economic Development, University of Pittsburgh (1980) and Ph.D in Information Transfer, Syracuse University (1988). He also completed professional courses in Systems Analysis and Design at the National Institute of Public Administration (INTAN) (1976), Management Education Programme, Indian Institute of Management, Ahmedabad, India (1977) and Advanced Management Program, Harvard Business School (2000).

He has served in many Government agencies including Ministry of Education, Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) in the Prime Minister's Department and as Director of INTAN. He was Deputy Secretary General 1, Communications and Multimedia Sector in 1999, Secretary General, Ministry of Energy, Water and Communications in 2000, and Chairman of the Malaysian Communications and Multimedia Commission (MCMC) from April 2006 to May 2009.

Over the last 16 years, he 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, Menara Kuala Lumpur Sdn Bhd and GITN Sdn Bhd, wholly-owned subsidiaries of TM. He also holds office as Adjunct Professor of Universiti Utara Malaysia, Advisory Board Chairman of the National Library, and a board member of Malaysian Electronic Clearing Corporation Sdn Bhd (a subsidiary of Bank Negara Malaysia) and Malaysian Industry-Government Group for High Technology (MIGHT). Dato' Sri Dr Halim complies with Paragraph 15.06 of the Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad on the restriction on number of directorships in listed issuers with one directorship in a listed issuer, ie TM.

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



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

Dato' Sri Zamzamzairani, aged 52, a Malaysian, was appointed Non-Independent Executive Director and Managing Director/Group Chief Executive Officer, TM on 25 April 2008. He holds a Bachelor of Science in Communications Engineering from Plymouth Polytechnic, United Kingdom (UK) and has completed the Corporate Finance, Strategies for Creating Shareholder Value programme at Kellogg School of Management, Northwestern University, USA.

His vast experience in the telecommunications industry spans more than 28 years. Dato' Sri Zamzamzairani's career started in TM where he served for 13 years, before assuming key positions in several multinationals, such as Global One and then at Lucent Technologies (Malaysia) as its Chief Executive Officer. In 2005, he returned to TM as Senior Vice President, Group Strategy and Technology and thereafter as Chief Executive Officer, Malaysia Business, before being appointed to his current office.

Dato' Sri Zamzamzairani is also a Director of a number of TM subsidiaries including Chairman of VADS Berhad and TM Net Sdn Bhd and Deputy Chairman of GITN Sdn Bhd. Under his leadership, TM has successfully rolled out and launched the high speed broadband service in a historical collaboration with the Government of Malaysia.

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

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



DATUK BAZLAN OSMAN

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

Datuk Bazlan, aged 49, a Malaysian, was appointed Non-Independent Executive Director of TM on 25 April 2008. He is also the Group Chief Financial Officer (CFO) of TM, the position he assumed since 1 May 2005. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), UK and a Chartered Accountant of the Malaysian Institute of Accountants (MIA).

He began his career as an auditor with Messrs Hanafiah Raslan Mohamad, a public accounting firm, in 1986 and subsequently served the Sime Darby Group, holding various finance positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a stint with American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed Senior Vice President, Finance/Company Secretary. He joined Celcom Axiata Berhad in 2001 as the Senior Vice President, Corporate Finance and Treasury and was subsequently appointed the CFO in 2002 prior to his appointment as TM Group CFO in 2005. He also oversees the operations of Global & Wholesale businesses and Support Business. Datuk Bazlan sits on the Boards of several subsidiaries within TM Group including VADS Berhad and Universiti Telekom Sdn Bhd. He is also Chairman of Fiberail Sdn Bhd and TM Info-Media Sdn Bhd. Datuk Bazlan complies with Paragraph 15.06 of the Main LR with one directorship in a listed issuer, ie TM.

He is a member of TM's BTC, Board Risk Committee (BRC), Board Investment Committee (BIC) and BDRC. He is an Executive Director nominated by the MoF Inc., the Special Shareholder of TM. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



DATO' FAUZIAH YAACOB

Non-Independent Non-Executive Director

Dato' Fauziah, aged 57, a Malaysian, was appointed Non-Independent Non-Executive Director on 4 March 2013. She graduated with a Bachelor of Arts (Hons) in 1978 and Diploma in Education in 1980, both from the University of Malaya. She obtained a Diploma in Public Administration from INTAN in 1981 and later a Diploma in Administrative Studies and a Masters in Public Administration, both from the University of Liverpool, UK in 1988 and 1989 respectively.

Dato' Fauziah began her career in the civil service in 1981 as an Assistant Secretary in the Ministry of Education and was appointed Principal Assistant Secretary in the same ministry from 1986 until 1987. She later pursued her studies in the UK and upon her return in 1989, served as Assistant Secretary in the Ministry of Finance (MOF) until 1992. She was then posted to the Ministry of Transport as Assistant Director for two years and later assigned to Kuala Lumpur International Airport Berhad as Senior Manager from 1993 until 1999. Dato' Fauziah returned to MOF in 1999 and was appointed Principal Assistant Director in the Budget Division until 2006 and since then has served in various departments in the MOF before being appointed to her current position as Deputy Secretary General (Systems & Controls) on 16 November 2012.

Dato' Fauziah is a director of several companies and agencies related to the Government, namely Intellectual Property Corporation of Malaysia (MyIPO), Penang Port Sdn Bhd and MSCMS Corporate Services Sdn Bhd (MyPOWER). She complies with Paragraph 15.06 of the Main LR with one directorship in a listed issuer, ie TM.

Dato' Fauziah is currently a member of the BTC and BIC of TM. 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.

**TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN**

Non-Independent Non-Executive Director

Tunku Dato' Mahmood Fawzy, aged 54, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Arts (Hons) in Business Studies from the Polytechnic of Central London (now Westminster University), a Masters in Business Administration from Warwick University, UK, and a Diploma in Marketing from the Chartered Institute of Marketing. He is a member of the Institute of Public Accountants Australia, the Malaysian Institute of Management (MIM) and the Malaysian Institute of Corporate Governance. He is also an Associate Fellow of Universiti Kebangsaan Malaysia – Graduate School of Business.

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

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

Tunku Dato' Mahmood Fawzy is currently the Non-Executive Chairman of TM's Board Nomination and Remuneration Committee (NRC) and BRC as well as a member of the Board Audit Committee (BAC), BTC and BIC. He is a Non-Executive Director nominated by the Company's major shareholder, Khazanah, and has never been charged for any offence within the past 10 years. He has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

**DATO' DANAPALAN T.P VINGGRASALAM**

Senior Independent Non-Executive Director

Dato' Danapalan, aged 69, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008 and was made Senior Independent Director on 21 May 2009. He holds a Bachelor of Arts (Hons) from the University of Malaya and a Masters in Public Administration from Penn State University, USA.

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

He is currently a Director of Sirim QAS International Sdn Bhd (a subsidiary of Sirim Berhad), Bank Simpanan Nasional, and a member on the Board of Trustees of M.U.S.T Ehsan Foundation and Maybank Foundation. Dato' Danapalan is also Chairman of Telekom Research & Development Sdn Bhd and a Board member of Universiti Telekom Sdn Bhd, wholly-owned subsidiaries of TM. Dato' Danapalan complies with Paragraph 15.06 of the Main LR with one directorship in a listed issuer, ie TM.

He currently serves as a member of TM's NRC, BAC, BRC and BDRC. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



QUAH POH KEAT
Independent Non-Executive Director

Quah Poh Keat, aged 60, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He is a Fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants (ACCA); and a member of the Malaysian Institute of Accountants (MIA), the Malaysian Institute of Certified Public Accountants (MICPA) and the Chartered Institute of Management Accountants (CIMA).

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

Quah is also an Independent Non-Executive Director of IOI Corporation Berhad, Public Bank Berhad, Public Investment Bank Berhad, Public Mutual Berhad, Public Islamic Bank Berhad, LPI Capital Berhad and Lonpac Insurance 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. He complies with Paragraph 15.06 of the Main LR as he holds four directorships in listed issuers including TM.

Quah currently serves as an Independent Non-Executive Chairman of TM's BAC and is a member of the BIC. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



DATUK ZALEKHA HASSAN
Independent Non-Executive Director

Datuk Zalekha, aged 59, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 9 January 2008 and subsequently re-designated as TM's Independent Non-Executive Director on 1 June 2011, following her retirement from MOF. She graduated with a Bachelor of Arts (Hons) from the University of Malaya.

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

Datuk Zalekha complies with Paragraph 15.06 of the Main LR as she holds one directorship in a listed issuer, ie TM.

She is currently the Independent Non-Executive Chairperson of TM's BTC. She has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



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

Dato' Ir Abdul Rahim, aged 67, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He graduated from the Brighton College of Technology, UK, with a Bachelor of Science (Hons) in Electrical Engineering in 1969. He is a member of the Institute of Engineers, Malaysia and is a Professional Engineer, Malaysia (P.Eng). He also holds the Electrical Engineer Certificate of Competency Grade 1.

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

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

Dato' Ir Abdul Rahim is currently the Independent Non-Executive Chairman of TM's BIC and a member of the NRC and BRC. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



DATUK NUR JAZLAN TAN SRI MOHAMED
Independent Non-Executive Director

Datuk Nur Jazlan, aged 47, a Malaysian, was appointed Independent Non-Executive Director of TM on 1 June 2004. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), UK. 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, Datuk Nur Jazlan is also active in politics. He is a Member of Parliament for the Pulai Parliamentary Constituency, Johor, the Head of UMNO Pulai and Chairman of Barisan Nasional for the division. He was an Exco Member of UMNO Youth from 1996 until 2004. He is currently Chairman of UDA Holdings Berhad and also a Director of United Malayan Land Berhad, Prinsiptek Corporation Berhad, Jaycorp Berhad, TSH Resources Berhad, Ekowood International Berhad and Patimas Computers Berhad.

Currently, Datuk Nur Jazlan holds six directorships in listed issuers including TM and will comply with Paragraph 15.06 of the Main LR by 1 June 2013.

Datuk Nur Jazlan was Non-Executive Chairman of the BAC of TM from 2004 until 2008. Currently, he serves as a member of TM's BTC. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.



IBRAHIM MARSIDI
Independent Non-Executive Director

Ibrahim Marsidi, aged 60, 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 Petronas in 1979, where he held a number of senior managerial positions. Prior to his appointment as Managing Director and Chief Executive Officer of Petronas Dagangan Berhad, he was the Senior Manager of Eastern and Northern Region, General Manager of the Liquefied Petroleum Gas (LPG) Business and Retail Business in Petronas Dagangan Berhad and General Manager of Crude Oil Group, Petronas. Ibrahim also sits on the Board of Menara Kuala Lumpur Sdn Bhd, a wholly-owned subsidiary of TM.

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

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



DAVIDE GIACOMO BENELLO @ DAVID BENELLO
Independent Non-Executive Director

David Benello, aged 59, an Italian, was appointed Independent Non-Executive Director of TM on 21 November 2011. He graduated with a Bachelor in Mathematics and obtained a Masters in Mathematics from the University of Oxford in 1976 and Masters in Business Administration from Harvard University in 1982.

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

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

David has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

**ESHAH MEOR SULEIMAN**

Non-Independent Non-Executive Alternate Director

Eshah, aged 58, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Dato' Fauziah Yaacob on 4 March 2013. She has been the alternate director to several non-executive Directors nominated by the MoF Inc. such as Dato' Mat Noor Nawawi, Datuk Zalekha Hassan and Datuk Dr Rahamat Bivi Yusoff. She graduated with a Bachelor of Economics (Hons) from the University of Malaya in 1980 and obtained a Diploma in Public Administration from INTAN in 1981. She later obtained a Masters in Business Administration (MBA) in Finance from the Oklahoma City University, USA, in 1994.

Eshah began her career in the 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, MOF. Since then, she has held various positions there, including as Principal Deputy Assistant Secretary and Deputy Under Secretary, before assuming her current position as Under Secretary, Investment, MoF Inc. and Privatisation Division in September 2006.

Eshah is a Director of Pos Malaysia Berhad, Malaysia Airports Holdings Berhad, Global Maritime Ventures Berhad (a subsidiary of Bank Pembangunan Malaysia Berhad) and a number of private companies. She is also an Alternate Director of Malaysian Airline System Berhad. Eshah complies with Paragraph 15.06 of the Main LR as she holds four directorships in listed issuers including TM.

Eshah is also the alternate member to Dato' Fauziah Yaacob on TM's BTC and BIC. She has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

**NIK RIZAL KAMIL TAN SRI NIK IBRAHIM KAMIL**

Non-Independent Non-Executive Alternate Director

Nik Rizal Kamil, aged 40, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on 29 November 2012. He holds a Masters in Science [Finance] from London Business School and a Bachelor of Science (Hons) in Economics & Accounting from the University of Bristol, UK. He is also an Associate Chartered Accountant with the Institute of Chartered Accountants in England and Wales (ICAEW).

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

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

GROUP LEADERSHIP TEAM

Standing from Left to Right

Mohd Khalis Abdul Rahim*, Moharmustaqeem Mohammed**,
Mohammad Salleh Yusof, Michael Parker, Mohd Rais Azhar,
Datuk Gazali Harun*, Imri Mokhtar*, Zam Ariffin Ismail*,
Nizam Arshad, Izlyn Ramli*, Dato' Rozalila Abdul Rahman*

Seated from Right to Left

Dato' Sri Zamzamzairani Mohd Isa*, Ahmad Ismail*,
Salmah Mohd Taufek, Idrus Ismail*, Rafeai Samsi*



* Management Team

The profiles of the Management Team are set out on pages 84 to 89 inclusive, of this Annual Report.

** Permanent Invitee



Standing from Left to Right

Asmawati Yusof, Jeremy Kung*, Mohamad Mohd Zain,
Dr Zainal Abu Zarim, Mohamad Rozaimy Abd Rahman*,
Azizi A Hadi*, Giorgio Migliarina*, Hazimi Kassim**,
Dr Farid Mohamed Sani*, Badrul Hisham Ahmad

Seated from Left to Right

Datuk Bazlan Osman*, Dato' Kairul Annuar Mohamed Zamzam*,
Komathi Balakrishnan, Ahmad Azhar Yahya*, Ghazali Omar*



PROFILE OF MANAGEMENT TEAM

DATO' SRI ZAMZAMZAIRANI MOHD ISA

Managing Director/Group Chief Executive Officer

Dato' Sri Zamzamzairani, 52, holds a Bachelor of Science in Communications Engineering from the United Kingdom (UK) and has completed the Corporate Finance, Strategies for Creating Shareholder Value programme at Kellogg School of Management, Northwestern University, USA. He was appointed TM's Managing Director/Group Chief Executive Officer on 25 April 2008. His vast experience in the telecommunications industry spans more than 28 years. His career started in TM where he served for 13 years before assuming key positions in several multinationals, such as Global One and later Lucent Technologies (Malaysia) as its Chief Executive Officer. In 2005, he returned to TM as Senior Vice President (SVP), Group Strategy and Technology and thereafter as Chief Executive Officer (CEO), Malaysia Business, before being appointed to his current office. Dato' Sri Zamzamzairani is also a Director of a number of TM subsidiaries including Chairman of VADS Berhad and TM Net Sdn Bhd, and Deputy Chairman of GITN Sdn Bhd. Under his leadership, TM has successfully rolled out and launched the high speed broadband service in a historical collaboration with the Government of Malaysia.

DATUK BAZLAN OSMAN

Executive Director/Group Chief Financial Officer

Datuk Bazlan, 49, is a Fellow of the Association of Chartered Certified Accountants (ACCA), UK and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He began his career as an auditor with Messrs Hanafiah Raslan Mohamad, a public accounting firm, in 1986 and subsequently served the Sime Darby Group, holding various finance positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a stint with American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed SVP, Finance/Company Secretary. He joined Celcom Axiata Berhad in 2001 as the SVP, Corporate Finance and Treasury and was subsequently appointed the Chief Financial Officer (CFO) in 2002 prior to his appointment as TM Group CFO in 2005. He was appointed Executive Director of TM on 25 April 2008. Datuk Bazlan also oversees the operations of Global & Wholesale and Support Business. He sits on the Boards of several subsidiaries within TM Group including VADS Berhad and Universiti Telekom Sdn Bhd and also Chairman of Fiberail Sdn Bhd and TM Info-Media Sdn Bhd.

DR FARID MOHAMED SANI

Chief Strategy Officer

Dr Farid, aged 37, holds a PhD in Chemical Engineering, a Masters in Engineering and a Bachelor of Arts with first class honours specialising in Chemical Engineering, all from the University of Cambridge, UK. He was appointed TM's Chief Strategy Officer effective 1 January 2012. Prior to joining TM, he was with Khazanah Nasional Berhad (Khazanah) holding the position of Director, Investments, specialising in the telecommunications sector. He has served in Khazanah's Transformation Management Office and as SVP, Managing Director's Office. Dr Farid was a consultant at McKinsey & Company for two years before joining Khazanah in 2004.



GIORGIO MIGLIARINA

Chief Technology and Innovation Officer/Chairman Managed Accounts

Giorgio, 44, holds a Masters (Sc) in Electronic Engineering from the Polytechnic University of Turin, Italy and an MBA from INSEAD, France. He was previously a Partner at McKinsey & Company based in London and Beijing. There he served some of the world's leading operators and high tech companies. Prior to joining McKinsey, Giorgio helped launch Infostrada SpA, Italy's second fixed line operator, where he held positions at network planning and corporate development. Before Infostrada, he worked with Olivetti SpA. Giorgio was appointed TM's Chief Technology and Innovation Officer (CTIO) on 1 May 2009, responsible for Network, IT, R&D and overall technical operations. In addition to the CTIO role, Giorgio was recently entrusted to oversee the transformation of the Managed Accounts cluster in TM, which comprises TM's Enterprise, Government and ICT/BPO businesses. He was named CTO of the Year 2012 in Asia by Asia Communication Award.

DATO' ROZALILA ABDUL RAHMAN

Chief Marketing Officer

Dato' Rozalila, 51, holds a Bachelor in Food Science and Technology and a Diploma in Science with Education from Universiti Putra Malaysia. She also holds a Certificate of Merit from Sophia University, Tokyo, Japan on Japan Airlines Scholarship Programme. She has 23 years marketing and sales experience in multinational companies, beginning in 1989 as a management trainee with Unilever Malaysia. After 10 years, she moved to Kellogg Asia Marketing as Marketing Manager, Innovations for South East Asia. In 2001, she joined Reckitt Benckiser as Marketing Manager (Malaysia/Singapore) before moving to Bank Simpanan Nasional as Director of Sales and Marketing. In 2006, Dato' Rozalila joined Maxis Communications Berhad as General Manager (GM), Media, Research and Events in the Consumer Business Division and in 2002 headed the Segment Marketing team for the Malay market, East Malaysia and Migrant segment. She joined TM as Chief Marketing Officer on 17 February 2010 and is responsible for Group Marketing, Retail Product and Customer Service Management.

MOHD KHALIS ABDUL RAHIM

Chief Human Capital Officer

Khalis, 49, holds a Masters in Human Resource Management from the University of Canberra, Australia and a Bachelor of Science with Honours in Applied Psychology from Coventry University, UK. He is also a Certified Advance Human Resource Professional (CAHRP) from the Malaysian Institute of Human Resource Management. He has extensive exposure in human capital management, having served in several multinational companies over 20 years in the field of human resource management across different industries. Khalis has been involved in various disciplines of the profession from organisational development and change management to performance management, industrial relations, HR reengineering as well as talent development. He was the Human Resources Director of Colgate Palmolive Malaysia from June 2000 until October 2006 before moving to Freescale Semiconductor as Human Resources Director responsible for Malaysia, Singapore and Asia Supply Chain. He joined TM as its Chief Human Capital Officer on 17 August 2009. Khalis was awarded Chief Human Resource Officer of the Year and HR Leadership Award at the 21st Global HR Excellence Awards held in India in February 2013.

IDRUS ISMAIL

Chief Legal, Compliance and Company Secretary

Idrus, 59, holds a Bachelor in Economics from the University of Malaya and a Bachelor of Law from the National University of Singapore. He has a Certificate in Translation from the National Translation Institute of Malaysia, an Executive Masters in Islamic Banking and Finance from Asia e University and is currently pursuing an online Chartered Islamic Finance Programme at the International Centre for Islamic Finance (INCEIF). He was called to the Malaysian Bar in 1988. Idrus started his career as a management trainee with Petroliaam Nasional Berhad (Petronas) and brings with him over 30 years of experience mostly in conventional and Islamic financial institutions, where he served as company secretary as well as in-house counsel. Before joining TM, he was Company Secretary of the CIMB Group, served the PROKHAS secretarial department (providing secretarial services to Minister of Finance, Inc. companies) and was Senior Counsel of Islamic Banking and Finance in a major corporate law practice. He joined TM as Chief Legal and Compliance on 1 December 2009 and assumed the position of Company Secretary on 18 January 2010. He is also responsible for implementing programs to inculcate overall ethics and integrity practices in TM as contained in TM's Code of Business Ethics.



DATUK GAZALI HARUN

Chief Procurement Officer

Datuk Gazali, 54, holds a Bachelor of Science in Finance from the Northern Illinois University, USA and in 1984 obtained his MBA from the Governors State University, USA. He is also a Chartered Accountant of the MIA. He gained vast experience in corporate banking and corporate finance while serving at a local merchant bank prior to joining TM in 1990. In TM, Datuk Gazali has been involved in treasury management, fund raising activities, mergers and acquisitions, investor relations and overseeing the Enterprise Risk Management Programme for the Group. He was the Vice President, Finance of TM Wholesale before assuming his current position as Chief Procurement Officer on 1 June 2005.



HAZIMI KASSIM

Chief Internal Auditor

Hazimi, 48, holds a Bachelor of Arts in Accounting from the University of Canberra, Australia. He also attended the Wharton Advanced Management Program at the University of Pennsylvania, USA in 2006. He is a Certified Practising Accountant (CPA) of the Australian Society of Certified Practising Accountants (ASCPA), a Chartered Member of the MIA and the Institute of Internal Auditors Malaysia (IIAM). He has vast experience in external and internal audit, financial and management accounting, corporate finance as well as strategic planning, business development and investor relations. His wide-ranging career to date has spanned across audit and consulting services to securities, insurance and banking and, now, telecommunications. He was the Chief Audit Executive in the Internal Audit Division of Malayan Banking Berhad and later Head of Corporate and Strategic Planning before joining TM as the Chief Internal Auditor on 1 November 2011.



AHMAD ISMAIL

Chief Corporate and Regulatory Officer

Ahmad, 53, holds a Bachelor of Science (Hons) in Electrical & Electronic Engineering from the University of Aston in Birmingham, UK and an MBA from the Multimedia University, Cyberjaya. He joined TM in 1983 as an Assistant Controller of Telecom and held various engineering positions before engaging in more managerial responsibilities. In his 30 years in the Group, he has been Managing Director of TM International Bangladesh Limited (now known as Robi Axiata Limited), GM, Business Strategy, TM Retail and Chief Strategy Officer of Telco Strategy Division. Prior to that, Ahmad was the CEO of Telekom Sales and Services Sdn Bhd as well as State GM for Penang and Melaka. He then assumed the position of Vice President (VP), Customer Service Management in 2008 and was later appointed VP, Programme and Performance Management Office in July 2010. Ahmad was appointed Chief Corporate and Regulatory Officer on 1 October 2010.

RAFAAI SAMSI**Deputy, Chief Technology & Innovation Officer**

Rafaai, 55, obtained a Masters in Communications Management from the University of Strathclyde, UK in 2005 and a Bachelor of Science (Hons) in Electronic Engineering from Brighton University, UK in 1986. His career in telecommunications started with the then Jabatan Telekom Malaysia in 1978, following which he assumed roles of increasing responsibility covering broad technical and telecommunication fields within the TM Group. He was appointed CEO of Meganet Communications Sdn Bhd, a subsidiary of TM, in July 1997 before returning to TM mainstream in July 2001, where he was assigned as GM of a number of divisions including State Business Operations, Market Development and Domestic Carrier Business Division. He was appointed VP, Marketing and Sales for the Wholesale segment in October 2006 and subsequently promoted to lead the Wholesale Line of Business on 1 July 2008. On 1 January 2013, Rafaai was assigned as Deputy Chief Technology & Innovation Officer (Deputy CTIO) to run the day-to-day operations and turn-around initiatives of the IT and Network Technology Division.

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

Imri, 39, graduated in 1996 with First Class Honours in Electronics Engineering and Management Studies (BEng) from the University College of London, where he was on a TM scholarship. He started his career in TM's Asean joint-venture company, Acasia Communications Sdn Bhd, before joining the Kuala Lumpur office of McKinsey & Company. He later joined Astro, a pay-TV operator, to establish and head its interactive TV business before re-joining TM in August 2005 as GM of Strategy Development. He was made GM, Programme Management Office in 2006 and later VP, Programme and Performance Management Office in June 2008. Imri was promoted to his current position as Executive Vice President (EVP), Consumer on 15 July 2010 and is responsible for managing the Consumer business of TM Group. He was also appointed CEO of Telekom Sales & Services Sdn Bhd effective 1 January 2012.

AZIZI A HADI**Executive Vice President, SME**

Azizi, 48, holds an MBA from Universiti Putra Malaysia and a Bachelor of Science in Electrical Engineering from Wichita State University, USA. He has more than 20 years of experience in the telecommunications industry, which has included engineering, operations, sales and product development and management. Azizi started his career with the Malaysian Army as an Engineering Officer in the Royal Signals Regiment from 1987 to 1996, where his main responsibilities were in planning tactical radio networks, evaluating new equipment and training. He was also the Country Business Development Manager of Global One, an international telecommunications service provider where he was entrusted with the country's MNC sales in 1999. Prior to joining TM in 2006 as GM, Technology and Innovation, he was with Maxis Communications Berhad as the Head of Broadband Business Unit and in Network Engineering and Operations. Azizi was the VP, Retail Product of TM before assuming his current position as EVP, SME in June 2011.

▶ GHAZALI OMAR

Executive Vice President, Enterprise

Ghazali, 55, holds a Bachelor (Hons) in Electrical and Electronic Engineering from the University of Leeds, UK and an MBA from the Multimedia University, Cyberjaya. He has more than 32 years of experience in the telecommunications industry, beginning his career with the then Jabatan Telekom Malaysia in 1980 as Planning and Development Engineer specialising in Data Communications. He was later appointed GM, Marketing and Sales, TM Net Sdn Bhd in 2002 and VP of Enterprise and Government Sales, TM Retail in 2007. Ghazali was the CEO/Executive Director of VADS Berhad, a wholly-owned subsidiary of TM, before assuming his current position as EVP, Enterprise on 1 February 2009.

▶ DATO' KAIRUL ANNUAR MOHAMED ZAMZAM

Executive Vice President, Government

Dato' Kairul Annuar, 49, holds a Bachelor in Engineering Science from the University of Western Ontario, Canada and an MBA from the Multimedia University, Cyberjaya and attended the Advanced Management Training programme at INSEAD in 2003. He has over 20 years of experience in the telecommunications industry, beginning with the then Jabatan Telekom Malaysia in 1985 as a Human Resources Planning Executive. He has since held various positions in local access, switching and transmission networks. He was appointed GM of the Terengganu Operations Area in 1998 and in 2002, was appointed the Personal Assistant to the Group Chief Executive. In 2004, he was appointed GM of Corporate Affairs and later VP, Consumer & Business Sales Division in TM Retail. Prior to assuming his current position as EVP, Government in 2009, he was the CEO of Telekom Sales & Services Sdn Bhd.

▶ MOHAMAD ROZAIMY ABD RAHMAN

Executive Vice President, Global & Wholesale

Rozaimy, 41, obtained a Bachelor in Distributed Computing from the University of East London, and a Masters of Science in Technology Management from Staffordshire University, UK. He attended technical and telecommunications training programme at the AT&T School of Business and Technology and AT&T Bell Labs in New Jersey, USA. He also attended the Advanced Leadership Management Programme at the Madinah Institute of Leadership and Entrepreneurship, Saudi Arabia. He has more than 17 years' experience in the telecommunications industry. He was the AT&T Sales Director, AT&T Global Wholesale, before joining TM in 2006 as GM of Product Marketing. He was then appointed EVP of TM Global on 1 July 2009, responsible for TM Regional offices in the United Kingdom, USA, Hong Kong and Singapore. Following the re-clustering of the Company's market segments, Rozaimy was assigned to lead the Global & Wholesale cluster, overseeing the operations of global and wholesale businesses effective 1 January 2013.

▶ JEREMY KUNG ENG CHUANG

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

Jeremy, 49, holds an Honours Degree in Computer Science from the University of Ottawa, Canada. He has more than 20 years' experience in technical and managerial roles in IT systems development for media, telecommunications and Business-to-Consumer (B2C) business. He spent three years at J. Walter Thompson and seven years at Star-TV, before serving more than 10 years at PCCW Limited (PCCW), Hong Kong and its group of companies. His last positions there were as SVP of Customer Advocacy and Chief Information Officer of PCCW Global, a business unit of PCCW that provides global telecom services. Jeremy joined TM Group as CEO of TM Net Sdn Bhd on 20 May 2008 and was appointed EVP, Consumer on 1 February 2009. He was appointed EVP, New Media effective 15 July 2010 and remains as CEO of TM Net Sdn Bhd.

AHMAD AZHAR YAHYA

CEO, VADS Berhad

Ahmad Azhar, 48, holds a Bachelor of Science in Electrical Engineering from Oklahoma State University, USA. He began his career in 1987 as an engineer in Agilent Technologies (formerly known as Hewlett Packard). He then joined management consultants, Accenture in 1990 servicing a portfolio of clients in Malaysia, Asia and the Middle East in various industries from communications to high technology, oil and gas and the public sector. His experience includes strategic planning and change management, business and operations support systems, enterprise resource management, revenue and customer relationship management. He became a Partner at Accenture in 2000 before joining TM as Group Chief Information Officer on 2 August 2004. In 2008, Ahmad was appointed TM's Programme Director of the High-Speed Broadband (HSBB) Programme and contributed to the successful launch of UniFi in March 2010. He was the Chief Strategy Officer of TM prior to his appointment as CEO of VADS Berhad on 1 January 2012.

ZAM ARIFFIN ISMAIL

Vice President, Support Business

Zam Ariffin, 49, holds a Masters in Professional Accounting from St. Louis University, and a Bachelor of Science in Accounting from Emporia State University, both in the USA. He is also a Chartered Accountant of the MIA. He started his career in 1987 as a Bond Officer at Cagamas Berhad. In 1989, he joined TM in the Corporate Finance Division and was the Assistant General Manager of Financing and Special Projects, before joining Telekom Cellular Sdn Bhd as GM, Finance in 1996. From 2000 to 2006, he served in Maxis Communications Berhad as Head and Senior Manager in the Business and Financial Planning Department, Networks Engineering and Operation Division and later in the Contract Management Department, Finance and Administration Division, before returning to TM as GM, TM Ventures. Prior to his current position as VP, Support Business, he was the GM, Subsidiary Management of Group Business Development and Transformation. In addition to his current position, Zam was appointed as Chief Operating Officer of Multimedia University, assisting in its transformation effective February 2013.

IZLYN RAMLI

Vice President, Group Corporate Communications

Izlyn, 42, holds a Masters in Business Administration (Distinction) from City University (Cass) Business School, London, specialising in Strategic Management of Technology and E-Business and a Bachelor of Science (Hons) in Economics from University College London. She started her career in 1992 at PricewaterhouseCoopers before moving to BzW Capital as an investment analyst. Izlyn joined TM in 1998 and served 10 years in Group Strategy and Planning. From 2006 until 2008, she was also appointed Special Assistant to the TM Group Chairman, as key policy liaison officer for national and international fora and organisations, including APEC, APEC Business Advisory Council and United Nations Global Alliance, focused on ICT Development and ICT for Development. Following the TM demerger in 2008, Izlyn moved to Axiata Group Bhd and was promoted to head the Corporate Communications Division. She was a key member of the Axiata rebranding team, and was also key in crafting Axiata's Corporate Responsibility Strategy. Izlyn returned to TM as VP, Group Corporate Communications on 1 October 2010.

STATEMENT ON CORPORATE GOVERNANCE

Tan Sri Zarinah Anwar

Former Chairman, Securities Commission
Malaysia, at the launch of the Malaysian
Code on Corporate Governance 2012

“Boards and shareholders must embrace the fact that good business is not just about achieving the desired financial bottom line by being competitive. It is equally about creating shareholder value, which can only be sustained by well-informed strategic direction and engaged oversight, which stretch beyond short-term financial performance. Good corporate governance cannot be achieved merely on the strength of regulations. Directors have a duty not just in setting strategic direction and overseeing the conduct of business in compliance with laws, they should also be effective stewards and guardians of the company in respect of ethical values, and ensuring an effective governance structure for the appropriate management of risks and level of internal controls.”



The Board of Directors of Telekom Malaysia Berhad (TM) recognises the importance of corporate governance which adds to the intrinsic value of an organisation. An effective corporate governance structure lies at the core of the Company's pursuit to realise its vision of becoming Malaysia's leading new generation communications provider. This structure focuses on creating and enhancing shareholder value by striking a balance between short-term financial performance and long-term sustainability through sound governance that upholds corporate ethics, risk management and effective internal controls.

Throughout the years, the Board has made a concerted effort to ensure that TM's corporate governance framework, internal processes, guidelines and systems remain robust and relevant by abiding with applicable regulatory requirements and implementing appropriate risk management and internal controls.

TESTIMONY TO CORPORATE GOVERNANCE

TM's corporate governance model has been built and enhanced based on the following requirements and guidelines:

- Malaysian Code on Corporate Governance 2012 (MCCG 2012)
- Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities)
- Corporate Governance Guide: Towards Boardroom Excellence (CG Guide) by Bursa Securities
- Corporate Disclosure Guide by Bursa Securities
- Green Book on Enhancing Board Effectiveness by the Putrajaya Committee on GLC High Performance (PCG)
- International best practices and standards on corporate governance

TM also benchmarks itself against the Minority Shareholder Watchdog Group's Corporate Governance Scorecard. As testimony to TM's continuous efforts in ensuring transparency, accountability and equality in its governance and stakeholder management as well as disclosure, TM was accorded the Silver Award for Overall Excellence in a Corporate Report at the National Annual Corporate Report Awards (NACRA) 2012. TM also retained the Industry Excellence Award for Main Board Companies in the Trading and Services category.

Details of other local and international awards received by TM Group in 2012 are provided on pages 54 to 55 inclusive, of this annual report.

The Board is pleased to provide in the following pages a statement on how the Company has applied the eight principles and 26 recommendations set out in MCCG 2012 and the extent of its compliance with these principles and recommendations throughout the financial year ended 31 December 2012.

BOARD OF DIRECTORS

TM continues to be led and controlled by an active, engaged and experienced Board consisting of local and foreign Directors with a wide range of business, financial, technical, regulatory, private and public service backgrounds and experience in the telecommunications industry, locally and abroad.

Board Charter

The Board has adopted a Board Charter (Charter) for the Company which embodies the pre-existing Board governance, previously in the form of separate terms of references (ToR) for the Board and its Committees. It has also captured and formalised governance practices, Board policies and guidelines subsisting throughout the Company onto one formal document that would assist in providing clear guidance to all stakeholders.

Like its predecessor, the Charter continues to provide references for Directors in relation to the Board's role, powers, duties and functions. Apart from reflecting current best practices and applicable rules and regulations, the Charter also outlines processes and procedures for the Board and its committees in discharging its stewardship effectively and efficiently.

The Board has also opted to retain recommendations and guidelines on corporate governance established from the earlier codes on corporate governance that complement the more recent rules and requirements, to serve as a guide on good corporate governance.

The Charter will be reviewed annually as part of the existing Board Performance Improvement Programme (BPIP) to ensure consistency with the Board's objectives and responsibilities, and adherence to the relevant rules and regulations as well as international standards of corporate governance.



The Charter is accessible to the public on the Company's official website at www.tm.com.my and any update thereof will be uploaded to the website accordingly.

Roles and Responsibilities of the Board

The Charter delineates the functions of the Board and the Management while maintaining a symbiotic relationship between the two groups, enabling the effective execution of their respective duties and responsibilities.

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

In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of all stakeholders.

The Board continued to observe its duties and responsibilities during the year, guided by the following six core responsibilities in discharging its duties:

- Review and approve a strategic business plan for the Group. Every fourth quarter of the financial year, the Board thoroughly reviews and deliberates on the Group's strategic and business plans for the coming year. The Board provides guidance and input in developing the Group's strategies and ensures that the Management has given sufficient thought to all relevant aspects that support the Group's current and future business direction in formulating the strategies. Progress of the plans, and the challenges faced, are reported to the Board at every Board meeting throughout the year, and half-year reviews are also conducted to monitor Management's implementation of the approved strategic plans.
- Oversee and evaluate the Company's business conduct. The Board is apprised of the Company's performance and balanced scorecards at each of its meetings. Effective 2012, the lines of business (LOBs) and selected divisions present their performance, business priorities and key focus areas for the year with the aim of having focused and closer engagement with the Board. Their performance is measured and tracked against approved Key Performance Indicators (KPIs).

- Identify and manage principal risks. In ensuring appropriate management of risks, the Board, via the Board Risk Committee (BRC), constantly monitors the review and management of principal risks in ensuring sustainability of the Company's business.
- Monitor succession planning. The Nomination and Remuneration Committee (NRC) ensures an effective succession planning is in place for both the Board and Senior Management of TM Group and reports the progress thereof to the Board.
- Develop and implement an investor relations (IR) programme. The Board recognises that a sound IR programme is vital in managing investors' interest and perception of the Company. Continuous engagement is maintained with the investing community through a planned IR activities schedule managed by the IR Unit. The Charter also outlines the Company's policy on communication with stakeholders based on pre-existing Internal Communication Policy guidelines.
- Review the adequacy and integrity of the Company's internal control systems. The Internal Audit function of the Company is tasked with monitoring the internal control systems throughout the Company and reporting its findings directly to the Board Audit Committee (BAC). BAC will review the adequacy and integrity of the internal control systems and ensure the implementation of appropriate internal control systems, supported by the external auditor's report.

Apart from these core responsibilities, the Board also takes full independent responsibility and accountability for the smooth functioning of core processes involving Board governance, business value and ethical oversight. To facilitate the effective discharge of these responsibilities, dedicated Board Committees have been established with clear ToR, comprising Directors who have committed their time and effort as members.

Separation of Power between the Board and Management

TM has a clear policy for identifying and separating the functions of the Board and Management, and the Chairman and Executive Directors in ensuring the smooth running of the Company's business and operations.

The roles of the Non-Independent Non-Executive (NINE) Chairman, Dato' Sri Dr Halim Shafie, and the Managing Director/Group Chief Executive Officer (MD/Group CEO), Dato' Sri Zamzamzairani Mohd Isa, are kept separate with a clear division of responsibilities, in line with best practices and to ensure appropriate supervision of the Management. Such separation ensures a balance of power and authority in the Board. Moreover, Dato' Sri Dr Halim Shafie is neither previously a CEO nor a member of the Company's Management.

The Chairman is responsible for the effectiveness of the relationship between the Non-Executive and Executive Directors. With vast experience gained during his employment in the government sector and his three-and-a-half-year tenure as TM Chairman, Dato' Sri Dr Halim Shafie is well equipped to interact with global industry leaders, build relationships with stakeholders and participate actively in various institutions.

The Executive Directors, Group CEO and Group Chief Financial Officer (CFO) have their own respective functions that they are responsible for in assuring the smooth running of the Company. Their primary areas of responsibilities are captured and evaluated through their respective KPIs which are tabled and approved by the Board early in the year.

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 Group CFO is responsible for the financial management of the Group, developing initiatives and strategies to improve the Group's overall performance, implementing business and economic strategies, monitoring treasury aspects, and forecasting and analysing the Group's long-term financial situation. He also serves as the front person for the Group in interactions with the market, and oversees the Global & Wholesale and Support Business.

The Executive Directors have established several management committees to support them in discharging their operational and management duties. Their views and reviews of the Group's objectives, strategies and operations are discussed at monthly forums with the Senior Management.

In accordance with best practices on corporate governance, Dato' Danapalan T.P Vinggrasalam continues to play his role as the Senior Independent Non-Executive Director (SID) of TM. He is the main conduit to the Independent Directors, to whom concerns pertaining to the Group may be conveyed by shareholders and stakeholders. All concerns relating to the Group can be channelled to the SID's email address, sid@tm.com.my.

Board Composition and Balance

There are 12 Directors currently on the Board of TM, which has reached its maximum size as provided under the Company's Articles of Association (AA). The diverse and conclusive Board consists of a NINE Chairman, two Executive Directors designated as the MD/Group CEO and the Executive Director/Group CFO, two NINE Directors (NINEDs) and seven Independent Non-Executive Directors (INEDs), inclusive of one foreign Director. Having a Non-Independent Chairman, the seven Independent Directors form a majority on the Board of Directors. TM also has two Alternate Directors designated as NINE Alternate Directors on its Board.

The current Board composition complies with Paragraph 15.02 of the Main LR, as more than half the members are Independent Directors, and fulfils the criteria of independence as defined under paragraph 1.01 of the Main LR. The high proportion of INEDs further provides for effective checks and balances in the functioning of the Board.

The seven INEDs, by virtue of their roles and responsibilities, represent minority shareholders' interests. They are independent of Management and free from any undue influence from interested parties which could materially interfere with the exercise of their independent judgment. They play a significant role in bringing impartiality and scrutiny to Board deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective manner. This is particularly so as the INEDs chair TM's main Board Committees, namely the BAC, Board Tender Committee and Board Investment Committee.

Fostering Commitment of the Board

In addition to seven scheduled meetings during the year to deliberate and decide on core issues and quarterly financial results based on predetermined agendas, two special meetings were held where immediate or strategic decisions needed to be made. A strategic Group CEO-TM Board dialogue was also held in June 2012 to deliberate on TM's performance against its aspirations and discuss new growth themes beyond 2015. A Board retreat was held in the fourth quarter to develop the Group's strategic business plan and financial targets. Besides the Board meetings, an urgent decision was approved via one Directors' Circular Resolution during the year.

All Directors have complied with the minimum attendance of at least 50% of Board meetings held in the financial period pursuant to the Main LR. Details of attendance of each Director on the Board and respective Board Committees for the financial year ended 31 December 2012 are as follows:

No.	Directors ¹	TM Board Meeting		BAC		NRC ²		BTC		BRC	
		Number of Meetings		Number of Meetings		Number of Meetings		Number of Meetings		Number of Meetings	
		Attended / Held	%	Attended / Held	%	Attended / Held	%	Attended / Held	%	Attended / Held	%
1.	Dato' Sri Dr Halim Shafie (Chairman)	9/9	100.0	-	-	-	-	-	-	-	-
2.	Dato' Sri Zamzamzairani Mohd Isa (MD/ Group CEO)	9/9	100.0	-	-	-	-	8/8	100.0	-	-
3.	Datuk Bazlan Osman (ED/ Group CFO)	9/9	100.0	-	-	-	-	2/2 ³	100.0	3/3	100.0
4.	Dato' Mat Noor Nawawi	5/9	55.6	-	-	-	-	5/8 ⁴	62.5	-	-
5.	Tunku Dato' Mahmood Fawzy Tunku Muhijiddin	8/9	88.9	9/10	90.0	3/3	100.0	8/8	100.0	3/3	100.0
6.	Dato' Danapalan T.P Vinggrasalam	9/9	100.0	10/10	100.0	3/3	100.0	-	-	3/3	100.0
7.	Quah Poh Keat	9/9	100.0	10/10	100.0	-	-	-	-	-	-
8.	Datuk Zalekha Hassan	8/9	88.9	-	-	-	-	8/8	100	-	-
9.	Dato' Ir Abdul Rahim Abu Bakar	8/9	88.9	-	-	3/3	100.0	-	-	3/3	100.0
10.	YB Datuk Nur Jazlan Tan Sri Mohamed	6/9	66.7	-	-	-	-	7/8	87.5	-	-
11.	Ibrahim Marsidi	9/9	100.0	10/10	100.0	3/3	100.0	-	-	3/3	100.0
12.	David Benello	9/9	100.0	-	-	-	-	-	-	-	-

Note:

- All Board and Committee members met the minimum percentage required for meeting attendance.
- Apart from the three NRC meetings, three NRC Circular Resolutions were issued during the year.
- Since his appointment as an additional BTC member effective 25 August 2012, two BTC meetings were held.
- Dato' Mat Noor Nawawi attended five out of eight meetings held during the year, while his alternate, Puan Eshah Meor Suleiman, attended two meetings in his stead. Dato' Mat Noor Nawawi has resigned as Director on 28 February 2013.

In maintaining and monitoring the limitation on directorship as required by the Main LR, the Directors upon appointment, and from time to time during their tenure, will notify the Company Secretary of their directorship in other companies for disclosure to the Board at Board meetings. The Board is of the opinion that the provisions of the Companies Act, 1965 (Act) and Main LR are sufficient to ensure adequate commitment given by the Directors to perform their duties. Each Director, moreover, is able to discern an appropriate amount of time to commit to the Company without it being formally regulated. Currently all TM Directors, including Alternate Directors, save for one INED, comply with the new Main LR restriction of five directorships on listed issuers.

The Board is satisfied with its existing number and composition, which is appropriate given the complexity and dynamics of the Group's business. The current Board of Directors has the prerequisite skill sets and experience to guide the formulation of TM's strategic plans and future aspirations.

The Directors' biographies, which appear on pages 74 to 81 of this annual report, demonstrate a wealth of experience and skill sets for the efficient management of the Group's business.

Board Effectiveness Evaluation

In 2004, TM adopted the Board Effectiveness Evaluation (BEE) which comprises a Board Evaluation, a Committee Evaluation and a Board of Directors' Self/Peer Assessment. The BEE is designed to improve the Board's effectiveness as well as draw the Board's attention to key areas that need to be addressed in order to maintain cohesion of the Board despite its diversity.

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

The BEE involves the completion of questionnaires on the effectiveness of the Board of Directors as a whole, as well as that of the Board Committees. The Committees' structure and processes as well as accountabilities and responsibilities are evaluated in assessing their effectiveness. Questionnaires are also completed by the Directors on Self and Peer Assessments.

In line with the issuance of MCCG 2012, the BEE was enhanced in 2012 to obtain the Directors' feedback on Board Composition and Ways to Foster Commitment to address issues on the tenure of Independent Directors and Directors' time commitment to carry out their responsibilities and training. Notification to the Chairman on time commitment prior to the appointment of Directors was also added.

The BEE 2012 findings were based on Directors' feedback on the questionnaires. Subsequently, interviews were held with the Chairmen of the Board and NRC to obtain more in-depth analysis of the results, while discussing the detailed BEE results with them. A summarised report was presented to the Board in February with an analysis of the previous years' results to enable the Board to identify areas for improvement in line with the BPIP.

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

The Board continued to perform commendably in 2012. A number of issues highlighted in 2011 received appropriate Board focus and attention, leading to their satisfactory resolution.

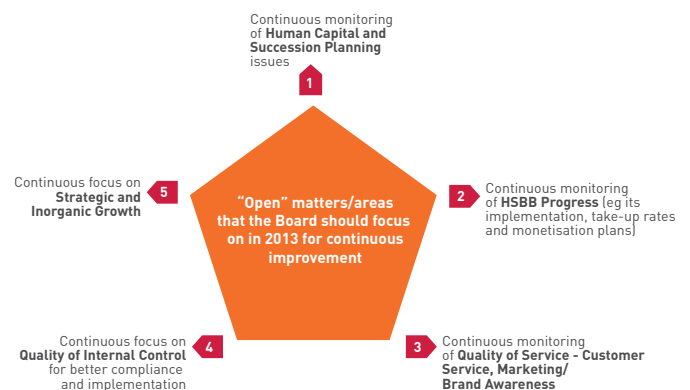


Chart 1 – 2012 Focus Areas for Continuous Improvement

The Board Committee evaluation was fairly consistent with the 2011 ratings. All Board Committees were rated 'Good' to 'Outstanding', indicating that Committee members have performed effectively as a group.

The objective of the Self and Peer Evaluation is to assess each Director's attributes, personality and quality traits. Hence, each Director will be provided with the results of the self-evaluation marked against peer evaluation for comparison and remedial action. Directors' Peer evaluation results continued to be high in 2012, indicating healthy Board dynamics and a collectively strong Board.

The Board will remain focused on the following strategic areas in 2013 to maintain TM's competitive edge:

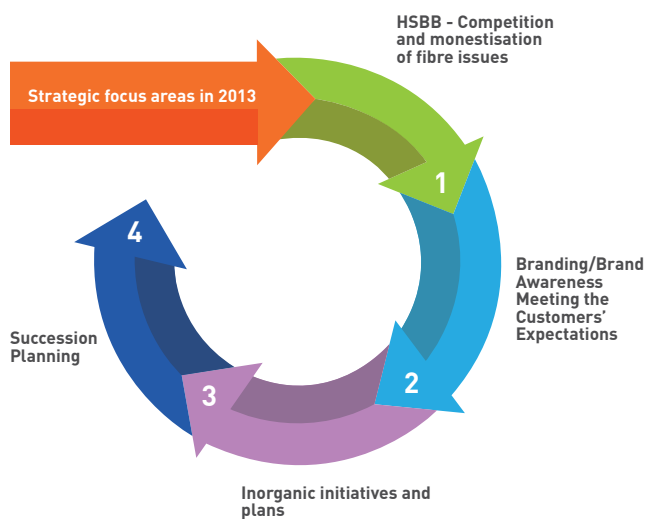


Chart 2 – 2013 Strategic Focus Areas

Directors' Remuneration

The Board ensures that the Group's remuneration policy remains competitive to attract and retain Directors who possess the necessary skills and experience commensurate with their responsibilities for the effective management of TM Group. The policy and framework for the overall remuneration of the Executive and Non-Executive Directors (NEDs) are reviewed against market practices by the NRC, following which recommendations are submitted to the Board for approval.

The remuneration package for Executive Directors is balanced between fixed and performance-linked elements. As Executive Directors, the Group CEO and Group CFO are paid salaries, allowances, bonuses and other perquisite benefits as appropriate to Top Management. A significant portion of the Executive Directors' compensation package has been made variable in nature depending on the Company's performance

during the financial year, which is determined based on the individual KPIs. These, in turn, are aligned with TM Group's Balanced Scorecard and long-term creation of shareholder wealth. The Executive Directors are not paid Director's fees or meeting allowances for Board and Board Committee meetings that they attend and are members of.

The performance of each Executive Director (as well as that of Management members in pivotal positions and the Company Secretary) is also reviewed annually by the NRC, and recommendations submitted to the Board on specific adjustments in their remuneration and/or reward payments, reflecting their contributions for the year. The Group CEO and Management team members are rewarded according to how well they have achieved their KPIs, the leadership roles they play and their 360-Degree ratings. These rewards are competitive, in line with the Group's corporate objectives, culture and strategy. The Executive Directors acknowledge the need to excuse themselves from NRC and Board meetings during deliberations on their performance rewards and remuneration review.

The Board had in March 2012 approved a new Long-Term Incentive Plan for Executive Directors and Top Management under the TM Rewards Transformation initiatives with the main objective of aligning the interest of the Top Management with the shareholders, driving a high-performance culture and as a retention tool towards the creation of shareholder wealth.

As part of continuous efforts to enhance greater transparency to the public, TM announced its Headline KPIs for 2013 to 2015 in February 2013. These have been set and agreed by the Board and Management under the broader KPI framework that TM has in place, as prescribed by the GLC Transformation Programme.

The determination of remuneration packages for NEDs including the NINE Chairman, is a matter for the Board as a whole. The remuneration of NEDs is based on a standard fixed fee. Meeting allowances are paid based on the number of meetings attended during the year. NEDs are not entitled to participate in any employees share scheme or variable performance-linked incentive scheme pursuant to the Blue Book to maintain appropriate checks and balances. They are, however, entitled to other allowances such as annual overseas business development trips, reimbursement on business equipment and telecommunications bills as well as insurance and medical coverage.

The Directors' aggregate remuneration during the financial year, distinguishing between the Executive Directors and NEDs (including Alternate Directors), is as follows:

Item	Executive Directors (RM)	TM	Subsidiaries	Total (RM)
		NEDs (RM)		
Fees	–	1,923,000.00*	267,034.50	2,190,034.50
Allowances	120,000.00 [#]	342,000.00	35,800.00	497,800.00
Salaries and other				
Remuneration	3,561,265.00	–	–	3,561,265.00
Benefits-in-kind	116,329.53	466,356.00	–	582,685.53
Total:	3,797,594.53	2,731,356.00	302,834.50	6,831,785.03

Notes: * Subject to Shareholders' approval

[#] Car allowance in lieu of provision of Company Car

The number of Directors whose remuneration falls under the following bands is as follows:

Range of Remuneration	Executive Directors (RM)	NEDs (RM)	Total Directors
Below RM150,000	–	2	2
RM150,000 to RM250,000	–	1	1
RM250,001 to RM500,000	–	8	8
RM500,001 to RM1,500,000	1	1	2
RM1,500,001 to RM2,500,000	1	–	1
Total:	2	12	14

The Board is of the view that non-disclosure of remuneration of individual Executive Directors and NEDs will not significantly affect the understanding and evaluation of TM Group's governance, hence band disclosures are provided, in line with provisions under the Main LR.

A holistic review of the Directors' fees and allowances was undertaken in 2012 and early 2013 to ascertain the competitiveness of TM's current NEDs remuneration framework, given TM's business complexity, Board's roles, expertise and intensity of work. An external consultant was engaged to provide objective advice to the Board, manage any potential conflict of interests and to preserve integrity of the independent advice. The remuneration of NEDs was benchmarked against selected peer companies, Malaysian listed companies and regional telecommunications companies.

Based on the above study, TM Board is recommending a review of the existing Directors' fees for the financial year ended 31 December 2012 to reflect the increase in responsibilities of the Chairman and NEDs, as well as the SID, for shareholders' approval. The Board opined that it is timely to revise the Directors' fees since it was last reviewed in 2008. The review of Board's compensation and remuneration is also proposed in view of the active engagement of the Board due to the rapid changing business environment and challenges faced by TM Group.



The proposed review which is subject to shareholders' approval are as follows:

Description	Existing Retainer Fee (RM)	Proposed Retainer Fee (RM)
Board	Non-Executive Chairman – RM156,000 per annum NED – RM120,000 per annum	Non-Executive Chairman – RM276,000 per annum NED – RM180,000 per annum
SID	Nil	RM27,000 per annum

Directors' Indemnity

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

BOARD COMMITTEES

The Board has established six Board Committees to assist in discharging its duties. Delegation of responsibilities of the Board to its Committees is made in accordance with Article 118 of the Company's AA. All Board Committees have written ToR, operating procedures and authority delegated and approved by the Board, which are reviewed from time to time to ensure they are relevant and up-to-date. The ToR of the Board Committees is accessible in the Company's official website.

The Board Committees in TM are as follows:

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

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

Board Nomination and Remuneration Committee (NRC)

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

Membership

- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (Chairman/NINED)
- Dato' Danapalan T.P Vinggrasalam (Member/SID)
- Dato' Ir Abdul Rahim Abu Bakar (Member/INED)
- Ibrahim Marsidi (Member/INED)



The NRC comprises exclusively of NEDs, with 75% of its members being independent. The chairmanship of NRC remains unchanged as the Board, based on the BEE findings, is pleased to note that the NRC has performed effectively and satisfactorily under the chairmanship of Tunku Dato' Mahmood Fawzy. The Chairman was selected based on agreed processes taking into consideration the skills and experiences required. Further, in line with the Green Book's recommendation, as a nominee from a Government Linked Investment Company represented on the Committee, he is to ensure alignment in the evaluation of existing Directors and selection of new Directors with the Company's requirements. The Board is also required to endorse the final decisions of the NRC, and as such proper checks and balances are in place.

Meetings of NRC

NRC had three meetings during the financial year 2012. Besides the said meetings, urgent decisions were approved via three NRC Circular Resolutions during the year.

Attendance of NRC members are depicted in page 94 of this annual report.

Authority

- In carrying out its duties and responsibilities, the NRC has full, free and unrestricted access to TM's records, properties and personnel. The NRC shall report its recommendations to the Board for its consideration and approval.
- 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.

The NRC is governed by its own ToR. Subsequent to the recommendations in MCCG 2012, its ToR were reviewed and deliberated at length by the NRC and the Board.

Board Diversity

In respect of gender diversity, both the NRC and the Board acknowledge the need to enhance Board diversity as it is critical to the efficient functioning of the Board and indicates good governance practices. Nonetheless, the Board believes the appointment of new members is already guided by

the skills-set, experience, competency, and knowledge of the individual candidate with gender diversity forming a paramount consideration in the selection of the potential candidate.

The Board shall endeavour to attain diversification in terms of experience, skills, competencies, race, gender, culture and nationality to enable the Company to maximise its business and governance performance.

The Group's approach to ensure Board diversity is as follows:

- (i) recruiting from a diverse pool of candidates for the position of Director;
- (ii) reviewing succession plans to ensure an appropriate focus on diversity;
- (iii) identifying specific factors to take account of in the recruitment and selection processes to encourage diversity; and
- (iv) developing programmes to develop a broader pool of skilled and experienced Board candidates.

The above approach does not impose on TM Group and its Directors any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws.

Currently, there are three women Directors on the Board of TM, namely a NINED, an INED and a NINE Alternate Director. The INED was selected based on the mix of skills, experience and independence attributes as shown in her performance as Chairman of the Board Tender Committee.

Directors' Independence

The independence of all Directors of TM, including the NEDs, is annually reviewed. The Board via the NRC undertakes the independence assessment via the BEE taking into account their skills, experience and contributions as well as their background, economic and family relationships, and thereafter determines whether the Directors can continue to bring independent and objective judgment to the Board. The NRC shall also determine whether there are relationships or circumstances which could affect, or appear to affect, the Independent Directors' judgment. The Directors will lose their independence status if they do not satisfy the independence criteria under the definition of independence in Paragraph 1.1 of the Main LR or any amendment thereto.



Tenure is not part of the independence assessment criteria as the Board is of the view that the fiduciary duties of Directors as promulgated in the Act are paramount for all Directors, irrespective of their status. The ability of a Director to serve effectively is very much dependent on his calibre, qualifications, experience and personal qualities, particularly his integrity and objectivity. The Directors' Peer Evaluation results from the BEE exercise would also indicate the Independent Directors' ability or inability to act independently. Furthermore, the Board agrees that there are significant advantages to be gained from long-serving Directors who not only possess tremendous insight but also in-depth knowledge of the Company's business and affairs. The Directors are enthusiastic and passionate about spearheading the Company to the next level. The Board also noted that none of its members had reached the nine-year cumulative term in TM.

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

The NRC assumes the task of assessing the independent status of the Independent Directors upon appointment and on an annual basis.

Board Appointment Process

Other than the new requirements, the Company maintains a formal and transparent procedure for the appointment of new Directors. Appointment to the Board is made either by the Minister of Finance Incorporated (MoF Inc), being the Special Shareholder pursuant to Article 109 of the Company's AA, or by the Board of Directors pursuant to Article 98(1) of the AA.

All nominees to the Board are first considered by the NRC, taking into account the mix of skills, competencies, experience and other qualities required to manage a highly regulated communications business, before they are recommended to the Board.

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

NRC evaluates the nominees' ability to discharge their duties and responsibilities before recommending their appointment as Directors to the Board for approval.

During the year, the Board approved the appointment of Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil as an Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on 29 November 2012.

Directors' Retirement, Re-Appointment and Re-Election

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

The re-appointment and re-election of Directors at the AGM are subject to prior assessment by the NRC and the affected Directors are required to give their consent on their reappointment and re-election prior to TM Board meeting. In assessing the suitability of candidates, NRC takes into consideration the attributes, competencies, commitment, personality and quality aspects, contribution and performance of the Directors based on the BEE. Assessment of the Board's structure and balance as well as the concerned Directors' independence is also made. NRC's recommendations are thereafter submitted to the Board and shareholders for approval.

Dato' Danapalan T.P Vinggrasalam, TM's SID, who has attained the age of 70 years, shall retire at the forthcoming 28th AGM pursuant to Section 129(6) of the Act and his re-appointment is subject to the approval of not less than three-fourths of the shareholders attending the AGM. If appointed, Dato' Danapalan shall hold office until the next AGM of the Company and henceforth his re-appointment shall be decided at every AGM. The NRC and Board recommended the re-appointment of Dato' Danapalan based on his continued invaluable contributions to the Board and the Group, in light of his wide experience as a former regulator. He has also shown full commitment in his responsibility as SID, keeping a pulse on stakeholders' concerns in the Company.

Four out of six Directors who are of equal seniority based on their appointment date and previous re-elections shall retire at the forthcoming AGM. Pursuant to Article 104(2) of the AA, they have agreed among themselves on the re-election list and provided their consent to be re-elected for the ensuing year.

Datuk Bazlan Osman, the Group CFO, is recommended for re-election by the NRC and Board. The Board opined that his exemplary dedication to his responsibilities can be seen in the Company's strengthening financial performance year on year. Datuk Bazlan also acts as the conduit between the shareholders, employees and the Management and provides unstinting support to the Group CEO's initiatives in implementing relevant strategies to move the Company forward and in strengthening the Company's credibility and reputation within the financial community.

Tunku Dato' Mahmood Fawzy's diverse local and international experience has equipped him with a wide and multi-faceted views and understanding of the business. It has provided him with a distinctive outlook and unique perspective on diverse corporate matters, hence adding to a healthy Board diversity. The Board also acknowledges Tunku Dato' Mahmood Fawzy's strong commitment to the Company, being Chairman of the NRC and BRC, and a member of the BAC, BTC and BIC, and recommends his re-election for his continuous invaluable contributions to the Company.

Dato' Ir Abdul Rahim Abu Bakar's experience in various companies and capacities suit the Company's required mix of skills and Board diversity. His strong opinions and inestimable insight into business are requisites enabling his appointment on the boards of listed companies. Dato' Ir Rahim is practical in his analysis and assessment, vocal in his outlook and views and has provided the Board with a strong and principled voice. The Board was of the opinion that Dato' Ir Rahim's contribution to the Company is incalculable and essential to the Board mix, thus recommended that he be re-elected as Director at the forthcoming AGM.

Ibrahim Marsidi has vast experience in the management of companies, and in-depth knowledge of every aspect of the business. He is now applying his expertise and practical know-how to the Company. His views and approach on operational matters, particularly in regard to sales and marketing, have assisted the Board in general and provided specific guidance to the Management in particular. The NRC and the Board were of the opinion that Ibrahim is essential to the Board dynamics and recommended him for re-election.

The above-named five Directors who are due for re-appointment and re-election at the forthcoming AGM, as evaluated by the NRC and approved by the Board, have met the Board's expectations and continued to perform in an exemplary manner as demonstrated by their contributions to the Board's deliberations. Hence, the Board has recommended them for re-election. Further to the above, Dato' Fauziah Yaacob, a NINED, who was newly appointed, shall retire pursuant to Article 98(2) of the Company's AA.

Particulars of Directors standing for re-appointment and re-election are stated in the Statement Accompanying the Notice of TM's 28th AGM.

Summary of Main Activities in 2012

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

- a) *Nomination Function*
Considered and made recommendations to the Board on the following matters:
 - Re-appointment and re-election of Directors at the 27th AGM.
 - Appointment of Directors and Alternate Directors on the board of major operating companies.
 - Renewal of employment contract of a Senior Management member in a pivotal position.
 - Nomination of an Alternate Director on TM Board.

- b) *Remuneration Function*
Considered and made recommendations to the Board on the following matters:
 - Review of remuneration and benefits for the Directors including Alternate Directors.
 - 2011 performance evaluation of the Executive Directors, Senior Management in pivotal positions as well as the Company Secretary against pre-set KPIs.
 - Board Merit Award 2011 for Group CEO.
 - Rewards Transformation Matrix for Executives of the Company.
 - Revision to the Long-Term Incentive Plan for Executive Directors and Senior Management members.
 - Re-computation of Share Appreciation Rights for a Senior Management.
 - TM Organisation Re-Alignment 2013.



The Company's remuneration policy has been through several revisions since its establishment. The Board's remuneration package has also been revised from time to time on an annual basis mainly involving benefits entitlement. The revision to the NEDs' fees is subject to the approval of shareholders, and if approved, will take effect from 1 January 2012. The proposed new package, if approved, is to compensate the NEDs upon taking into consideration their expertise and contributions in view of the complexity of the industry and increased responsibilities. At the same time, the NRC also ensures that the package is able to attract competent and talented Directors to the Board.

c) *Board Matters*

- Considered and made recommendations to the Board on the implementation and scope of the BEE assessment for 2012.
- Monitored closely the status of Directors' training at each NRC meeting.
- Reviewed the Employee Productivity Enhancement programme and was updated on its progress at each meeting held during the year.
- Monitored closely observance of the minimum attendance requirement at Board meetings held during the financial year.

Board Audit Committee (BAC)

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

Membership

- Quah Poh Keat (*Chairman/INED*)
- Dato' Danapalan T.P Vinggrasalam (*Member/SID*)
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (*Member/NINED*)
- Ibrahim Marsidi (*Member/INED*)

The BAC report detailing its membership, number and attendance of each member at the BAC meetings, summary of its key functions and principal activities, as well as training in the financial year 2012 is set out on pages 121 to 127 of this annual report. In addition, the Statement on Internal Audit is set out on pages 128 to 131 of this annual report.

Board Risk Committee (BRC)

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

Membership

- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (*Chairman/NINED*)
- Datuk Bazlan Osman (*Member/NIED*)
- Dato' Ir Abdul Rahim Abu Bakar (*Member/INED*)
- Dato' Danapalan T.P Vinggrasalam (*Member/SID*)
- Ibrahim Marsidi (*Member/INED*)

A detailed BRC report detailing its membership, ToR, attendance of each member at the BRC meetings held during 2012 together with the Risk Management Report of the Group, is set out on pages 132 to 135 of this annual report.

Board Tender Committee (BTC)

Membership

- Datuk Zalekha Hassan (*Chairperson/INED*)
- Dato' Sri Zamzamzairani Mohd Isa (*Member/NIED*)
- Datuk Bazlan Osman (*Member/NIED*)
- Dato' Fauziah Yaacob (*Member/NINED*) (*Appointed on 4 March 2013*)
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (*Member/NINED*)
- YB Datuk Nur Jazlan Tan Sri Mohamed (*Member/INED*)
- Eshah Meor Suleiman (*Alternate Member/NINE Alternate Director*)
- Dato' Mat Noor Nawawi (*Member/NINED*) (*Resigned on 28 February 2013*)

Meetings of BTC

BTC held eight meetings during the financial year 2012. TM Chief Procurement Officer (CPO) and Chief Technology and Innovation Officer (CTIO) attended the BTC meetings as permanent invitees. The Management Evaluation Committee members were also invited to brief the BTC on specific issues as and when required.

Main Activities in 2012

During the year, the BTC deliberated on, *inter alia*, the procurement status summary, procurement plan and performance year-to-date as well as procurement proposals within the authority limit of BTC. Significant matters reserved for Board's approval and procurement proposals within the authority limit of TM Board were tabled at Board Meetings.

BTC also actively deliberated on identified procurement issues and proposed further process improvement in order to be more transparent, adopting best practices and strengthening the procurement governance.

Board Investment Committee (BIC)

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

Membership

- Dato' Ir Abdul Rahim Abu Bakar (*Chairman/INED*)
- Datuk Bazlan Osman (*Member/NIED*)
- Dato' Fauziah Yaacob (*Member/NINED*) [*Appointed on 4 March 2013*]
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (*Member/NINED*)
- Quah Poh Keat (*Member/INED*)
- Eshah Meor Suleiman (*Alternate Member/NINE Alternate Director*)
- Dato' Mat Noor Nawi (*Member/NINED*) [*Resigned on 28 February 2013*]

Meetings of BIC

No BIC meeting was held during the year. However, urgent decisions were made via two BIC Circular Resolutions and the decisions/recommendations therein were duly discussed by the Board.

Main Activities in 2012

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

Board Dispute Resolution Committee (BDRC)

BDRC is tasked to deliberate on major and material litigation cases and makes recommendations thereof to the Board.

Membership

- Dato' Sri Dr Halim Shafie (*Chairman/NINED*)
- Datuk Bazlan Osman (*Member/NIED*)
- Dato' Danapalan T.P Vinggrasalam (*Member/SID*)
- Ibrahim Marsidi (*Member/INED*)
- Idrus Ismail (*Ex-officio Member*)

Meetings of BDRC

No meeting was held during the year.

MANAGEMENT COMMITTEES AND SUB-MANAGEMENT COMMITTEES

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

Management Committee (MC)

Salient terms of reference of the MC are as follows:

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

Group Leadership Team (GLT)

GLT is tasked, among others, to:

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

Sub-Management Committees

The following sub-committees have also been set up to assist the Executive Directors and key Management members in the administration and supervision of the Company's day-to-day business.

Business Continuity Management Steering Committee (BCMSC)

BCMSC was established in March 2012 and is chaired by the Group CEO. It is the primary decision-making platform for TM Business Continuity Management and has oversight of BCM programmes in TM Group.

Customer-Centricity Steering Committee (CCSC)

CCSC was established in November 2009 and is chaired by the Group CFO with the objective of improving TM's TRI*M Index and achieving customer service charter goals.

Group Technical Investment Committee (GTIC)

GTIC was established in June 2012 and is chaired by the CTIO with the aim of addressing fragmented technical investment issues and ensure alignment and optimisation of technical investment across the Group.

Finance Committee (FC)

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

Group Product Committee (GPC)

GPC was established in 2009 and acts as a strategic point of reference for unresolved cross-line business and operational issues related to product and customer segmentation. It also provides guidance and policies to ensure product synergies within the Group. GPC screens the business case for new products and identifies the leading LOB in line with Group Strategy, avoiding conflict between the LOBs.

Management Procurement Committees (MPC)

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

Group Property Committee (Property-Comm)

Property-Comm was established in December 2009 and is chaired by Group CFO, as a sub-Management Committee to oversee TM Group's property related matters and make recommendations to the MC for approval by the Board, as deemed necessary. In June 2012, the Board agreed that any recommendation of Property-Comm should be referred directly to TM Board for consideration and approval.

BOARD PERFORMANCE IMPROVEMENT PROGRAMME (BPIP)

The BPIP Governance work stream was completed in January 2008, and has been enhanced throughout the years, with a view to improving the Board's functions and structure and ensuring the Board's priorities are aligned with the Group CEO's mandate. Various initiatives were introduced as the Board Operating Mode (BOM) deliverables to enhance the Board's effectiveness. These deliverables are monitored and reported to the Board annually. Following feedback from the Board in February, the Management will formulate a whole year's plan for TM Board Meeting Priorities and Agenda for the Board's approval.

In 2012, the Board focused on strategy issues and performance management, in line with its core responsibilities. The distribution of actual time spent by the Board of Directors on various broad agenda topics at Board Meetings in 2012 is depicted in the chart below:

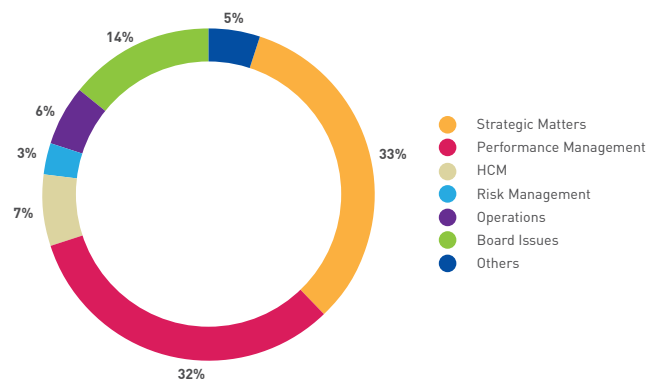


Chart 3 - 2012 Board Time Spent

BOARD TRAINING AND KNOWLEDGE ACQUISITION

All Directors including Alternate Directors, have successfully completed the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Securities, save for a newly appointed Director whose MAP is due in July 2013. Directors are required to complete the MAP within four months of their appointment. Induction briefings, which include information on the corporate profile and activities of the Group, as well as business targets and group performance, were organised for newly appointed Directors. Apart from the MAP, the Directors attended other relevant training programmes and seminars organised by the relevant regulatory authorities and professional bodies.

The Board of Directors continued to evaluate the training needs of its Directors via the Board Training Programme which aids the Directors in discharging their duties.

Board Training Programme (BTP)

The Board has adopted the BTP Guidelines since January 2005 to address the training needs of Directors in the absence of the Bursa Securities' CEP requirements. The move is in line with the MCCG 2012 which promotes the continuous training of Directors to ensure their knowledge and skills are kept updated. The Board's training structure is continuously reviewed to be relevant to changing business needs. As a result of close monitoring of the BTP by the NRC and in line with the BEE 2011 results, the Directors' training structure for 2012 was aligned to their training needs focusing on Industry, Strategy/Risk, Corporate Governance and Investor Relations.

In 2012, Directors attended various seminars, conferences and international conventions to gain insight into the state of the economy as well as the latest regulatory and technological developments relevant to the Group's business. Based on an analysis conducted pursuant to the BPIP, there was increased focus on Industry Knowledge, Corporate Governance, Finance and Performance Management, with time spent on these four areas accounting for 61% of the Board's total training hours.

TM also organised in-house training for Directors' development initiatives. Site visits were arranged to TM's Hong Kong Data Centre in April 2012 and PT VADS Indonesia in June 2012 for the Directors to gain greater insight into TM's overseas operations and businesses.

Based on BTP records, all Directors completed the minimum requirement of 36 training hours required for the year. The Directors also concurred that they had devoted sufficient time to update their knowledge and enhance their skills through appropriate education programmes in order to sustain their active participation in Board deliberations. The Directors' training structure in 2012 was as depicted in the chart below.

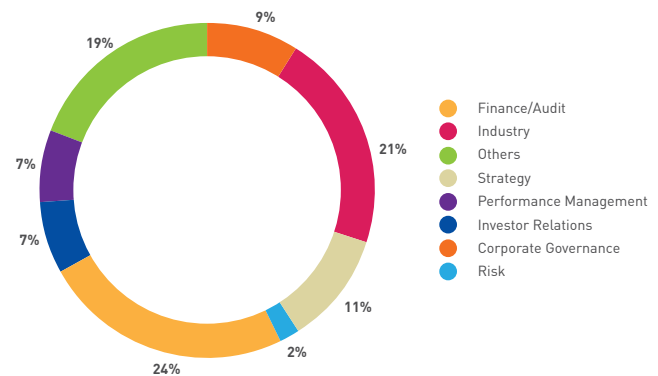


Chart 4 – 2012 Directors' Training Structure



TM Directors attended the following conferences, seminars and training programmes in 2012 to enhance their business expertise and professionalism:

Training Focus	Conferences/Seminars & Training Programmes
<p>Corporate Governance</p>	<ul style="list-style-type: none"> • BTP: Corporate Integrity • Corporate Governance 2012: Directing Results-Focused Risk Management Programme to strengthen your Enterprise's Governance • National Procurement Forum for the Public and Private Sector 2012 – Embedding Good Governance & Integrity in the Procurement Process • MCCG 2012: The Implications and Challenges to Public Listed Companies • New Corporate Governance Blueprint & Regulatory Updates • 4th Annual Corporate Governance Summit Kuala Lumpur • Social Enterprise Governance – It is different • Board Effectiveness • Corporate Reporting
<p>Strategy/Risk</p>	<ul style="list-style-type: none"> • BTP: Foresight – Learning on Navigating the Future • 10th Inter-Parliamentary Forum on Security Sector Governance (IPF-SSG) in Southeast Asia • Directors Forum 2011: Board Rising to the Challenges of Corporate Entrepreneurship • Building a Business in the Context of a Life Webinar • From 1970 to 2022: The Past as Prologue to Forecasting the Future • What Boards are looking for in the Year ahead • Emerging Economies • Strategy and Growth • Competition Act 2010 • PBB In-House Training: Understanding the Internal Capital Adequacy Assessment Process (ICAAP) • Financial Institutions Directors' Education (FIDE) Forum: Breakfast Talk entitled Insurance Banana Skins – Risks Facing Insurers and the Way Forward • ICAAP Workshop
<p>Industry</p>	<ul style="list-style-type: none"> • CommunicAsia 2012: Shaping Vision, Creating Reality <ul style="list-style-type: none"> – The Telco Rising Cloud: Telco Cloud Opportunity – Cloud Computing: The Next Wave Technology Platforms, Infrastructure & Models • Khazanah Megatrends Forum 2012 • Telecommunications Management Forum • Networked Media Content Seminar 2012 – Reaping the Benefits of Social Media • Regional Economy Outlook • CFO Roundtable – Global Growth and Financing: Challenges and Opportunities for CFOs in Current Markets • Discussion with former Russian Minister of Telecommunications on Telecommunications trends in Europe • The Digital Revolution: How Technology is Changing the World • Goldman Sachs Technology Conference 2012



Training Focus	Conferences/Seminars & Training Programmes
Performance Management	<ul style="list-style-type: none"> • Madinah Institute for Leadership and Entrepreneurship (MILE) Executive Programme • TM Business Leaders Programme (ICLIF) 2: Connecting The Dots
Investor Relations	<ul style="list-style-type: none"> • Non-Deal IR Roadshow • Corporate Presentation Luncheon • Myanmar Global Investments Forum
Finance/Audit	<ul style="list-style-type: none"> • CNBC Summit Malaysia – Balanced Budget after 2015 • Module A: Financial Institutions Directors’ Education Programme • Module B: Financial Institutions Directors’ Education Programme • ASEAN Federation of Accountants Conference 2012 • MIA Conference 2012 – A-Z of Accounting for Changes in Foreign Exchange Rates • Malaysian Financial Reporting Standard Convergence • Launch of PIDM 2011 Annual Report and Annual Dialogue • Official Launch of FIDE Forum • FIDE Elective Programme: ICAAP Programme • FIDE Forum: Roundtable Discussion entitled Board of Directors – Value Creation vs Compliance • How to Work with Private Equity and Venture Capital Portfolio Companies • Tax Incentives for VC/Angel Investors • Executive Remuneration • Technical Accounting Update • CFO Summit 2012 • Asian Venture Capital Journal (AVCJ) Private Equity & Venture Forum – Indonesia 2012 • Private Equity SEA Summit
Others	<ul style="list-style-type: none"> • 6th Roundtable Session for The Free Trade Agreement Malaysia-European Union • Briefing on related Statutory Issues under the Trans-Pacific Partnership Agreement (TPP) and Consultative Meetings on TPP

BOARD ACCESS TO INFORMATION

Access to Management

The Board has direct access to the Senior Management and has unrestricted and immediate access to information relating to the Group’s business affairs. Reliance on the honesty and integrity of the Company’s Senior Management and experts in legal, accounting, financial and other advisors is not misplaced when it enables the Directors to effectively discharge their duties.

Relevant and material information is provided to the Board on average five days prior to the Board and Committee meetings so that the Board is accorded sufficient time to appraise the proposals or information. The Board has access to seek further information and clarification from the Management at all times to make informed decisions.

Company Secretary

All Directors have access to the advice and services of the Company Secretary. The Chief Legal Compliance and Company Secretary is responsible for providing support and appropriate guidance to the Board on policies and procedures, rules and regulations and relevant laws in regard to the Company as well as best practices on governance.

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



Access to External Experts

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

During the year, independent external auditor and human resources consultants were appointed to provide revenue audit assurance and independent benchmarking analysis of the review of Directors' remuneration to BAC and NRC.

Industry Information Packs (Info-packs)

The Board is kept updated on changes and developments relating to the industry via Quarterly Info-packs, a compilation of summaries of analysts' views on TM, local and global trends, events, competitive intelligence, industry reports, periodicals and local and overseas regulatory updates. As at December 2012, a total of 27 Board Info-packs had been issued.

COMMUNICATION AND INTERACTION

Board and Management

Senior Management members are invited to attend Board and Committee meetings to present, report or seek recommendations for the Board's consideration on matters relating to their areas of responsibilities. Concise and comprehensive proposal papers are prepared and presented for the Directors' digestion, deliberation and decision.

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

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

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

Shareholders and Investors

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

To ensure compliance with best practices, all communication with the capital market is governed by our Investor Relations Policy and Guidelines, guaranteeing timely and high quality disclosure of information to shareholders and investors in order that they may form proper judgments and appraisals of the Group in making informed investment decisions.

In addition, the Board strengthens its lines of communication with the investing community and other stakeholders through the SID.

Details of TM's Investor Relations initiatives and activities during the year are set out on pages 32 to 34 inclusive, of this annual report.

Independent Directors' Discussion

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

Relationship with the External and Internal Auditors

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

The BAC and Board place great emphasis on the objectivity and independence of the external auditor, Messrs PricewaterhouseCoopers (PwC), in providing transparent reports to the shareholders. PwC has continued to report its opinions to shareholders of the Company, and this is included as part of the Group's financial reports with respect to the statutory audit for the financial year. PwC is regularly invited to attend the BAC meetings apart from the twice yearly discussions without the presence of the Management to provide full disclosure of the audit undertaken. The external auditor's presence was also requested at the Company's AGM to personally provide its report to the shareholders and attend to any issues raised by them.

The external and internal auditors are obliged to highlight to BAC and the Board any matter that requires their attention. A full report outlining the BAC's role and relationship with the external and internal auditors is set out on pages 124 to 126 inclusive, of this annual report.

Annual Report and Annual General Meetings (AGMs)

The annual report is a key channel of communication between the Group and its stakeholders. TM's annual report provides a comprehensive report on the Group's direction and financial performance, ensuring disclosure beyond the requirements of the Main LR in promoting better governance. The annual reports are supplemented by summarised versions as well as CD ROMs. An online version is available on the corporate website while a Bahasa Malaysia version can be provided to shareholders upon request.

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

The Company supports the MCCG 2012's recommendation of encouraging shareholder participation in general meetings. In this respect, notice for the forthcoming 28th AGM has been further enhanced to include all relevant information in regard to the shareholders' rights at the said general meeting.

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

Active participation by TM's shareholders and investors is encouraged during the AGMs. Shareholder attendance at the AGMs continued to be high as evidenced by the presence of about 2,319 shareholders at the 27th AGM of the Company held on 8 May 2012. The results of voting for each resolution are promptly announced to the shareholders after each voting process. A summary of the voting results for all resolutions is also presented for the shareholders' information.

The open platform provides an opportunity for the shareholders and investors to raise questions on items on the AGM agenda. In response, the appropriate answers and/or clarifications are provided by the Board members, Committee chairman or Senior Management of TM. A press conference is also held immediately after the AGM at which the Chairman, Group CEO, Group CFO and relevant Senior Management are present to clarify and explain issues raised by the media.

Feedback on questions raised by the Minority Shareholder Watchdog Group (MSWG) prior to the AGM is shared with all shareholders during the AGM where pertinent issues or queries pertaining to the Company's business have been adequately addressed.

In addition to the AGMs, shareholders and market observers are welcomed to raise queries at any time through Group Corporate Communications and the IR Unit. These will subsequently be channelled to the Directors and Senior Management.

Internal Corporate Disclosure Policies

The Board has established an Internal Communication Policy and Best Practices to facilitate the handling and disclosure of material information in a timely and accurate manner. The Policy, based on openness and transparency, two-way communication, accountability, timeliness, accuracy and simplicity, aims to ensure the Company's compliance with the disclosure requirements as set out in the Main LR and other relevant laws. The Company has also adopted the Corporate Disclosure Guidelines dated 22 September 2011 issued by Bursa Securities.

BOARD CONDUCT

Conflict of Interest and Related Party Transactions (RPT)

To assure accountability and prevent conflict of interest in relation to issues that come before the Board, all Directors are required to make written declarations on their interest in transactions at every Board meeting. Directors are also reminded by the Company Secretary of their statutory duties and responsibilities and are provided with updates on any changes thereon.

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

Trading on Insider Information

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

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

Code of Business Ethics

Apart from the Company Directors' Code of Ethics issued by the Companies Commission of Malaysia, the Company also has in place a Code of Business Ethics (CBE) which aims to instil, internalise and uphold the value of 'Uncompromising Integrity' in the behaviour and conduct of the Board of Directors, Management, employees and all stakeholders of the Company.

Integrity Pact

The Integrity Pact, a declaration process made by employees and Board members involved in all levels of procurement activities, was launched on 20 January 2012 to enhance transparency among TM Directors, employees and suppliers and to guard against corrupt practices.

This declaration signifies to the public that the Group remains steadfast in upholding Anti-Corruption Principles for Corporations in Malaysia, and that it is working towards a business environment that is free from corruption in the conduct of its business and in its interactions with business partners and the government.

With the implementation of the Pact, bidders for TM contracts need to sign an agreement with TM in which all parties pledge not to be involved in any activity which might affect the final tender decision.

The BTC, pursuant to TM Integrity Pact initiatives, has to execute a Declaration after every meeting, confirming that the members have no conflict of interest in the proposals tabled at the meeting. Confidentiality of information is also maintained throughout the procurement exercise.

Both the CBE and Integrity Pact underline the Company's intolerance against corrupt practises and its promotion of an open and transparent corporate culture in the Group.

Whistleblower Policy

The Whistleblower Policy, undertaken under TM's CBE, allows TM Group employees to report concerns on alleged unethical behaviour, actual or suspected fraud within the Group, using TM's Ethics Line telephone or fax number or the Ethics Website. An independent committee has been established to provide a safe and confidential channel to employees who report any misconduct.

The identity of the whistle-blower will be kept confidential and known only to a few authorised persons. The Board and Management provide their assurance that employees will not be at risk of any form of victimisation, retribution or retaliation from their superiors or any member of the Management provided they act in good faith in their reporting.



PROMOTING SUSTAINABILITY

TM manages its business responsibly by managing the economic, social and environmental aspects of its operations. The Company produces an annual sustainability report to communicate its sustainability endeavours to stakeholders. Together with the annual report, which highlights the financial aspects of the business, both reports provide a clear, comprehensive and transparent representation of the Company's performance annually.

The sustainability report is available to the public on the Company's official website.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board ensures that shareholders are presented with a clear, balanced and meaningful assessment of the Group's financial performance and prospects through the audited financial statements, quarterly announcement of results, Chairman's Statement and Group CEO Statement in the annual report. The Board is assisted by the BAC in overseeing the Group's financial reporting processes and the quality of its financial reporting.

Directors' Responsibility Statement

The Directors have also provided assurance 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 as required by the Act.

The Statement of Responsibility by Directors for the audited financial statements of the Company and Group is as outlined on page 236 of this annual report. Details of the Company and Group financial statements for the financial year ended 31 December 2012 are set out on pages 237 to 383 of this annual report.

Internal Controls

The establishment of an appropriate control environment and control framework as well as for reviewing its effectiveness, adequacy and integrity is evidence of the Board's overall responsibility for the Group's system of internal controls. It is designed to manage the risk of non-achievement of the Group's objectives and provides adequate assurance against the occurrence of any material misstatement or loss.

The Directors' Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group, is enumerated on pages 112 to 120 of this annual report.

COMPLIANCE STATEMENT

Pursuant to Paragraph 15.25 of the Main LR, the Board is pleased to report that this Statement on Corporate Governance provides the corporate governance practices of the Company with reference to the MCCG 2012. TM has fully applied the broad Principles set out in the Code. The Board, however, has reserved several of the Recommendations and their Commentaries and has rationalised and provided justifications for the deviations in this Statement. Nevertheless, TM will continue to strengthen its governance practices to safeguard the best interests of its shareholders and other stakeholders.

This Statement, together with the Directors' Statement on Risk Management and Internal Control, BAC Report and BRC Report, sets out the manner in which the Company has applied the Principles as prescribed in the MCCG 2012.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors duly passed on 25 March 2013.



Dato' Sri Dr Halim Shafie
Chairman

DIRECTORS STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

RESPONSIBILITY AND ACCOUNTABILITY

The Board is responsible for overseeing the Group's risk management and internal control systems, while the Management is responsible for implementing the Board's policies and procedures on risk and control. Management identifies and assesses the risks faced as well as the design, operation and monitoring of suitable internal controls to mitigate and control these risks. The systems include governance, organisational structure, strategic planning, risk management, financial management, project management, operational control, regulatory and compliance controls to safeguard shareholders' investments, customers' interests and the Group's assets.

The Board recognises and affirms its overall responsibility for the Group's system of internal control, which includes the establishment of an appropriate risk management and control framework as well as the review of its effectiveness, adequacy and integrity. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute assurance against material financial misstatement or loss. There are two committees at the Board level that have primary risk management and internal control oversight responsibilities:

- The Board Risk Committee (BRC) – with oversight over risk management
- The Board Audit Committee (BAC) – with oversight over internal control systems, financials and governance matters

RISK MANAGEMENT FRAMEWORK

TM Group has in place an Enterprise Risk Management framework and processes for identifying, evaluating and managing significant risks faced by the Group based on MS ISO 31000 standards. The responsibilities of the Board for the governance of risk and controls include:

- Setting the tone and culture for effective risk management and internal control;
- Embedding risk management in all aspects of TM Group's daily business and operational activities and processes;
- Approving the Board's acceptable risk appetite; and
- Reviewing the risk management framework, processes and responsibilities, and ensuring they provide reasonable assurance that risks are managed within tolerable levels.

Risk assessment and evaluation are integral to TM's annual strategic planning and day-to-day operations. There is a detailed risk management process, culminating in a Board review, which identifies the key risks facing the Group and each business unit. This information is reviewed by Senior Management as part of the strategic review and periodical business performance process. Enterprise-wide risk management comprises the following procedures:

- Documentation of financial management procedures and guidelines;
- Review by Senior Management of the Group's key risks and the creation of a Group risk register describing the risks, residual risk rating; and a review of the execution and management of the risk mitigation strategies by owners. These are reviewed by the Management Committee and subsequently by the Board Risk Committee before being reviewed and approved by the Board;
- Continuing assessments by the Group's internal auditors on the quality of risk management and control, and the report to the Management and the Board Audit Committee on the status of specific areas identified for improvement; and
- Assessment by the Board Risk Committee, on behalf of the Board, on the effectiveness of the risk management process in the Group during the financial year.

Further information on TM's Risk Management is provided on pages 112 to 119 of the annual report.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that the system of internal control is designed to manage, rather than eliminate risks that hinder the Group from achieving its goals and objectives. It therefore provides reasonable, and not absolute assurance against the occurrence of any material misstatement of management and financial information and records or against financial losses or fraud. The internal control system is intertwined with the Group's operating activities and exists for fundamental business reasons.

The system and framework of internal control are based on the Committee of the Sponsoring Organisations of the Treadway Commission (COSO) Internal Control Integrated Framework, a generally accepted framework for internal control. This process is reviewed regularly throughout the year by the Board, taking into account changes in the regulatory and business environment to ensure the adequacy and integrity of the system of internal control.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

The Board

In evaluating the effectiveness of the risk oversight and internal control of TM Group, the Board considers whether business risks have impacted or are likely to impact the Group's achievement of its objectives and strategies. The Board also assesses the effectiveness of the risk management and internal control system in managing those risks. The BRC and BAC, on behalf of the Board, rigorously:

- review the processes for establishing TM Group's short and long-term objectives and strategies;
- review the processes for determining and communicating the Company's risk appetite;
- consider the significant risks faced by TM Group and assess how they have been identified, evaluated and managed;
- review Management's processes for identifying, analysing, evaluating and treating risks, as well as for communicating risk and control information across the business;
- review Management's reporting of risk to provide the Board sufficient visibility of risks across the organisation and assess the effectiveness of the systems of internal control in managing significant risks, having noted any significant failure or weakness in internal control which have been reported by the Management and Internal Audit;
- review the processes implemented by the Management for monitoring risk management and internal control to provide reasonable assurance that they continue to operate as intended and are modified as business conditions or risks change;
- consider whether the Management has taken prompt action to remedy any significant failure or weakness, and whether the findings indicate the need for more extensive monitoring of the system of risk management and internal control;
- consider whether early warning indicators are in place to alert the Management on potential risk events and whether these indicators have been effectively communicated throughout TM Group; and
- evaluate the probability of emerging risks and the need for appropriate controls.

During the annual assessment, the Board considered all issues that have been dealt with and any additional information necessary to ensure it had taken into account all significant aspects of risks and internal control of TM Group up to the date of approval of the statement in the annual report. Among the issues considered were:

- changes in the nature and extent of significant risks since the last assessment and how TM Group has responded to changes in its business and the external environment;
- the effectiveness of TM Group's risk management and internal control system;
- the work of its internal audit, risk management units and other assurance providers, including the external auditors;
- the extent and adequacy of the communication of the results of the monitoring to the Board;
- the incidence of significant control failure or weaknesses that were identified at any time during the period and their impact on TM's performance or financial, business or operational conditions;
- events that had not been anticipated by the Management which impacted the achievement of TM's objectives; and
- the adequacy and effectiveness of the risk management and internal control policies as a whole.

The Board recognises that neither risk management nor internal control processes provides absolute assurance. It is further of the view that the processes implemented and executed by the Management provide reasonable assurance that significant risks which impact TM's strategies and objectives for the year ended 31 December 2012 were within appropriate levels to TM Group's business and which have been approved by the Board.

This Statement on Risk Management and 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 Risk Management and Internal Control – Guidance for Directors of Listed Issuers 2012 (SRMIC). In making the above assurance, statements in writing were obtained from the Group Chief Executive Officer and the Group Chief Financial Officer certifying that the Company's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management model adopted by TM Group.

THE MANAGEMENT

Management acknowledged that they are responsible for implementing the processes for identifying, evaluating, monitoring and reporting risks and internal control, and for taking appropriate and timely corrective actions as needed. The Management has further assured the Board that TM's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management model adopted by TM.

The Management had implemented the necessary processes to:

- identify risks relevant to TM's business and the achievement of its objectives and strategies;
- design, implement and monitor the risk management framework in accordance with TM Group's strategic vision and overall risk appetite; and
- identify changes to risks or emerging risks, take actions as appropriate, and promptly bring these to the attention of the Board.

The Audit and Business Assurance Committee set up by the Management addresses and monitors any internal control weakness and ensures continuous process improvement.

INTERNAL AUDIT

TM has established an in-house independent internal audit function reporting to the BAC to provide an independent, objective assurance and consulting activity designed to add value and improve TM Group's operations. It helps TM Group to achieve its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes.

During the financial year, the internal audit function continuously assessed whether the risks which may hinder TM from achieving its objectives were being adequately evaluated, managed, monitored and mitigated. It further evaluated the effectiveness of the governance, risk management and internal control framework and facilitated the enhancement of these, where appropriate.

Further information on the internal audit function is provided on pages 128 to 131 of the annual report.

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 the Management and employees to sustain organisational support for effective internal control. It is the foundation for all the other components of internal control, providing discipline and structure. Management's commitment to establishing and maintaining effective internal control is cascaded down and permeates the Group's control environment, aiding in the successful implementation of internal control. Key activities include:

Organisation Structure

- TM Group has a formal organisation structure with clearly defined lines of responsibility and authority to facilitate quick response in the evolving business environment, effective supervision of day-to-day business conduct and accountability for operational performance.
- The roles of Central Functions (Corporate Centres) have been strengthened to guide the Lines of Business on specific core function strategies and governance-related matters.



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, Accounts 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 Group's risk appetite.
- Clear accountability and responsibility for key business processes have been established through the Group's Business Process Manual and Subsidiaries Policy, both approved by the Board.

Board and Audit Committees

- The various Board Committees, namely the Audit Committee, Risk Committee, Nomination and Remuneration Committee, Tender Committee, Investment Committee, Dispute Resolution Committee and other Sub-Management Committees, are all governed by clearly defined terms of reference.
- The Audit Committee comprises only Non-Executive Directors and a majority of Independent Directors with wide ranging in-depth experience from different backgrounds, knowledge and expertise. The Audit Committee currently includes a Senior Independent Non-Executive Director. Its members continue to meet regularly and have full and unimpeded access to both the internal and external auditors during the financial year.

Core Values

- Internalisation of TM Group's core values of Total Commitment to Customers, Uncompromising Integrity and Respect and Care serves as a foundation of the Group's culture.

Code of Business Ethics

- TM's Code of Business Ethics (CBE), launched in 2004 and revised in 2010, supports the Company's vision and core values by instilling, internalising and upholding the value of Uncompromising Integrity in the behaviour and conduct of the Board of Directors, Management, employees and all stakeholders of the Company.
- All Executive Directors, Management and employees are required to declare their assets and interest annually to provide an update on the value of individually or jointly owned assets.

Integrity Pledge

- TM signed the Integrity Pledge on 27 April 2011, making a unilateral declaration that it will not commit any act of corruption; will work towards creating a business environment that is free from corruption; and will uphold the Anti-Corruption Principles for Corporations in Malaysia in the conduct of its business and in its interactions with business partners and the Government.

Procurement Ethics

- TM's Procurement Ethics was formally introduced in 2006, outlining the principles and specific requirements related to the procurement process. It supports the Procurement Red Book introduced by the Government and complements the TM Code of Business Ethics, which provides guidelines on dealing with employees, customers, business partners, competitors and other parties. It promotes greater transparency and accountability in the procurement process by adopting a clear disclosure policy and cultivates an ethical working environment that reduces graft, enables products to be purchased at competitive market prices and ultimately improves profitability.

Integrity Pact

- On 20 January 2012, TM launched its Integrity Pact to enhance transparency in its procurement approach while reducing or completely eradicating corrupt practices. The objectives of the pact are:
 - To ensure TM will not incur unnecessary costs in its procurement activities
 - To avoid bidders from offering or giving bribes
 - To avoid TM employees from receiving bribes
 - To require bidders to report any bribe/act of corruption to the authorities
 - To prohibit unauthorised use of TM's proprietary information by employees and suppliers

Strategic Themes and Objectives

- Management has established four strategic thrusts to support the achievement of the Group's key business objectives. They are:
 - Customer centricity and quality improvements
 - One company mindset with execution orientation
 - Operational excellence and capital productivity
 - Leadership through innovation and commercial excellence

Management Control Policy Statement

- According to the Management Control Policy Statement issued by the Board and Management on 8 March 2011, TM Group is committed to a risk-based Internal Control System designed to provide reasonable assurance of achieving the Group's business objectives, safeguarding and enhancing shareholder investments and TM Group's assets. This will be achieved through the implementation of an Integrated Risk Management Framework and programme throughout the Group. The Group CEO, Heads of Business and Support Groups and the CEOs of TM's subsidiaries are responsible and accountable for the implementation of the risk management framework and practices.

Human Resources Policies and Procedures

- The Group has made great efforts to realign its existing Human Resources policies and procedures according to initiatives developed by the Government under the GLC Transformation Programme.
 - The TM Leadership model was established to support the Group's strategic initiatives and is embedded within the key human resources functions of human capital development, talent management and external recruitment.
 - There are guidelines within the Group for hiring and termination of staff, formal training programmes for employees either via classroom sessions or through e-learning, semi and annual performance appraisals and other relevant procedures to ensure that employees are competent and adequately trained to carry out their duties and responsibilities.

Competency-Based Development Framework

- TM Group has established a comprehensive framework that provides a structured competency baseline requirement to assess existing human capital development needs across various 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.

B. Risk Assessment

Risk assessment is the identification and analysis of risks which may impede the achievement of the Group's objectives, and form the basis for determining how risks are to be managed. Key activities involved within this area are:

Enterprise Risk Management (ERM)

- Risk management is firmly embedded in the Group's system of internal control as it is regarded by the Board to be integral to operations. Managing risk is a shared responsibility and, therefore, is integrated into the Group's governance, business processes and operations. It is an interactive process consisting of steps which, undertaken in sequence, enable continual improvement in decision-making. Employees' commitment to ERM is continuously emphasised and reinforced.
- The MS ISO 31000 has been adopted by the Board Risk Committee replacing the existing risk management framework, COSO ERM. The MS ISO 31000 Framework was used by internal audit to assess internal control effectiveness.
- Group Internal Audit complements the role of the Risk Management Unit by independently reviewing risk profiles, risk management strategies and the adequacy and effectiveness of the controls implemented in response to the risks identified at every audit engagement.
- In 2012, ERM was embedded in all lines of business, the corporate centre, support businesses and key subsidiaries. Each business unit has established an operational risk map and risk register aligned with key corporate risks while identifying and assessing business risks unique to its operations. The risk profiles at the business unit level are periodically discussed at the respective Operation Meetings (OCMs) to ensure risk and controls are aligned to meet the agreed business objectives.

Control Self-Assessments (CSAs)

- Control Self-Assessments (CSAs) allow employees in the Group to identify the risks within their business environment and evaluate the adequacy and effectiveness of the controls in place. Results from the CSAs feature as key information in identifying high-risk areas within the Group.

C. Control Activities

Control activities are policies and procedures that help to ensure Management's directives are carried out. Relevant activities within TM Group include:



Business Process Manual

- The Business Process Manual, first issued in 1996, provides an overview of the Company's key business processes and records the relevant policies and procedures, identifies the responsibilities of key personnel involved in these processes while describing the procedures involved in the processes whenever necessary.
- The Manual is applicable to all TM employees involved in the respective business processes and must be complied with in discharging responsibilities. It serves as the initial point of reference by TM employees.

Procurement Policy

- TM Procurement Policy has been established to control and manage the Group's procurement activities. The procurement philosophy is to procure the best goods/services/work in terms of quality, price, quantity, delivery, supplier and technology, using the Total Cost of Ownership approach to ensure maximum returns.

Credit Management Policy

- The Group continues to strengthen the execution and implementation of key controls as stipulated in the new Credit Management Policy that includes assignment of credit rating, collateral management, management of customer payment behaviour rating and tainting of customers with persistent bad payment trends. For the mass market, the Group started to impose credit limits on UniFi accounts which are to be extended to other telephony and broadband services.
- The strengthening of the Group's credit management policy provides assurance that high-risk customers are duly identified and appropriate credit controls are executed to minimise credit and payment risk to the Group.

Subsidiaries Policy

- 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.

TM Corporate Security Policy

- TM Corporate Security Policy has been established to provide a framework for Security Management best practices for all personnel to minimise security risk and ensure all security-related incidents are effectively managed.

IT Governance Policy

- TM Group has in place an IT Governance (ITG) policy consisting of five core domains, namely ITG General Information, IT Principle, IT Architecture, IT Infrastructure, Business Application Needs and IT Investments and Prioritisation. The policy sets rights and an accountability framework to encourage desirable behaviour in the use of IT in TM.

Data Governance Policy and Framework

- TM Group has in place a Data Governance Policy and Framework to protect its data against internal and external threats to privacy and confidentiality. Data Governance embraces a holistic approach to data lifecycles from defining data ownership, classification, handling, retention and disposal of key business data.

Annual Business Plans

- Annual business plans are prepared by TM's Lines of Business and all major operating subsidiaries. The annual business plans are presented and approved by the Board. Actual performance is reviewed against the targeted results on a monthly basis, allowing for timely response and corrective action to be taken to mitigate risks. The Board reviews regular reports from the Management on key operating statistics, as well as legal and regulatory matters, if any.

Business Performance Management (BPM) Policy and Guidelines

- BPM provides a comprehensive reference to TM's Balanced 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.

TM Tender Evaluation Centre (TMTEC)

- As part of the Group's continuous efforts to mitigate the risk of leakage of sensitive information during tender evaluation exercises, TMTEC was established at Menara TM to serve as a central evaluation and meeting venue for all procurement activities. TMTEC is equipped with an enhanced physical and IT security system to detect and provide an integrated audit trail of the movement of tender documents and information within the centre.

Insurance and Physical Safeguards

- Adequate insurance and physical safeguards on major assets are in place to ensure the Group's assets are sufficiently covered against any mishap that could result in material loss. The Group's insurance programme also covers legal liabilities arising from operations, employee benefit insurance and other insurance programmes that are deemed appropriate to provide financial aid to the Group against insurable and unplanned losses.

Customer Experience Programme (CEP)

- The CEP implementation in 2012 is a continuous effort to further enhance TM's customer experience via the customer touch points - TMpoints, Contact Centre and field workforce. The programme continuously reviews and enhances service delivery processes and efficiency along with inculcation of the 'service-with-heart' mindset in frontliners. A committed CEP lab is being actively pursued to ensure gaps found in areas of delighting customers are proactively resolved, thus achieving TM's desired customer excellence aspiration in line with its vision.

Towards Operational Perfection (TOP)

- TOP was launched by Information Technology and Network Technology (IT&NT) as a three-year initiative to improve customer experience and operational performance in a holistic, end-to-end manner. In 2012, TOP focused on improving HSBB and Data Fulfilment & Assurance, IPVPN Migration, as well as setting the fundamentals to implement the new Field Force Management Model, among others.
- Key achievements of TOP include cycle time improvements and the overall TRI*M index. Installation and restoration cycle times have improved by 50.0-80.0%. Mean time to restore (MTTR) for voice and broadband services have improved by 50.0% and 70.0% respectively, bringing the nationwide average on par with top quartile telecommunications companies globally. In addition, the Mean Time To Install (MTTI) for HSBB services has improved by 80.0% within nine months of implementation. In terms of overall customer satisfaction, as measured by the TRI*M index, there were significant improvements in High Speed Broadband (HSBB) services.
- The second wave of the lean transformation was launched in November 2012, aptly named TOP+, to build on the success of the first wave. TOP+ will take place

Directors Statement On Risk Management & Internal Control

from 2013-2015 to further drive Workforce Effectiveness & Efficiency, as well as enhance Customer Experience on both Mass Market & Managed service delivery.

Business Continuity Management (BCM) Programme

- TM Group continues to enhance its Business Continuity Management (BCM) Programme to ensure it is able to provide uninterrupted communication services following any unplanned or man-made crisis or disaster. The Management is committed to enhancing the Group's service reliability and resilience via improved coverage of Network & IT Operation BCM, reviewing the BCM programme for all TM Call Centres and establishing a BCM programme for the corporate office.

Corporate Responsibility (CR)

- The Group has adopted the guidelines for government-linked companies (GLCs) as contained in the *Silver Book – Achieving Value Through Social Responsibility* in formulating its CR strategy, which focuses on sustainability. This includes sustaining customer retention; sustaining a high level of productivity and motivation among employees; sustaining shareholder confidence and sustaining its reputation in the marketplace.
- It also adopts Bursa Malaysia's CSR Framework for Private Limited Companies (PLCs) and the Global Reporting Initiative (GRI-G3) framework as additional guidelines for presenting a concise; and comprehensive view of TM's performance in managing its CR activities and initiatives.

D. Information and Communication

Information and Communication ensures that pertinent information is identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Relevant key activities within the Group include:

Communication Policy

- TM Group is committed to open and effective communication as an essential component of its culture in order to motivate the workforce to deliver high quality service and exceptional value to customers and other stakeholders as well as to anticipate their feedback.
- Its purpose is to encourage communicativeness and ensure that communication across the Group is well coordinated, effectively managed and meets the diverse needs of the organisation.



Recording to Reporting Framework (R2R)

- The Recording & Reporting Programme is a non-compliance reporting framework adopted by Group Finance to instill and enforce behavioural change across the organisation to enhance the quality and integrity of the recording to reporting process.
- The framework provides a mechanism for identifying and capturing non-compliance that impact the recording and reporting quality while promoting awareness of compliance and increasing Senior Management's accountability. Reporting of non-compliance incidents is crucial to alert TM's Management to root causes of weaknesses, to prevent recurrences and to enable the Management to present quality and timely reports for faster and more accurate decision support.

Best Practice Committee

- The Best Practice Committee is a Management committee that reports to the Audit Committee. It provides updates on the development of best practices and exposure drafts on corporate governance, statutory and regulatory requirements set by all statutory bodies and relevant authorities, compliance with accounting standards and other business guidelines and issues. All requisite reminders and updates are raised through its secretariat, the Compliance Unit.

Internal Control Incident (ICI) Reporting

- Internal Control Incident (ICI) reporting captures and disseminates lessons learnt from internal control incidents on a periodic basis with the objective of preventing similar incidents from occurring in other divisions and operating companies within the Group.

Whistleblower Policy

- The Board of Directors has established an Ethics Line to enable employees to anonymously report violations in accounting, reporting or internal controls, as well as non-compliance with TM Group's Code of Business Ethics.
- TM Group's whistle-blowing channels comprise user-friendly and confidential Ethics telephone and fax lines and email account. Alternatively, employees can make reports directly to any of the identified Senior Management, including the Group CEO. In 2012, TM Group conducted series of actions to increase employees' awareness of the channels made available to them for the reporting of wrong-doing.

E. Monitoring

Monitoring the effectiveness of internal control is embedded in the normal course of the business. Periodic assessments are integral to the Management's continuous monitoring of internal control. Systematic processes available to address deficiencies include:

Management Committees

- Two top-level committees have been established, namely the Management Committee and the Group Leadership Team (GLT) chaired by the Group CEO, with clear demarcation of roles in managing the Group's strategies and policies more effectively. The Management Committee focuses on providing guidance and making decisions on strategic matters while GLT concentrates on matters pertaining to business performance and ensures effective supervision over key operational issues.

Audit and Business Assurance Committee

- The Audit and Business Assurance Committee (ABAC), comprising Senior Management from the different Lines of Business, regularly monitors major internal and external audit issues to ensure they are promptly addressed and resolved.

Performance Management Framework

- Comprehensive management reports are generated on a regular and consistent basis to facilitate the Board and the Group's Management in performing financial and operating reviews of the various business units. These include reviews of financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

Periodic Self-Assessments

- Annual disclosures are made by both TM Senior Management – represented by Group Chief Officers, Executive Vice Presidents, Vice Presidents and General Managers – and by TM Group Operating Companies' CEOs and CFOs on the overall effectiveness, reliability and adequacy of their respective companies' systems of internal and financial controls.
 - Quarterly disclosures on Financial Controls Compliance and Assurance Statements (FCCAS) form part of the initiative to inculcate awareness of 'financial and internal controls' requirements within the Group.



- o Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with Malaysia Financial Reporting Standard (MFRS).

Headline Key Performance Indicators (KPIs)

- These Headline KPIs are a subset of broader performance indicators approved by the Board. The Board agreed in 2012 to report three KPIs from TM Group's Corporate Scorecard as Headline KPIs, namely revenue growth, EBITDA margin and the TRI*M Index.

Group Internal Audit

- Group Internal Audit carries out continuous assessments on the adequacy of risk management while maintaining a flexible audit approach and robust audit plan that together address emerging as well as potential risks. The new design of control was thoroughly assessed for new projects launched. Group Internal Audit also assists to promote effective risk management at the lines of business.
- Group Internal Audit continues to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of internal control systems. Significant findings and recommendations for improvement are highlighted to Senior Management and the Audit Committee, with periodic follow-up reviews of the implementation of action plans. Group Internal Audit's practices and conducts are governed by its Internal Audit Charter.

Special Affairs Unit

The Special Affairs Unit is responsible for reviewing and monitoring the ethical conduct and practice of all employees, including Senior Management. Investigation of Internal Control Incidents (ICIs) is also undertaken by the Unit (where applicable) and tabled to the ICI Committee and the Board through the Audit Committee. Appropriate actions are then taken based on the strengths and merits of the findings. The Special Affairs Unit takes on concerns raised by whistle-blowers for further investigation.

REVIEW OF THE STATEMENT BY THE BOARD OF DIRECTORS

The Board considers the system of internal control described in this statement to be effective and the risks to be at an acceptable level within the context of the Group's business environment and risk appetite set by the Board. The Board and Management will continue to take measures to strengthen the risk management processes and internal control environment and monitor the health of the risks and internal control framework.

For the financial year under review, the Board is satisfied that the systems of risk management and internal control were effective and have not resulted in any material loss, contingency or uncertainty.

TM's internal control system does not apply to its associate companies, which fall within the control of their majority shareholders. Nonetheless, TM's interests are served through representation on the Board of Directors and Senior Management posting(s) to the associate companies as well as through the review of management accounts received. These provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments in such companies.



AUDIT COMMITTEE REPORT

MEMBERSHIP

From left to right:

QUAH POH KEAT

Chairman

Independent Non-Executive Director

DATO' DANAPALAN T. P VINGGRASALAM

Member

Senior Independent Non-Executive Director

IBRAHIM MARSIDI

Member

Independent Non-Executive Director

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN

Member

Non-Independent Non-Executive Director



In line with the Terms of Reference (ToR) of the Board Audit Committee (BAC) and in compliance with the Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities), TM's BAC consists of four members, three Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The majority of members are Independent Directors and none of them is an Alternate Director.

Mr Quah Poh Keat, the BAC Chairman, is an Independent Director and a member of the Malaysian Institute of Accountants (MIA), fulfilling the requisite qualifications as stipulated in paragraph 15.09(1)(c)(i) of the Main LR of Bursa Securities. He is also a Fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants (ACCA), the Malaysian Institute of Certified Public Accountants (MICPA) and the Chartered Institute of Management Accountants (CIMA). Another BAC member, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, is a member of the Institute of Public Accountants, Australia.

The Nomination and Remuneration Committee and TM Board annually review the composition and performance of the Board Committees, including the BAC. BAC members' tenure, performance and the effectiveness of the BAC's structure and processes as well as its accountability and responsibilities were assessed via the Board Effectiveness Evaluation (BEE).

Based on the BEE 2012 findings, TM Board agreed that the BAC has shown strong performance over the years and, as illustrated by their profiles on pages 77 to 80 inclusive, the four distinguished members fulfil the requirements of having sound judgement, objectivity, an independent attitude, management experience, professionalism, integrity, knowledge of the industry and financially literate. They have discharged their duties and responsibilities with excellence. TM Board further agreed to maintain the existing composition of the BAC.

MEETINGS AND ATTENDANCE

BAC held nine meetings during the financial year 2012, four to discuss the quarterly results and the balance five for other internal and external audit matters.

Details of the members' attendance are as follows:

BAC Member	Number of BAC Meetings	
	Attended/ Held	%
Quah Poh Keat	9/9	100.0
Dato' Danapalan T. P Vinggrasalam	9/9	100.0
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	8/9	88.9
Ibrahim Marsidi	9/9	100.0

Tunku Dato' Mahmood Fawzy was absent for one meeting held during the year as he was away performing the hajj.

The Company Secretary acts as the BAC secretary in all BAC meetings. BAC meetings were also attended by the Group CEO and Group CFO, together with members of the Senior Management and the external auditor, upon invitation, to brief the BAC on pertinent issues.

The BAC also had two private sessions with the external auditor without the Management's presence, on 18 April and 26 September 2012.

Minutes of BAC meetings were circulated to all members and significant matters reserved for the Board's approval were tabled at TM Board meetings. The Chairman of the BAC provides a report on the decisions and recommendations of the BAC to TM Board.

SUMMARY OF THE TERMS OF REFERENCE (ToR) OF BAC

The ToR of the BAC continue to be aligned with the Main LR and best practices propagated by the Corporate Governance Guide: Towards Boardroom Excellence of Bursa Securities. At the same time, the ToR articulating the powers, duties and responsibilities of the BAC have been revised and updated over time to ensure alignment with new requirements and regulations.

Most recently, the ToR were revised to incorporate the recommendations introduced in the newly enhanced Malaysian Code on Corporate Governance 2012 (MCCG 2012) involving policies and procedure to assess the suitability and independence of external auditor. BAC has formalised the requirement for written assurance from the external auditor confirming their independence and abided by other guidelines on the engagement of the external auditor for non-audit work.

BAC was of the opinion that the revision not only supported the existing processes, it also enabled BAC to encapsulate these processes into its ToR. The revision further reinforced the importance of assuring the independence of the external auditor at all times.

The revised ToR of BAC are now integrated in the Company's Board Charter, another adoption of the MCCG 2012's recommendation, and is accessible on the Company's official website at www.tm.com.my.

The summarised key duties and responsibilities of the BAC and their key functions are as follows:

1. Assessing the Control Environment within TM Group which includes ensuring policy implementation and the adequacy of controls, and reviewing the integrity of internal control systems and management information systems.
2. Overseeing the financial reporting of TM Group to ensure that it presents a true and fair view of the Company's financial position and performance and is in compliance with applicable financial reporting standards and regulatory requirements.
3. Discussing the Audit Plan vis-a-vis the Company's system of internal control and monitoring the non-audit work by the external auditor to ensure continued independence and objectivity.
4. Reviewing and approving the Internal Audit Charter and Internal Audit Plan and ensuring independence of Group Internal Audit (GIA) Division and GIA's impartiality.
5. Reviewing conflict of interest situations and related party transactions (RPTs) proposed to be entered into.
6. Verifying the allocation of share options to eligible employees (if any). As the Special ESOS expired on 16 September 2010, there was no new allocation for ESOS during the financial year under review.
7. Ensuring the availability of whistle-blowing avenues and reviewing fraud detection procedures.
8. Reporting any breach or non-compliance of the Main LR to Bursa Securities if such matters are not satisfactorily resolved by the Board.

SUMMARY OF PRINCIPAL ACTIVITIES OF THE BAC IN THE FINANCIAL YEAR

BAC meetings to discuss and consider the draft quarterly results were scheduled a year in advance while meetings to deliberate internal and external audit issues and findings were scheduled in between throughout the year. The organised planning allows for focus and for the members to allocate sufficient time to thoroughly deliberate each audit issue.

Throughout the year 2012, the BAC also executed various strategies and actions to discharge its duties and responsibilities effectively. The summary of principal activities performed during the financial year were as follows:

1. Internal Control

- a) Reviewed the Statement of Internal Control (SIC), which had been audited by the external auditor, in February 2012 for inclusion in the 2011 Annual Report. The SIC was supported by the 2011 Special Review on Annual Internal Control Assurance Letter, Special Review on Internal Control Health Check and Internal Control Incidents Report, based on which BAC concluded that the SIC presented a true and fair view of the Company's state of internal control.



- b) Reviewed the quarterly reports on the adequacy, effectiveness and reliability of internal control systems based on controlled self-assessments performed annually by the Management of the Lines of Business and subsidiaries. These issues were discussed at length to secure a satisfactory conclusion or moving forward action.
 - c) Reviewed major policy updates, revisions or enhancements to the Limits of Authority Matrix and Business Process Manual as recommended by the Management to ascertain that the improvements made were aligned with business best practices and effective internal control processes, and made recommendations to TM Board.
 - d) Deliberated on the quarterly reports from the Audit and Business Assurance Committee on actions taken by Management to resolve significant internal control and accounting issues highlighted by the internal and external auditors.
 - e) Deliberated on the following reports from the Best Practices Committee (BPC):
 - Updates and developments of Corporate Governance and best business practices, statutory and regulatory requirements, compliance with accounting standards and other business guidelines.
 - Updates on any material litigations and their financial impact.
 - Review of RPTs or recurrent RPT (RRPT) during each quarter.
- BAC deliberated on the Company's quarterly financial statements on 21 February, 25 May, 27 August and 20 November 2012 for the financial quarters of 4Q2011, 1Q2012, 2Q2012 and 3Q2012 respectively and concluded that the reports presented a true and fair view of the Company's financial performance.
 - Quarterly internal audit review to ensure compliance with MFRS 134.
 - Review of the draft announcements of the Audited and Unaudited Financial Statements to Bursa Securities, to ensure compliance with regulatory requirements.
 - Impact due to changes in accounting policies involving the new MFRS was thoroughly discussed and scrutinised at length by the BAC.
 - Review was also conducted on the impact of MFRS 136 subsequent to the findings of the review on annual impairment.
- b) Audited Financial Statements of TM Group for the financial year ended 31 December 2011 in compliance with regulatory requirements.
 - BAC reviewed the Audited Financial Statements in February 2012 and concluded that the financial reports presented a true and fair view of the Company's financial performance for the year.
 - c) Proposed Dividend Payout for the financial year.

2. Financial Reporting

The following matters were reviewed by the BAC before being recommended to TM Board for approval:

- a) Quarterly Unaudited Financial Statements of TM Group in compliance with Malaysian Financial Reporting Standards (MFRS) 134 and the Main LR.

3. External Audit

- a) Reviewed the external auditor's report on the final audit report for the financial year ended 31 December 2011 and Directors' Statement of Internal Control in February 2012 before recommending to TM Board for approval.



- b) Reviewed the Internal Control Memorandum, together with Management's response to the findings of the external auditor before recommending to TM Board for approval. The interim findings were presented in November 2011 while the 2011 Internal Control Memorandum was tabled in April 2012.
- c) Reviewed with the external auditor the 2012 audit plan encompassing the proposed audit work blueprint, nature and scope of the audit and engagement strategy in September 2012 prior to its implementation.
- d) Reviewed the terms of engagement of the external auditor for 2012 statutory audit and Directors' SIC, upon confirmation of its independence and objectivity, in September 2012, prior to tabling for TM Board's approval. Most of the engagement of the external auditor for TM Group was handled under the Group's umbrella to ensure streamlined terms of engagement.
- e) Reviewed the overall performance of the external auditor and, upon satisfactory assessment, recommended the fee payable in respect of the work performed for TM Board's approval.
- f) Reviewed the 2012 Interim Audit Committee Report in November 2012.
- g) Reviewed and approved the non-audit services provided by the external auditor to ensure there was no impairment of independence or objectivity. This also included monitoring the fees for all non-audit work carried out by the external auditor to keep it within the limit agreed.
- h) BAC also diligently exercised its right to hold biannual meetings with the external auditor without the Management on 18 April and 26 September 2012. These sessions were held to ensure the external auditor was not restricted in its scope of audit and to enable matters to be discussed openly without the Management's presence.

- i) The BAC Chairman, Group Chief Internal Auditor (GCIA) and external auditor also held several private sessions without the presence of Management prior to the BAC meetings.

While enabling the BAC to gain better knowledge of issues relating to audit, these private sessions also helped to reinforce the independence of the internal and external audit functions of the Company.

4. Internal Audit

- a) Reviewed and approved the GIA's Annual Audit Plan to ensure adequate scope and comprehensive coverage of activities of the Group and any review thereof. The Internal Audit Plan was presented to the BAC and discussed at the beginning of the financial year in January 2012 and the review was deliberated in July 2012.
- b) Reviewed the Key Performance Indicators (KPIs), competency and resources of the internal audit function to ensure that, collectively, GIA has the required expertise and professionalism to discharge its duties.
- c) Reviewed the 2011 KPIs and performance of GIA and GCIA in 1Q2012. The Statement on Internal Audit is set out on pages 128 to 131 of this annual report.
- d) Deliberated on the internal audit reports and recommendations and Management's response to these recommendations. Where appropriate, BAC would instruct Management to rectify and improve control procedures based on GIA's recommendations and suggestions for improvements. The detailed reports and findings of the internal auditors were delivered to the BAC members as and when arising while summaries of the major findings were presented and deliberated at the BAC interval meetings.



- e) Updated the implementation of recommendations by Management on outstanding issues on a quarterly basis to ensure that all key risks and control weaknesses were being properly addressed.
- f) Reviewed reports on subsidiary's audit committee meetings.
- g) Held private meetings and discussions with GCIA on key internal control and internal audit related matters.

5. RPTs and Conflict of Interest Situation

- a) Reviewed reports of RPT and possible conflict of interest transactions in ensuring they were in the best interest of TM, fair and reasonable, on normal commercial terms and free of conflict. BAC deliberated on the nature of the transactions and provided its recommendations accordingly. Announcements were made based on the findings after BAC's review.
- b) Periodically reviewed the RRPT to ensure they were at arm's length and duly tracked against their mandated amounts.
- c) Reviewed the estimated RRPT Mandate for the ensuing year and recommended TM Board to seek the shareholders' mandate at the annual or extraordinary general meeting of the Company.

6. Integrity and Ethical Matters

- a) Deliberated on reports in relation to Internal Control Incidents (ICI), Investigations and Domestic Inquiries conducted. BAC provided input and/or directives on the next course of action on the issues highlighted and update on the progress of the cases from time to time until the conclusion of the issues.
- b) Deliberated on major cases of internal and external misconduct in relation to the Group's Code of Business Ethics, Integrity Pact and whistle-blower programme.

7. Annual Reporting

- a) Reviewed disclosure statements on Corporate Governance, Audit Committee Report, SIC, Statement of Internal Audit, Investor Relations Statement, Corporate Integrity Report, Additional Compliance Statement for the financial year ended 31 December 2011 for inclusion in the Annual Report 2011 and recommended their adoption by the Board.

8. Others

- a) Updated selected project review reports, ensuring their progress as per agreed timelines.


TRAININGS

During the year, BAC members attended various conferences, seminars and training programmes not only to enhance their knowledge to enable them to discharge their duties efficiently as directors of the Company, but also to further improve their technical competencies and expertise in the following areas:

Aspect	Title of Conference/Seminar
Accounting & Finance	<ul style="list-style-type: none"> Financial Institutions Directors' Education (FIDE) Forum: Roundtable Discussion entitled Board of Directors – Value Creation vs Compliance FIDE Elective Program: Internal Capital Adequacy Assessment Process (ICAAP) Program Financial Institutions Directors Education Programme Launch of Perbadanan Insurans Deposit Malaysia (PIDM) 2011 Annual Report and Annual Dialogue MFRS Convergence MIA Conference 2012 – A-Z of Accounting for Changes in Foreign Exchange Rates
Risk Management	<ul style="list-style-type: none"> FIDE Forum: Breakfast Talk entitled Insurance Banana Skins – Risks Facing Insurers and the Way Forward ICAAP Workshop PBB In-House Training: Understanding the ICAAP
Strategy	<ul style="list-style-type: none"> TM Board Training Programme (BTP): Foresight – Learning on Navigating the Future Directors Forum 2011: Board Rising to the Challenges of Corporate Entrepreneurship FIDE Forum: Roundtable Discussion on Banking Industry – During this banking era of consolidation what are the factors to consider if your bank is being acquired or is to be acquired?
Corporate Governance	<ul style="list-style-type: none"> BTP: Corporate Integrity Corporate Governance 2012: Directing Results Focused Risk Management Program to strengthen your Enterprise's Governance
Industry	<ul style="list-style-type: none"> CommunicAsia 2012 : Shaping Vision, Creating Reality Khazanah Megatrends Forum 2012

Results of the 2012 BEE showed that the BAC members had maintained a high level of technical competency and were generally up to date with technical changes.

This BAC Report is made in accordance with the resolution of the Board of Directors duly passed on 27 February 2013.



Quah Poh Keat
Chairman of BAC

STATEMENT ON INTERNAL AUDIT

Group Internal Audit (GIA) strives to provide independent, objective assurance and consultancy services designed to bring value and improve TM's operations. GIA implements a systematic and disciplined approach to evaluate and improve the effectiveness of the Group's risk management, overall system of internal control, and governance processes.

The internal audit function adopts a risk-based audit methodology aligned with the Group's risks to ensure that relevant controls addressing those risks are reviewed on a rotational basis. The purpose, authority and responsibility of Group Internal Audit, as well as the nature of assurance and consultancy activities provided to the Group, are clearly articulated in the Internal Audit Charter. This charter has been reviewed and approved by the Audit Committee and is in line with the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF).

The internal audit function in TM is managed in-house with the GIA reporting directly to the Audit Committee. In order to preserve its independence, the Group Chief Internal Auditor periodically reports on the activities performed and key strategic and control issues noted by Group Internal Audit to the Audit Committee. The Audit Committee reviews and approves the Group Internal Audit's annual budget, audit plans and human resources requirements to ensure the function is adequately resourced with competent and proficient internal auditors.

PRACTICES AND FRAMEWORK

In order to ensure standardisation and consistency in providing assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance, GIA has aligned its current internal audit practices with the COSO Internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by GIA are based on the following five internal control elements:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

INDEPENDENCE AND OBJECTIVITY

Internal audit activities remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing or report content, to maintain the necessary independent and objective mental attitude.

GIA has no direct operational responsibility or authority over any of the activities audited. Accordingly, GIA will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair the internal auditors' judgment.

SCOPE AND COVERAGE

Group Internal Audit maintains a flexible audit approach and a dynamic audit plan to address emerging current risks as well as potential future risks. This has enhanced the ability of Group Internal Audit to affect and facilitate the changes and foster continuous improvements within the Group. For example, the end-to-end process audit has positioned Group Internal Audit at the forefront of positive change by recommending and facilitating the alignment of people, processes and technology towards achieving TM's key business objectives. The scope of audit engagement is also aligned with the primary risks of the organisation and its key strategic initiatives. Key audit areas identified in 2012, in line with broad COSO objectives, were:

1. Effectiveness and Efficiency of Operations

a) Procurement

- Review of Procurement Contract Management
- Review of Vendor Management
- Post-Implementation Review of Customer Purchase Equipment (CPE) Management
- Review of Subsidiary Companies Procurement Process

b) Sales and Marketing

- Review of TM Channel Management
- Review of Customer Service and Cash Management at TMpoint outlets
- Review of UniFi End-to-End Customer Complaints Management
- Review of End-to-End Contact Centre Efficiency
- Review of Effectiveness of A&P Activities
- Review of State Business Operations covering Sales, Marketing & Customer Service Management

c) Financial Management

- Review of Capital Expenditure (Capex) Management at Subsidiary Companies
- Review of High Speed Broadband (HSBB) Access Capex and Cost Management
- Review of Cash Management at TMpoint Central Region
- Review of Revenue Assurance
- Review of Subsidiaries' Business and Operations
- Review of Credit Management

d) Network

- Review of Network Security (UniFi Network)
- Review of Internet Protocol (IP) Core Network Operations & Maintenance
- Review of HSBB Metro e-Deployment, Provisioning and Operation
- Review of Public Switched Telephone Network (PSTN) to Next Generation Network (NGN) Network Element (NE) Migration and Decommissioning of PSTN
- Audit on End to End Process of Internet Protocol Virtual Private Network (IPVPN)

e) Information Technology

- Review of Information Technology Governance
- Review of Payment Gateway and One-Stop e-Commerce Solution
- Review of Enterprise Application Integration System
- Review of Cloud Computing

f) Human Capital Management

- Audit on Human Resources Business Process

2. Reliability of Financial Reporting

a) Financial Reporting Reviews

b) Quarterly Interim Financial Reviews

3. Compliance with Applicable Laws and Regulations

a) Related Party Transactions

GIA also assisted the Management in troubleshooting internal control weaknesses reported by whistle-blowers, complex data analysis in detecting errors and omissions, post mortems of internal control failures and risk exposures of major TM projects. GIA further participated in the review of major projects covering new business products and systems to ensure adequate controls were in place before these were launched. GIA also complied with requests from the Audit Committee and/or Management to conduct special reviews in addition to those planned for the year. Follow-up reviews were performed on the implementation of audit recommendations on a quarterly basis and the status of these were reported to the Audit Committee accordingly.

RESOURCES

A total of RM6.5 million was spent on internal audit activities in 2012. A summary of the internal audit cost, based on key categories, is as follows:

Category	RM (million)	% of total cost
Manpower	4.7	72%
Incidentals (incl. Travelling)	0.4	6%
Internal Recharges (incl. Space Rental, IT Charges, Training Costs)	1.4	22%
Total	6.5	100%

A summary of the number of internal auditors, based on their respective competencies, as at 31 December 2012, is as follows:

Discipline	Number of Internal Auditors	Percentage
Accounting and Finance	15	43%
Information Technology	5	14%
Engineering/Network	10	29%
Marketing	4	11%
Legal	1	3%
Total	35	100%

CO-SOURCING ACTIVITY

There was no co-sourcing of internal audit activities in 2012. All the internal audit activities were performed in-house.

COMMITMENT TO COMPETENCE

GIA will continue to position the internal audit division as a training ground for future business leaders. In maintaining a highly adaptive audit function, there is a need to invest in upgrading the knowledge and skills of the auditors through continuous development and training. Each auditor is benchmarked against the Audit Functional Competency Model to determine his or her knowledge and skills gaps, and undergoes specific training to bridge the gap. The auditors are also exposed to areas such as entrepreneurship, strategic business and operations, innovation and risk management, among others.

Key seminars and workshops attended by Group Internal Audit in 2012 were as follows:

- a) **Group Training** – in areas such as structured thinking analysis, report writing and refresher on requirements of the IPPF Standards. The following programmes were carried out in-house based on the training requirements needed to narrow the skills gaps:
- Basic Internal Training Programme – developed in-house covering five modules to enhance practical auditing skills via simulation of real-life audit engagement scenarios encompassing management responses and actual data analysis.
 - Quality Assessment Review Certification – more than 60% of GIA staff underwent this training during the year.
 - In-house training and team dynamics programme – which is critical towards maintaining a high-performance team that produces excellent results. GIA is committed to providing similar training every year as this methodology has proven to be successful, especially in jump-starting new auditors to a reasonable level of internal auditing proficiency.
 - Team dynamic session – this fosters effective team work and promotes positive interaction between new auditors and existing auditors for better synergies in producing outstanding auditing outcome.

b) Individual Training – developed based on individual competency weaknesses. The type of training provided for the internal auditors was determined by their competency gaps coupled with future requirements such as leadership and management skills. Among the key training attended by auditors as at December 2012 were:

- 2012 National Conference on Internal Auditing
- Building A Risk-Based Internal Audit Plan
- TeamMate Asia Pacific User Forum 2012
- Information Management Security System
- Financial Statement Fraud Prevention and Detection
- Procurement Best Practices & 2012 Corporate Fraud Conference
- Leadership Sustainability: Turning Leadership Aspiration into Actions
- Strategic Thinking, Planning & Implementation
- IT Audit – Exploring The World of IT Auditing
- Related Party Transaction Audit: Internal Control
- Broadband World Forum Asia
- Investigation and Evidence Gathering
- Cyber Security Seminar
- Various in-house developed e-learning courses to improve auditors' functional skills

Apart from the above, GIA embarked on an extensive GIA-Management Training Collaboration Programme. This comprised knowledge-sharing sessions by subject matter experts involving key Management to speed up auditors' acquisition of knowledge on the Company's business and operations. The sessions enabled the auditors to obtain first-hand knowledge from experts supporting key processes within TM.

INTERNAL AUDIT QUALITY

The Group Chief Internal Auditor develops and maintains a quality assurance and improvement programme that covers all aspects of internal audit activities. The quality assurance programme assesses the effectiveness of GIA processes and identifies opportunities for improvement via both internal and external assessments.

GIA has an advanced peer reviewer mechanism to ensure a consistently high quality output of every audit engagement. Peer reviewers with relevant expertise among Senior Auditors or the Management team are selected to provide professional advice and ensure that all risk areas are adequately covered before communicating the final engagement results to the appropriate parties.

An internal quality assessment is also performed annually within GIA to evaluate its conformance with the IIA's IPPF. This is performed through self-assessment by a qualified Certified Internal Auditor (CIA) and includes in-depth interviews, surveys and detailed data analysis.

Further, GIA also organises an external quality assessment by a qualified independent reviewer of the entire spectrum of audit work performed by the internal auditors once every five years. The assessment includes areas such as compliance to IIA's IPPF and Group Internal Audit Manuals, contribution to governance, risk assessment, control processes and performance management.



Hazimi Kassim
Group Chief Internal Auditor



Quah Poh Keat
Chairman Audit Committee

BOARD RISK COMMITTEE REPORT

MEMBERSHIP

Sitting in the middle:

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN

Chairman

Non-Independent Non-Executive Director

Standing from left to right:

IBRAHIM MARSIDI

Member

Independent Non-Executive Director

DATO' IR ABDUL RAHIM ABU BAKAR

Member

Independent Non-Executive Director

DATO' DANAPALAN T.P VINGGRASALAM

Member

Senior Independent Non-Executive Director

DATUK BAZLAN OSMAN

Member

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



Members of the BRC shall possess sound judgment, objectivity, an independent attitude, management experience, professionalism, integrity and knowledge of the industry.

Members of the BRC acknowledge that their roles in the BRC are in addition to their duties and responsibilities as members of the Board. The deliberations of the BRC do not reduce or absolve the individual and collective responsibilities of the Board members in regards to their fiduciary duties and responsibilities. BRC members shall continue to exercise due care and judgment in accordance with their statutory obligations and in the best interest of the Company.

MEETINGS AND ATTENDANCE

BRC held three meetings during the financial year 2012. Details of the members' attendance are as follows:

BRC Member	Number of BRC Meetings	
	Attended/ Held	%
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	3/3	100.0
Dato' Danapalan T.P Vinggrasalam	3/3	100.0
Dato' Ir Abdul Rahim Abu Bakar	3/3	100.0
Ibrahim Marsidi	3/3	100.0
Datuk Bazlan Osman	3/3	100.0

The Head of Group Business Assurance Division, who also acts in the capacity of Head of Risk Management Unit, attended the BRC meetings as a permanent invitee. Other attendees, external or internal, were invited to attend all or part of meetings as and when appropriate and with the consent of the Chairman, to facilitate BRC business.

The BRC secretary shall be the Company Secretary and in his absence, any executive from the Company Secretarial Division may attend the meeting on his behalf. However, the Secretariat to the BRC meetings shall be:

- Group Business Assurance Division; and
- Company Secretarial Division

TERMS OF REFERENCE

The terms of reference of the BRC can be viewed on the Company's website at www.tm.com.my under the tab About Us – Corporate Information – Corporate Governance.

RISK MANAGEMENT REPORT

TM's Enterprise Risk Management (ERM) team in TM continued to implement ERM as a key strategic management tool to generate enterprise business value throughout the organisation, with strong support from the Board and top Management. TM Group Risk Management and Internal Control Policy Statement, which define TM's risk management and its objectives as well as the accountability of top Management, testify to TM's commitment towards implementing ERM as an essential management function of the organisation.

TM continually strengthens its governance, policies, processes and procedures to meet regulatory requirements and manage corporate and operational risk in the competitive industry. The BRC is responsible for risk oversight within the Group and to monitor the implementation of the ERM policy. In order for risk management to be institutionalised effectively throughout the organisation, it has become a permanent agenda in both Management Committee Meetings (MCMs) and Operation Committee Meetings (OCMs) for TM Group and its Lines of Business (LOB) respectively. Both platforms discuss identified risks and action plans to mitigate these to minimise the frequency and severity of the business risks.

The successful implementation of ERM at the strategic level is followed by its institutionalisation at the operational level. The Management is committed to managing risk at every stage of product and project development, from the point of inception up to post implementation. For instance, in TM's Gated and Product Authorisation Process, the ERM determines whether existing risks are at an acceptable level or whether additional security controls should be implemented to further reduce or eliminate the residual risk before authorising the launch of the product for operation.

Table 1 – ERM implementation process



TM is committed to ensuring quality of service at all times to safeguard its brand and reputation. As it moves along the ERM implementation journey, TM has further strengthened its Business Continuity Plan (BCP) to address the risk of major service outage due to disaster. Further, the Company is also enhancing its holistic Corporate Security ecosystem to ensure threats to its infrastructure, systems or facilities are adequately managed and responded to in order to uphold quality of service and customer satisfaction.

TM embraces a holistic approach to support its ERM implementation in managing business risks. A Maturity Assessment has been conducted to gauge the effectiveness of its risk management practices and subsequently to expedite the ERM implementation.

MANAGING OPERATIONAL RISKS

As TM operates in a highly competitive and technology-based environment, continuous and effective risk management is vital towards achieving its business targets. The Risk and Corporate Compliance Management Unit in TM is responsible for managing operational risks inherent in the business within an acceptable level.

1) Strengthening Business Resilience

TM is committed to ensuring the timely recovery of its core business and its continuity in the event of disaster to uphold its quality of service and to preserve shareholder value. Thus a comprehensive Business Continuity Management (BCM) programme has been put in place which enhances service assurance readiness. TM continues to strengthen its BCM programme for Network and IT operations to ensure a resilient operational backbone. It is also enhancing its service assurance readiness in its Call Centres and Menara TM to ensure that critical business functions are able to operate in the event of major business or system disruptions.

2) Managing Competition

Competition risk in the telecommunications industry has intensified along with the entry of cellular players into the high speed broadband market. To spur further growth and revenue, TM has executed various strategies focusing on innovative products and services. It has also embarked on communication activities and its Broadband Champion programme to ensure excellent customer experience at every touch point. These strategies have led to an increase in TM broadband subscribers and market share as compared to other players.

3) Improving Credit Risk

The absence of up-front cash payment in its business exposes TM to the potential loss of revenue and credit risk. Key to TM's mechanism to mitigate credit risk is its Credit Management Policy (CMP), which is supported by a Credit Assessment Management System (CAMS), an aggressive collection programme and the implementation of credit limit for mass market products. CAMS and other key initiatives such as the collection of final accounts and reduction of credit cycle treatment have resulted in TM meeting its collection performance and reducing its total bad debts. An in-built control in the CAMS system monitors credit rating, allocates credit limit, monitors usage against credit limit and monitors the customer payment behaviour, allowing for the analysis and early detection of any deterioration in credit management across all LOBs.



4) Managing Security Threat

TM is exposed to physical and logical security threats in the form of theft, robbery, information leakage, cyber attacks, spamming, hacking, intrusion and fraud. It has established a Data Governance Policy to oversee all functions concerning data and information security, continuity and safety by providing adequate security protection and tools in all network infrastructure and facilities. The implementation of Corporate Security Management inclusive of Guidelines for TM Physical and Logical Security Plan, security assessment and Data Leakage Protection solutions, ensures all security risks are minimised. As a result, incidents involving theft have reduced while IT and Network security has been gradually strengthened in 2012 as compared to previous years.

5) Managing Reputation Risk

TM closely monitors the multitude of risks that could affect the Group's reputation and ensures its risk exposure is diligently managed. These risks include failure to deliver minimum standards of service to customers, unethical practices and high-profile legal suits. Breach of third party intellectual property rights, poor financial performance and continued investigation by authorities could also expose TM to reputation risk. Poor after-sales service is another operational challenge that poses a reputation risk. Countering these, the Company has enhanced its brand image by improving the customer experience, as reflected in an overall reduction in customer complaints. The absence of negative media reports also indicates TM's reputation risk is under control.

6) Managing Ethical and Integrity Risk

A Code of Ethics forms the foundation of an organisation's commitment to high ethical standards and dictates the moral values and behaviour expected by everyone in the company. TM nurtures a corporate culture of honesty, efficiency and trustworthiness as prescribed by its Code of Business Ethics (CBE) in the belief that an ethical organisation not only benefits from a reputation for being exemplary, but also achieves better financial performance over the long term.

To maintain a high level of integrity in procurement, TM has introduced the TM Integrity Pact to eliminate corrupt practices, prohibit unauthorised use of proprietary information by employees and suppliers, and to deter employees from receiving or soliciting bribes. TM has further signed a Corporate Integrity Pledge as a declaration of its support of the national agenda to combat corruption. TM officers also attend a Certified Integrity Officers' Programme, in line with the national agenda for companies to have recognised integrity officers to plan, implement and monitor integrity programmes. These efforts exemplify the highest priority accorded by TM to staff integrity as it strives to meet its business objectives.

7) Managing Occupational Health, Safety and Environment (OSHE)

TM is committed to achieving a higher level of employee safety and is working towards zero accidents, fatalities, injuries or harm to the environment by ensuring a safe workplace for its employees and contractors. Employees and contractors are provided with continuous training to equip them with basic knowledge of hazard identification and risk control. TM is enhancing its OSHE performance by conducting more worksite inspections with greater focus on identified high-risk zones.

CONCLUSION

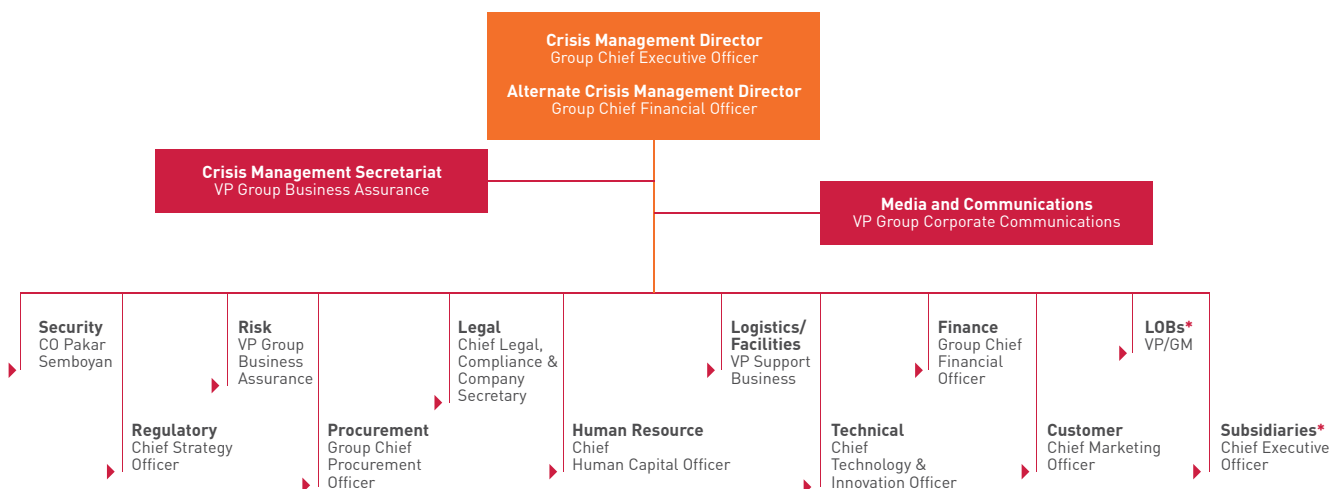
Managing business risks within TM continues to be given due priority by the Board and Management, ensuring the implementation of holistic ERM practices across the Group. The Group acknowledges that the ERM framework and practices are designed to manage, rather than eliminate, business risks that will hinder it from achieving its goals and objectives. Therefore, the Group has in place short and long-term plans to manage anticipated business risks that may expose it to potential loss within its capability and means.

BUSINESS CONTINUITY MANAGEMENT (BCM) REPORT

TM Group continues to strengthen its Business Continuity Management (BCM) programme across the organisation as part of an enterprise risk management tool to ensure business resilience.

The BCM programme aims to reduce the impact of major operational disruptions and disasters by returning the organisation to its 'business as usual' state following any crisis or disaster. In doing so, it safeguards the interests of key stakeholders, TM's reputation, brand and value-creating activities. In 2012, TM BCM established a BCM Steering Committee (SC), driven by the top Senior Management, to oversee all BCM programmes at the corporate level. The committee reviews, approves and resolves any challenges arising from the development and execution of BCM programmes. This ensures BCM has its required support with the right level of priority.

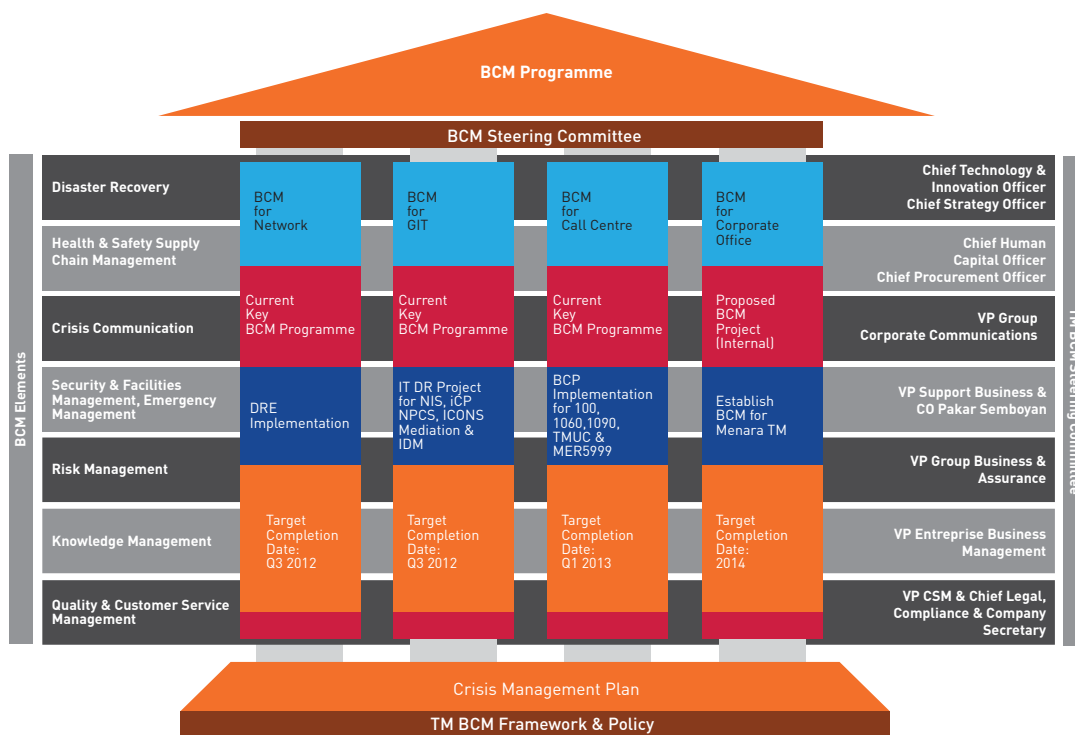
A Corporate Crisis Management Team (CCMT) was also established to guide the operational management of the BCM across the Group before, during and after any business crisis. The team ensures that preventive, corrective and recovery activities are synchronised and that periodical crisis drills and exercises are undertaken as needed to improve the response time following any crisis.



TM CORPORATE CRISIS MANAGEMENT TEAM

In addition, a Project Management Office (PMO) was formed to ensure enterprise-wide BCM programmes are well coordinated and executed, and to submit quarterly reports to the SC on progress made as well as its reservations. Its members comprise executives from various divisions in TM – such as Network and Group Information Technology (GIT) – who are directly involved in BCM at their respective divisions.

The SC has approved four main focus areas for BCM, namely Network, GIT, Contact Centre and Menara TM, and roadmaps for each focus area have been drawn.



Business Continuity Plans (BCP) for Network have been established since 2007, with clearly defined roles and responsibilities within the BCM structure. To date, TM has four Network Recovery Centres nationwide to cater to network operational requirements in the event of failure of the Network Operations Centre.

Continuous education on BCP is carried out to increase the level of employee readiness. In 2012, disaster recovery readiness was supplemented by the purchase of Disaster Recovery Equipment (DRE) worth RM20.72 million, for implementation in 2013. In addition, regular reviews are done on the Disaster Recovery Plan (DRP), Business Impact Analysis (BIA) to TM network clusters, awareness of BCP, simulation tests on the ground as well as table-top exercises.

The BCP at GIT is also well established, with a clearly defined BCM structure, roles and responsibilities, supported by continuous improvements and education programmes. In 2012, GIT implemented the IT Disaster Recovery Infrastructure (ITDR) and tested six critical applications – iCarePrime, NIS, Mediation, ICONS, NPCS and IDM. It also completed the annual ITDR test on existing applications. GIT will implement the ITDR infrastructure and test another three critical applications, namely the HSBB System (NOVA), Payment Gateway System (PG-OSSES) and Credit Management System (CAMS). On top of this, GIT plans to automate the ITDR Management services for greater effectiveness and efficiency.

At present, all Contact Centres at TM (TM100, 1060, 1090, MERS 999 Call Centre and VADS Call Centres) have their respective BCM strategies in place. In ensuring alignment with the BCM Framework, PMO has completed a high-level assessment and Business Impact Analysis on these. Meanwhile, high-level assessment of all business units at Menara TM has been initiated.

TM shall continue to ensure its BCM programme is effectively embedded and implemented in all business functions focusing on high probability scenarios which may include a change management programme. At the same time, TM is working towards compliance with ISO 22301 international standards requirements.

TM NETWORK CLUSTERS



ADDITIONAL COMPLIANCE INFORMATION

IN ACCORDANCE WITH APPENDIX 9C OF THE MAIN MARKET LISTING REQUIREMENTS (MAIN LR) OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES)

The following information is provided in compliance with the Main LR of Bursa Securities:-

1.0 UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

In 2012, the Company issued several Islamic Commercial Papers (ICP) and Islamic Medium Term Notes (IMTN) as part of the ICP/IMTN programmes approved in 2011. Summary of the transactions and proceeds utilisation is tabled below:

Issuance Date	Type	Nominal Value (RM million)	Maturity	Proceeds Utilisation
13 March 2012	ICP	150	15 May 2012	For Capital Expenditure (Capex) requirements
15 May 2012	IMTN	250	13 May 2022	Full repayment of the previous ICP and for Capex requirements
31 July 2012	ICP	80	10 September 2012	For Capex requirements
10 September 2012	ICP	150	10 October 2012 but rolled over to 21 November 2012	Full repayment of the previous ICP and for Capex requirements
3 October 2012	ICP	150	21 November 2012	For Capex requirements
19 November 2012	ICP	100	19 December 2012	For Capex requirements
19 December 2012	IMTN	300	19 December 2022	Full repayment of the previous ICP and for Capex requirements

In addition to the ICP/IMTN programme, TM through its wholly-owned subsidiary, TM Global Incorporated, obtained a five-year fixed rate foreign currency loan and concurrently entered into a Cross Currency Interest Rate Swap contract which effectively converted the loan into an RM liability equivalent to about RM298.9 million on 20 November 2012. Proceeds from the loan are utilised to partly redeem the two ICPs of RM150.0 million each, which matured on 21 November 2012.

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

2.0 SHARE BUY-BACK

The Company did not propose any share buy-back during the financial year.

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



3.0 OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year.

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

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

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

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

5.0 IMPOSITION OF SANCTIONS/PENALTIES

There were no public sanctions and/or penalties imposed on the Company 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 the external auditors, PricewaterhouseCoopers' (PwC) network of affiliated companies during the financial year is as follows:

	RM
PricewaterhouseCoopers Taxation Services Sdn Bhd	211,000

Services rendered by PwC are not prohibited by regulatory or other professional requirements, and are based on globally practised guidelines on auditor independence. PwC is engaged for these services when its 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 was no profit estimation, forecast or projection made or released by the Company during the financial year.

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

8.0 PROFIT GUARANTEE

The Company did not give any profit guarantee during the financial year.

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

9.0 MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts or any contracts in relation to loans entered into by the Company and/or its subsidiaries involving interests of Directors or major shareholders either subsisting as at 31 December 2012 or entered into since the end of the previous financial year ended 31 December 2011.

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

10.0 LISTING OF PROPERTIES

On 3 May 2002, the Company obtained a waiver from Bursa Securities from having to disclose detailed particulars of its properties for the Company's 2001 Annual Report and subsequent annual reports. The waiver is still subsisting to date.

The net book value of land and buildings and usage of properties for the financial year ended 31 December 2012 is disclosed in pages 390 to 391 of this annual report.

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

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

At the previous Extraordinary General Meeting held on 8 May 2012, TM 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 Company's forthcoming 28th Annual General Meeting (AGM) to be held on 7 May 2013.

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 2012 pursuant to the RRPT Mandate are disclosed 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' Fauziah Yaacob, Eshah Meor Suleiman, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil and Dato' Mat Noor Nawi.	In addition to their shareholdings in our Company, MoF Inc. and Khazanah are Major Shareholders of Axiata. Dato' Fauziah Yaacob is a representative of MoF Inc. on our Board. Eshah Meor Suleiman is her Alternate Director on our Board. Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin is a representative of Khazanah on our Board. Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil is his Alternate Director on our Board.	Revenue	
				- Interconnect revenue from Axiata Group.	44,450
				- Provision of Voice Over Internet Protocol (VOIP) related services to Axiata Group.	44,084
				- Provision of leased-line services to Axiata Group.	47,805
				- Provision of data and bandwidth related services to Axiata Group.	35,910
				- Site rental for telecommunications infrastructure, equipment and related charges by TM Group to Celcom Axiata Berhad (Celcom).	23,960
				- Provision of Internet access and broadband services to Celcom.	6,785
				- Commission on registration and collection by Telekom Sales and Services Sdn Bhd from Celcom.	1,980
				- Provision of contact centre and business process outsourcing services by VADS Berhad to Axiata Group.	79,033
				- Provision of fibre optic core and bandwidth services by Fiberail Sdn Bhd to Celcom.	8,986
- Provision of dark fibre, bandwidth, space and facility by Fibrecomm Network (M) Sdn Bhd (Fibrecomm) to Celcom.	19,342				
- Rental of office premises to Axiata Group.	14,606				



Transacting companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of relationship	Nature of RRPT	Value of Transactions RM'000
			Dato' Mat Noor Nawi was previously a representative of MoF Inc. on our Board. He was appointed on 1 December 2011 and resigned on 28 February 2013.	<p>Cost</p> <ul style="list-style-type: none"> - Interconnect charges by Axiata Group. 56,542 - Leased-line charges by Axiata Group. 426 - Dark fibre and leased-line charges by Celcom to Fibrecomm. 1,209 - VOIP related service charges by Axiata Group. 54,671 - Core rental and mobile services from Celcom to TM Group. 1,790 	
				TOTAL	441,579
Our Company and/or our subsidiaries	KUB Malaysia Berhad (KUB) and its subsidiaries (KUB Group)	Ministry of Finance, Malaysia (MOF)	In addition to its direct and/ or indirect shareholdings in our Company, MOF holds a 22.55% interest in KUB.	Purchase and/or utilisation of telecommunications equipment, systems and related services by TM Group from KUB Group.	47,172

The Company proposes to renew the RRPT Mandate at the forthcoming 28th AGM. The new RRPT Mandate, if approved by the shareholders, would be valid until the conclusion of the next annual general meeting of the Company.

CORPORATE INTEGRITY

TM places the highest priority on conducting its business with integrity. Being a government-linked company (GLC), it fully supports the National Integrity Plan (NIP), which advocates enhanced corporate governance, business ethics and corporate social responsibility. The same year the NIP was launched in 2004, TM produced its Code of Business Ethics (CBE) handbook.

CODE OF BUSINESS ETHICS

TM's Code of Business Ethics (CBE) was established in 2004 to support the Company's vision and core values, and was revised in 2010. The CBE aims to instill, internalise and uphold the value of Uncompromising Integrity in the behaviour and conduct of the Board of Directors, Management, employees and all stakeholders of the Company. The CBE also formalises the requirement for all Executive Directors, Management and employees of TM to declare their assets and interests.

Awareness of Code of Business Ethics Via Training and Intranet

TM Training Centre (TMTC), in collaboration with the Legal & Procurement Division, has created a short corporate video depicting excerpts from TM's Code of Business Ethics (CBE). This video is to be shown at the beginning of all classes at TMTC in order to solidify the culture of integrity. The video was launched on 1 October 2012, at a learning session on Emotional Intelligence.

Throughout the year, snippets comprising actual case studies related to integrity were also shown on the Intranet to reinforce employees' sense of responsibility to conduct themselves appropriately at all times. These snippets covered elements in TM's CBE such as Conflict of Interests, receiving gifts, managing company assets and dealing with TM's business partners.

TM Integrity Pact

To further strengthen a culture of integrity, TM introduced the Integrity Pact, outlining the rights and obligations of the Group and its suppliers in abstaining from bribery or any other corrupt practice, particularly in the procurement process. TM Integrity Pact, launched on 20 January 2012 by Dato' Sri Haji Abu Kassim Mohamed, Chief Commissioner of the Malaysian Anti-Corruption Commission (MACC), complements the Government's National Integrity Plan and National Key Result Area (NKRA) on fighting corruption.

The Integrity Pact is aligned with TM's vision and core value of instilling, internalising and upholding Uncompromising Integrity and strong work ethics, and is expected to further solidify TM's commitment to exemplary corporate citizenry.

Following the launch of the Integrity Pact, MACC and TM have jointly established a working committee to enhance integrity practices within the organisation, including suppliers. In 2012, TM's key suppliers attended four training sessions (one per quarter) conducted at the Malaysian Anti-Corruption Academy. The objective was to ensure clear understanding of integrity best practices and highlight the importance of good procurement practices in TM.

Corporate Integrity Talk/Dialogue Sessions

TM's leadership plays an important role in developing and maintaining the Company's culture of integrity. Hence, a dialogue session on Corporate Integrity was held on 28 March 2012 for TM's Board of Directors where the guest speakers were Prof Dr Syed Abdul Hamid Aljunid, Head of Economics and Governance Departments, International Centre for Education in Islamic Finance (INCEIF) and Datuk Dr Mohd Tap Salleh, President of Institute of Integrity Malaysia (IIM).

Another session was held for TM's State General Managers on 10 May 2012, where Datuk Haji Mustafar Haji Ali, Investigation Director of MACC, was invited to highlight offences under the MACC Act, and the implications of abuse of power on organisations such as TM.

Finally, the topic of TM's Integrity Dialogue Session at Menara TM on 25 September 2012 was *Good Governance – Best Practices & Principles*. This was attended by the Management and about 100 employees. The guest speakers were Mohd Nizam Mohd Ali, Director of Private Sector, Malaysian Institute of Integrity (IIM), P Kanason, IIM member and a retired Auditor General of Audit Malaysia, and Hazimi Kassim, Chief Internal Auditor of TM. Some of the topics discussed were *What Makes Good Governance, Fraud and Corporate Integrity System in Malaysia*.

To drive home the message of integrity, the Management team also embarked on regional roadshows to present the Code of Business Ethics, Whistle-Blowing and Integrity Pact to various audiences in TM. These initiatives coincided with the Turun Padang sessions of the Group CEO and Group CFO in the various states throughout 2012.

Disclosure & Declarations

Besides continuing with its policy for all TM Management and employees to declare their assets and interests including their family business(es) every year, TM introduced an Online Gifts Declaration for the Management and staff requiring them to report all gifts received throughout the year, particularly during the festive seasons.

WHISTLEBLOWER POLICY

One of the initiatives established under TM's CBE was an effective framework for whistle-blowing, reflecting the Board's commitment to maintaining the highest standards of ethical and legal conduct within the Group. The importance placed on whistle-blowing is consistent with legal developments, namely the Whistleblower Protection Act 2010, as well as the requirements stipulated in the Capital Markets and Services Act 2007 (CMSA 2007), the CG Guide and the CA 1965.

An internal whistle-blowing mechanism was introduced following the establishment of the whistle-blowing framework, providing employees with a way to channel their concerns regarding illegal, unethical or improper business conduct affecting the Company and about business improvement opportunities. An independent committee was also appointed by order of the Board to ensure the reporting channel is safe and maintains confidentiality.

An employee who has concerns about any illegal or unethical conduct in the workplace, but feels uncomfortable or reluctant to discuss the matter through the normal channels, has the option of using TM's Ethics Line via telephone or fax, or the

Ethics Website, through which his or her identity will be kept strictly confidential.

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

Conflict of Interest and Related Party Transactions (RPT)

The Directors are aware that they are accountable to investigate any potential or actual conflict of interest in relation to any matter which comes before the Board. Accordingly, all Directors are required 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 the Directors of their statutory duties and responsibilities and to provide updates on any changes thereon.

The Directors further acknowledge that by declaring their interest in any transaction with the Company and Group, they are to abstain from deliberation and voting on the relevant resolutions at the Board or any general meeting convened to consider the matter. If a corporate proposal has to be approved by shareholders, Directors with any interest in the proposal will abstain from voting on the resolution, and will further undertake to ensure that persons connected to them will similarly abstain from voting on the resolution.

Insider trading

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. Such action would be an offence under CMSA 2007, as stated in TM's CBE.

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

Director's Indemnity

Directors and officers are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties while holding office. 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.

trust

Performance Review

- 146** Group Financial Review
- 151** Statement of Value Added
- 152** Distribution of Value Added
- 153** TM Group Product & Services



continuous



Our track record is testament to our consistently strong financial and business performance, as well as our strong sense of corporate responsibility and sustainability. We will always look towards developing impactful strategies and sustainable business practices to ensure continuous growth.

GROUP FINANCIAL REVIEW

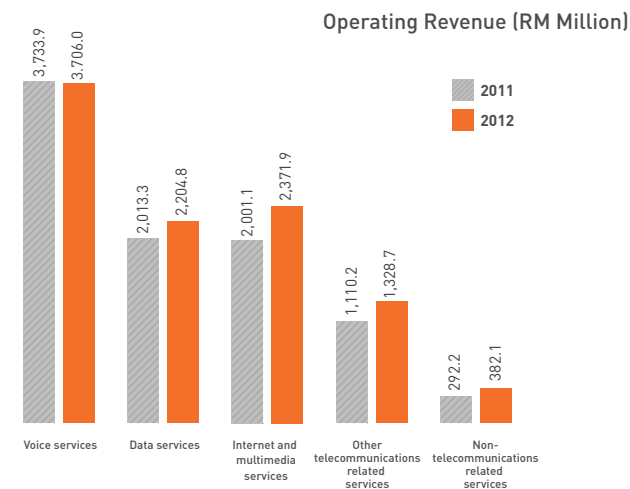
OPERATING REVENUE

The Group achieved commendable growth in operating revenue in 2012 with a record 9.2% increase to RM9,993.5 million from RM9,150.7 million in 2011, outstripping industry growth and the highest since the demerger, driven by higher revenue from Internet and multimedia, data, other telecommunications related services and non-telecommunications related services net of a much lower decline in voice services.

Internet and multimedia services

Despite intensifying competition in the broadband space, UniFi continued to drive the growth in Internet and multimedia services, with demand staying strong, to register a 104.0% growth to more than 482,000 customers as of 31 December 2012 from 236,501 at the end of 2011. Together with Streamyx, the broadband customer base grew by 7.4% to 2.07 million customers from 1.92 million at the end of 2011, maintaining the Group's position as Malaysia's broadband champion. In line with the increased customer base, revenue from Internet and multimedia services rose by 18.5% in the current year to RM2,371.9 million from RM2,001.1 million in 2011.

Internet and multimedia services contributed 23.7% to the Group's operating revenue for the current financial year, higher than 21.9% in 2011 in line with the expanded customer base.



Data services

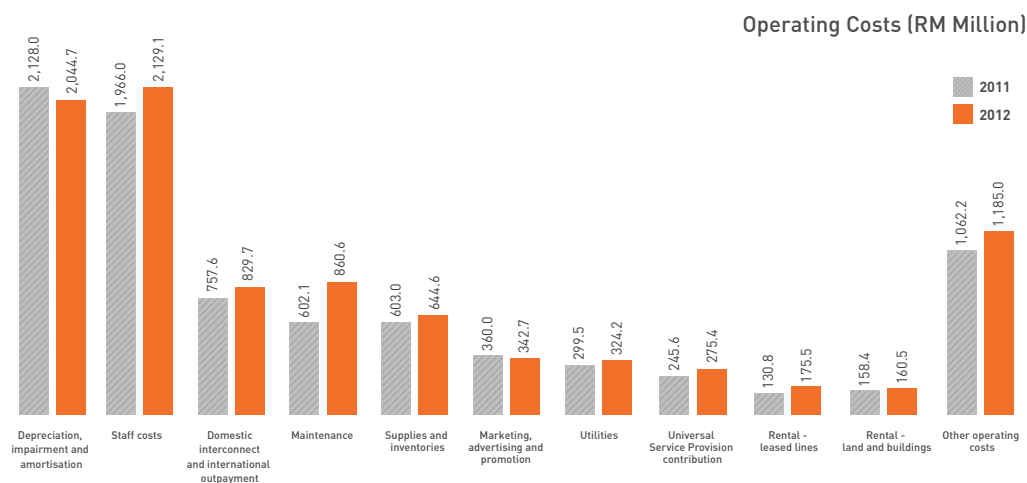
Data services, which mainly comprise leased services, IPVPN and IP services, grew 9.5% in the current financial year to RM2,204.8 million from RM2,013.3 million in 2011 from continuing increase in demand for higher bandwidth and the installation of service lines. The availability of higher speed broadband access ports also contributed to an increase in wholesale revenue for this segment.

Contribution from data services to the Group's operating revenue was broadly maintained at 22.1%, in line with 2011.

Other telecommunications related services

Revenue from other telecommunications related services which primarily include customer projects, recoverable work orders (RWO), maintenance, broadcasting, restoration of submarine cables, managed ICT, business process outsourcing and enhanced value-added telecommunications services, rose by 19.7% to RM1,328.7 million as compared to RM1,110.2 million in 2011. As in 2011, the increase in the current financial year was largely attributed to higher revenue from customer projects.

Consistent with the higher revenue, other telecommunications related services contributed 13.3% to the Group's operating revenue in 2012 as compared to 12.1% in 2011.



Non-telecommunications related services

Non-telecommunications related services saw encouraging growth of 30.8% in the current financial year registering RM382.1 million in revenue as compared to RM292.2 million in 2011. The revenue segment, comprising services of subsidiaries with core businesses in education, printing and publication of directories, property development and trading in customer premise equipments, among others, recorded an increase in the current financial year from the disposal of land by a wholly owned subsidiary, TM Facilities Sdn Bhd despite lower revenue contribution in the other businesses while subsidiaries like Menara Kuala Lumpur Sdn Bhd achieved stronger performance and contribution as compared to the previous years.

With the improved performance in the current financial year, this segment of services increased its contribution to the Group's operating revenue to 3.8% as compared to a 3.2% in 2011.

Voice services

Voice services comprise business telephony (including ISDN, interconnect, international inpayment) and residential telephony. The current financial year saw an encouraging performance from voice services, with the Group managing to curb the downward trend experienced over the previous years, from a 3.3% reduction in revenue in 2011 to a mere 0.7% in the current financial year. The decline in domestic voice was mitigated by stronger growth in wholesale bilateral minutes.

Consequent from the above decline as well as growth of other revenue segments, voice services' contribution to the Group's operating revenue reduced to 37.1% as compared to 40.8% in 2011.

OPERATING COSTS

The Group's operating costs increased by 7.9% to RM8,972.0 million from the RM8,313.2 million recorded in 2011 mainly due to higher staff costs, maintenance costs and domestic interconnect and international outpayment. Reduction in depreciation and amortisation costs partially countered the increase in operating costs.

Depreciation, impairment and amortisation

Depreciation, impairment and amortisation charges which include the write-off of property, plant and equipment (PPE) and amortisation of intangible assets, reduced by 3.9% (RM83.3 million) to RM2,044.7 million in the current financial year. This group of expenditure accounted for 22.8% of the Group's operating costs in 2012, a reduction of 2.8 percentage points from 25.6% in the previous financial year. Lower depreciation charge and write-off/retirement of assets despite higher amortisation of intangible assets primarily contributed to the reduced cost.

The reduction in depreciation charge was mainly from the deferment of depreciation charge arising from the revision of useful lives of certain network assets at the end of the previous financial year, despite a general increase in asset base throughout the Group. The write-off/retirement of assets was also lower by RM69.0 million in line with lower provisions for assets not identified during physical verification.

Staff costs

Staff costs rose by 8.3% to RM2,129.1 million as compared to RM1,966.0 million in 2011, mainly due to higher salaries and allowances following a reward transformation carried out by the Group in continuous efforts to improve returns to stakeholders, in addition to annual increments for the financial year. The Group's staff costs accounted for 23.7% of total operating costs.

Maintenance

Maintenance costs increased by 42.9% to RM860.6 million in the current financial year, mainly due to higher costs incurred for network maintenance as well as customer projects in line with the higher revenue. Maintenance costs accounted for 9.6% of the Group's operating costs.

Domestic interconnect and international outpayment

Domestic interconnect and international outpayment increased by 9.5% to RM829.7 million from the preceding financial year and accounted for 9.2% of the Group's operating costs. The higher costs were consistent with the higher revenue recorded for bilateral voice and VOIP.

Supplies and inventories

Supplies and inventories cost increased by 6.9% to RM644.6 million primarily due to higher customer acquisition costs in line with the continued growth in UniFi customer base.

OTHER OPERATING INCOME

Other operating income increased by 36.8% from RM120.9 million in 2011 to RM165.4 million in the current financial year largely due to the realisation of tax refunds related to a previous Ringgit Malaysia bond and gains on the disposal of assets held for sale of RM13.8 million. There was no such income in the previous financial year. Lower dividends from international investments and quoted shares partially offset the above increase.

OTHER GAINS

Other gains comprise fair value changes and gains or loss on the disposal of available-for-sale investments and financial assets at fair value through profit or loss. 2012 recorded a gain of RM0.3 million as compared to RM286.5 million due to a gain on the disposal of investment in the Axiata Group Berhad of RM283.5 million recorded in 2011 as compared to a minimal gain on the disposal of fixed income securities of RM3.3 million countered by RM3.0 million fair value loss on equity securities in the current financial year.

NET FINANCE COST

Net finance cost for the Group reduced by 51.4% from RM243.8 million in 2011 to RM118.5 million in the current financial year primarily due to unrealised foreign exchange gains on the translation of borrowings as explained below.

Finance cost

Finance cost increased by 4.2% to RM331.5 million in line with increased borrowings with the issuance of Islamic Medium Term Notes and Islamic Commercial Papers. A new Japanese Yen medium term loan drawn down in November 2012 also contributed to the higher interest expense. The new borrowings are raised to finance capital expenditure during the financial year.

Finance income

Finance income increased by 5.0% to RM139.6 million in 2012 mainly contributed by higher income from deposits following higher fund placement. Average cash balance for 2012 was RM3,118.7 million as compared to RM2,964.6 million in 2011.

Foreign exchange on translation of borrowings

The Group recorded a foreign exchange gain of RM79.8 million in the current financial year on the translation of US Dollar denominated borrowings as compared to a loss of RM62.5 million in 2011.

Fair value loss on foreign exchange forward contracts entered to hedge US Dollar bonds was presented within the foreign exchange on translation of borrowings. The RM6.4 million fair value loss that the Group recorded as compared to the RM3.9 million gain in 2011 is consistent with weakening USD rates compared to the position in 2011.

Consequent from the above, the current financial year recorded a net foreign exchange gain of RM73.4 million in 2012 as compared to a net loss of RM58.6 million in the preceding financial year.

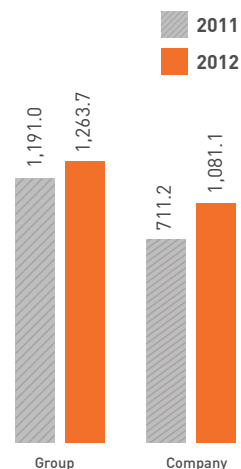
TAXATION

For the second consecutive financial year, the Group recorded a net tax income of RM238.6 million as compared to RM242.4 million in 2011 from the recognition of deferred tax assets on unutilised high speed broadband and last mile tax incentives.

PROFITABILITY

The Group's profit before taxation for the current financial year of RM1,069.6 million increased by 6.8% from RM1,001.2 million in 2011 due to a higher increase in operating revenue by 9.2% as compared to operating costs by 7.9% coupled with the impact of unrealised foreign exchange gain during the financial year net of lower other gains. The recognition of deferred tax asset further improved the Group's profit attributable to equity holders for the financial year which increased by 6.1% to RM1,263.7 million from RM1,191.0 million in 2011.

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



TOTAL ASSETS

The Group's total assets decreased slightly by 0.3% to RM22,195.9 million from RM22,252.3 million at the end of the previous financial year mainly due to lower cash and bank balances and trade and other receivables, partially offset by higher property, plant and equipment (PPE).

Cash and bank balances

The Group's cash and bank balances decreased by 11.3% (RM474.3 million) to RM3,738.7 million at the end of 2012 due to the combined cash outflow for the capital repayment in September 2012 of RM1,073.2 million, payment of final and interim dividends of RM350.6 million each and purchase of PPE, which exceeded the total net cash inflow from operating activities and net proceeds from borrowings.

Trade and other receivables

Trade and other receivables reduced by 5.0% to RM2,207.0 million from RM2,323.2 million at the end of 2011. The Company accounted for RM305.4 million of the reduction arising from improved collection during the financial year.

Property, plant and equipment (PPE)

The Group's PPE increased by 3.7% to RM14,637.6 million as compared to RM14,121.7 million at the end of 2011 partly due to capital expenditure incurred for customer projects on top of additions for the High Speed Broadband (HSBB) project. The lower asset write-off and depreciation charge in the current financial year arising from revised useful life for certain network assets at the end of the previous financial year also contributed to the increase in PPE.

TOTAL LIABILITIES

The Group's total liabilities increased by 3.2% to RM15,135.9 million at the end of 2012 primarily due to higher borrowings partially offset by a reduction in deferred tax liabilities.

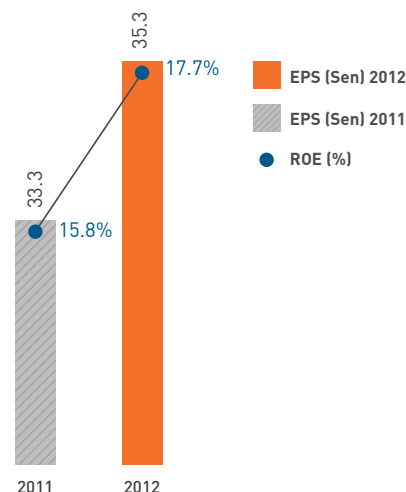
Borrowings

The Group's borrowings increased by 11.4% to RM7,140.4 million due to new borrowings drawn down despite recording a RM79.8 million unrealised foreign exchange gain during the financial year. The new borrowings were in the form of additional RM550.0 million Islamic Medium Term Notes and a JPY7.8 billion borrowings from a financial institution.

SHAREHOLDERS' EQUITY

The Group's shareholders' equity reduced by 7.1% from RM7,424.0 million at the end of 2011 to RM6,894.8 million at the end of the current financial year. The reduction was a result from the RM1,073.2 million capital repayment made in September 2012 and appropriation of the 2011 final and 2012 interim dividends of RM350.6 million each being greater than the current financial year profit attributable to equity holders of the Company of RM1,263.7 million. An upward revaluation of the Group's freehold land amounting to RM508.7 million arising from the Group electing for an optional Malaysian Financial Reporting Standard (MFRS) 1 exemption on transitioning to MFRS framework also partially offset the reduction arising from the capital repayment.

EPS and ROE



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

Consequent from the higher profit attributable to the equity holders of the Company for the current financial year, the basic EPS increased to 35.3 sen from 33.3 sen in 2011. Similarly, ROE improved to 17.7% in 2012 from 15.8% in 2011.

Dividends

An interim single-tier dividend of 9.8 sen per share was paid for the current financial year, on 28 September 2012 to shareholders whose names appeared in the Register of Members and Record of Depositors on 14 September 2012. The proposed final single-tier dividend is a 12.2 sen per share payout, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company. This would give a total dividend payout of RM787.0 million, in line with the Company's dividend payout policy of RM700.0 million or up to 90% of normalised profit attributable to equity holders, whichever is higher.