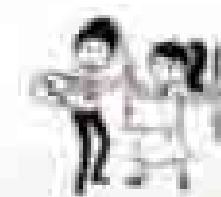




everyone connects

CONNECT COMMUNICATE COLLABORATE

ANNUAL REPORT **2010**



connect

www.tm.com.my

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





communicate



collaborate







connect . communicate . collaborate .

We bring people together by bridging divides and creating cohesion in diversity. We provide seamless connectivity, where knowledge flows unimpeded, turning dreams and passion into reality. Whether for personal, entertainment or business purposes, the possibilities are infinite. With UniFi high speed broadband, we are breaking barriers. We are enriching the nation and the people. We are opening up possibilities. Connections make anything possible.

facts at a glance



No.

1

Broadband provider in Malaysia

760,000

premises passed by HSBB network by end December

87.6%

increase in PATAMI from RM643.0 million to RM1,206.5 million

2.1%

growth in revenue from RM8,608.0 million to RM8,791.0 million

249,000

new broadband customers, bringing the total to 1.68 million broadband customers

10,982

Streamyx hotspots across the country

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:

Customer

Centricity and Quality Improvements

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

One

Company Mindset with Execution Orientation

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



Operational

Excellence and Capital Productivity

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

Leadership

Through Innovation and Commercial Excellence

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

contents



notice of annual general meeting

DATE 10 May 2011, Tuesday
TIME 10.00 a.m.
VENUE Multi Purpose Hall
Menara TM, Jalan Pantai Baharu
50672 Kuala Lumpur, Malaysia

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vision

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

kristal song

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

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

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

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

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



mission

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

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

kristal values

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

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT THE TWENTY-SIXTH ANNUAL GENERAL MEETING (26TH AGM) OF THE COMPANY WILL BE HELD AT 10:00 A.M. ON TUESDAY, 10 MAY 2011, AT THE MULTI PURPOSE HALL, MENARA TM, JALAN PANTAI BAHARU, 50672 KUALA LUMPUR, MALAYSIA, FOR THE FOLLOWING PURPOSES:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**
2. To declare a final gross dividend of 13.1 sen per share (less 25.0% Income Tax) in respect of the financial year ended 31 December 2010. **(Ordinary Resolution 2)**
3. To re-elect the following Directors, who retire by rotation pursuant to Article 103 of the Company's Articles of Association:-
 - i. Dato' Sri Zamzamzairani Mohd Isa **(Ordinary Resolution 3)**
 - ii. Datuk Bazlan Osman **(Ordinary Resolution 4)**
 - iii. Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin **(Ordinary Resolution 5)**
 - iv. Dato' Danapalan T.P. Vinggrasalam **(Ordinary Resolution 6)**
 - v. Dato' Ir Abdul Rahim Abu Bakar **(Ordinary Resolution 7)**
 - vi. Quah Poh Keat **(Ordinary Resolution 8)**
 - vii. Ibrahim Marsidi **(Ordinary Resolution 9)**
 - viii. Riccardo Ruggiero **(Ordinary Resolution 10)**
4. To approve the payment of Directors' fees of RM1,116,000.00 for the financial year ended 31 December 2010. **(Ordinary Resolution 11)**
5. To re-appoint Messrs PricewaterhouseCoopers having consented to act as Auditors of the Company for the financial year ending 31 December 2011 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 12)**
6. To transact any other business of the Company of which due notice has been received.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 26th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd (Bursa Depository) in accordance with Article 74(3)(a) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 (SICDA) to issue a General Meeting Record of Depositors (ROD) as at 29 April 2011. Only a depositor whose name appears on the Register of Members/ROD as at 29 April 2011 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of Members at the 26th AGM to be held on 10 May 2011, a final gross dividend of 13.1 sen (less 25.0% Income Tax) for the financial year ended 31 December 2010 will be paid on 15 June 2011 to Depositors whose names appear in the ROD on 26 May 2011.

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

- a. Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 24 May 2011 (in respect of shares which are exempted from Mandatory Deposit);
- b. Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 26 May 2011 (in respect of Ordinary Transfers); and
- c. Shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

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

By Order of the Board

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

Kuala Lumpur
15 April 2011

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney. If the proxy form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation has been received". If the proxy form is signed under the attorney duly appointed under a Power of Attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, no notice of revocation has been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the proxy form.
5. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the meeting, in accordance with Article 92 of the Company's Articles of Association.
6. The instrument appointing the proxy together with the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrars, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

statement accompanying the notice of annual general meeting

DIRECTORS RANKING FOR RETIREMENT AND RE-ELECTION AT THE 26TH ANNUAL GENERAL MEETING.

The following Directors are retiring pursuant to Article 103 of the Company's Articles of Association:-

Article 103: Retirement by rotation

- Dato' Sri Zamzamzairani Mohd Isa
- Datuk Bazlan Osman
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
- Dato' Danapalan T.P. Vinggrasalam
- Dato' Ir Abdul Rahim Abu Bakar
- Quah Poh Keat
- Ibrahim Marsidi
- Riccardo Ruggiero

The profiles of the respective Directors are set out in the Profile of the Board of Directors on pages 61 to 66 inclusive, of this Annual Report. Their securities holdings in the Company and its related corporation are disclosed on page 356 of this Annual Report.



connect
communicate
collaborate

financial calendar

22 FEBRUARY 2010

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

12 APRIL 2010

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

6 May 2010

25th AGM of the Company.

20 MAY 2010

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

27 MAY 2010

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2010.

9 JUNE 2010

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

23 AUGUST 2010

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2010 and the declaration of an interim gross dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010.

7 SEPTEMBER 2010

Date of entitlement to the interim gross dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010.

24 SEPTEMBER 2010

Date of payment of the interim gross dividend of 13.0 sen per share (less 25.0% Income Tax) for the financial year ended 31 December 2010.

26 NOVEMBER 2010

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2010.

25 FEBRUARY 2011

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

15 APRIL 2011

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

10 MAY 2011

26th AGM and EGM the Company.

26 MAY 2011

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

15 JUNE 2011

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

corporate framework



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TM is the largest integrated communications solutions provider in Malaysia, and one of Asia's leading communications companies, with a market capitalisation of RM13.9 billion and a workforce of 26,629 employees. Established as the Telecommunications Department of Malaya in 1946, it was privatised in 1987, and listed on Bursa Securities in 1990. Phenomenal growth that followed led to a demerger in 2008 of TM's mobile and fixed services, allowing TM to focus more intently on its core businesses of Internet and multimedia, data and the fixed line.



Today, the Company is Malaysia's broadband champion, fuelling the Government's vision of nurturing a knowledge driven economy. TM played an integral role in achieving 55.0% household broadband penetration by 2010, under the National Broadband Initiative (NBI), via Streamyx, the broadband for general population it introduced to the nation in 2001. In September 2008, the Company took on a bigger role in broadband development when it signed a private public partnership with the Government to launch a premier High Speed Broadband (HSBB) service in Malaysia.

In record-breaking time of seven months, the Company launched its wholesale HSBB transmission service; and in March 2010, rolled out the country's first retail HSBB service, brand named UniFi, in four areas in the Klang Valley. The service has since been

expanded to Iskandar Malaysia in the south and the Northern Corridor Economic Region. As of 18 March 2011, the total number of UniFi subscribers had exceeded 60,000, with coverage extending to 60 exchanges and more than 800,000 premises passed. The aim is to pass 1.3 million premises by end 2012.

To support its HSBB vision, TM is migrating its legacy Public Switched Telephone Network (PSTN) network into an all IP-based core. Significantly, it has opened its HSBB network to other service providers, signing a landmark agreement on the provision of wholesale HSBB access to a major telco player in December 2010. The Company believes in providing fair and equitable opportunities to other service providers for the benefit of the end user. Open access also supports the Government's agenda of nurturing a thriving ICT and multimedia hub in Malaysia.

Other than local connectivity, this necessitates global capacity which TM is able to provide via a continuously expanding network of submarine cable systems. With nine international networks already in its stable, the Company in 2010 entered into a partnership with Japan-based NTT Communication Corporation to develop its first private cable, Cahaya Malaysia, connecting Malaysia with Hong Kong and Japan. It also invested in the new Batam-Dumai-Melaka Cable System.

Internally, TM is streamlining its systems and processes so as to achieve greater cost efficiencies and promote a culture of sustainability. It is collapsing the 700 systems currently employed to 300 and eventually, to just 70. At the same time, employees are being trained with the knowledge and skills required of a new generation communications provider focused on information exchange. TM's ultimate objective is to connect Malaysians, and enable them to communicate and collaborate. Towards this end, the customer-centric organisation continues to enhance its customer service delivery while bringing to market a series of innovative and value-add products.

With UniFi, TM has been able to introduce yet another industry first with its triple play offering of video, Internet and phone (VIP) services.

The entire business model of the organisation has been realigned according to TM's six principal customer segments of Consumer, SME, Enterprise, Government, Wholesale and Global. In 2010, a seventh segment – New Media – was added, focusing on the fast-growing ICT and multimedia market that TM is spearheading. The new 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. To further enhance the customer experience, TM strives to make its services ever more accessible and convenient via a growing network of TMpoint outlets and the secure, customised self-service portal parked under www.tm.com.my. In 2010, it also launched 15 mobile TMpoint on Wheels (TMOWs) to cater to customers in rural and remote areas.

TM's commitment to serving the people reflects a deep-rooted sense of Corporate Responsibility (CR) that

underlines all the Company's actions. TM's CR initiatives are mapped against Bursa Malaysia's CSR Framework for Public Listed Companies and Triple Bottomline Reporting, which takes into consideration the Economic, Social and Environmental impact of a company. As a former state-owned enterprise, TM continues to bridge the digital divide. It also places much emphasis on education, which has been the focus on its foundation, Yayasan TM (YTM), since this was established in 1994. To date, YTM has supported the academic ambitions of 12,345 Malaysians, disbursing a total of RM408 million on their education. At the same time, the Multimedia University, set up 14 years ago as the country's first private university, has produced a total of 26,070 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. The greening of TM won it an Honourable Mention in the Prime Minister's CSR Awards 2010, while its Workplace Practices were judged the best in the same prestigious awards, two years running.

Excellence in TM is an ongoing theme that cuts across the board, and is reflected in numerous awards for almost every aspect of the Company's operations – from human resources policies to innovative products and the quality of its leadership. In 2010, Group CEO Dato' Sri Zamzamairani Mohd Isa was honoured at the Asia HRD Congress for the Company's human capital development programmes.

Such excellence positions TM well to continue to deliver the nation's communications needs. Today, more than ever, TM's extensive resources, its unmatched expertise and unparalleled reach are essential in propelling the country as it enters the next phase of its economic development. The Government has mapped out an ambitious Economic Transformation Programme that endeavours to increase the country's per capita income from US\$6,700 to more than US\$15,000 by year 2020. And TM is proud to be able to partner the Government in this transformation. Once again, both country and Company are moving ahead together, into an infinitely better and brighter future.

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

2000

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

- XL, TM's Indonesian subsidiary, secures a 3G licence while Dialog, TM's subsidiary in Sri Lanka, launches South Asia's first 3G service
- Acquisition of the remaining 49.0% in Telekom Malaysia International (Cambodia) Company Limited (formerly known as Cambodia Smart Communications Ltd), Cambodia and 49.0% interest in Spice Communications Private Limited, India
- TM initiates a consortium to develop an undersea cable system, Asia-America Gateway, linking South-East Asia and USA
- 2007**
 - TM becomes the first Malaysian company to be named Service Provider of the Year at 2007 Frost & Sullivan Asia Pacific ICT Awards
 - The first commemorative book titled *Transforming a Legacy*, is launched by Dato' Seri Abdullah Hj Ahmad Badawi, Prime Minister of Malaysia
 - Divestment of TM's Payphone business to Perneq Corporation Berhad
 - TM's affiliate in India, Spice Communications Limited, commences trading on the Bombay Stock Exchange and receives the National and International Long Distance licences
 - TM Group undertakes a Demerger exercise resulting in two distinct entities – TM and TM International (TMI)
- 2008**
 - TM Group is officially demerged in April and TMI listed as a separate entity on Bursa Securities
 - IRDA and TM sign an MOU for TM to be the preferred Telecommunications Provider for the Iskandar Malaysia region
- TM privatises VADS as part of its strategic growth plan
 - TM bags three awards at 2008 Frost & Sullivan Malaysia Telecom Awards including The Alternative Voice Service Provider of The Year for the first time
 - TM signs a Public-Private Partnership (PPP) agreement with the Government to roll out the High Speed Broadband (HSBB) project
 - TM grabs five NACRA 2008 awards, including the Gold Award for Overall Excellence, Silver for Corporate Social Responsibility and Best Designed Annual Report
 - TM and Verizon collaborate to develop and improve Local IP capabilities
- 2009**
 - TM discloses Indicative Terms & Conditions for HSBB (Wholesale) service
 - TM wins three awards at the 2009 Frost & Sullivan Malaysia Telecom Awards, including Broadband Service Provider of the Year for the fifth year
 - MMU makes the Top 200 Asian Universities in QS.com Asia Universities Rankings 2009
 - TM signs Wi-Net on as its first HSBB (Wholesale) customer
 - TM joins a new submarine cable consortium to develop the Asia Pacific Gateway (APG)
 - TM's core network infrastructure is upgraded to Next-Generation-Network (NGN) technology
 - TM commences physical work for HSBB access infrastructure
 - Asia-America Gateway (AAG), a new undersea cable linking South-East Asia to USA, starts commercial traffic
- 2010**
 - TM wins four awards at NACRA 2009, including Gold for Overall Excellence, Corporate Social Responsibility and Best Annual Report in Bahasa Malaysia
 - TMpoint On Wheels is launched for added convenience of customers in under-served areas
 - TM signs a pact with Manchester United to be the Official Integrated Telecommunications Partner of the English football club in Malaysia
 - 20 content partners join hands with TM to provide a diverse mix of content for TM's IPTV service
 - TM delivers its promise of launching the next generation High Speed Broadband (HSBB) service with the brand name UniFi
 - The inaugural TM Earth Camp for school children, organised in collaboration with the Malaysian Nature Society (MNS), is held
 - TM is conferred the *Anugerah Majikan Prihatin* from the Ministry of Human Resources for the first time, in conjunction with the 2010 Labour Day celebration
 - Hypp TV, 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



connect
communicate
collaborate

media milestones in 2010

HSBB coverage on track

TM expects exponential growth in three years with more exchange areas

After a successful launch of the HSBB service, TM expects exponential growth in three years with more exchange areas. The service is expected to be a major driver of revenue for TM in the coming years.



The service is expected to be a major driver of revenue for TM in the coming years. The service is expected to be a major driver of revenue for TM in the coming years.



TM, MU kick off partnership

Collaborating to bring services to the ground



Enter TM UniFi high speed broadband

KUALA LUMPUR: Telekom Malaysia (TM) has entered the high speed broadband market with the launch of UniFi. The service is expected to be a major driver of revenue for TM in the coming years.

for the service, which is expected to be a major driver of revenue for TM in the coming years. The service is expected to be a major driver of revenue for TM in the coming years.

services of the group, which is expected to be a major driver of revenue for TM in the coming years. The service is expected to be a major driver of revenue for TM in the coming years.



TMPOINT GOES MOBILE

TMPOINT, the mobile service, is expected to be a major driver of revenue for TM in the coming years. The service is expected to be a major driver of revenue for TM in the coming years.



Man U, TM sign deal

Telekom Malaysia (TM) has signed a deal with Manchester United (Man U) for the provision of mobile services. The deal is expected to be a major driver of revenue for TM in the coming years.

TM Launches Office in a Bid for SIBR's SMT market

Telekom Malaysia (TM) has launched an office in a bid to enter the SIBR's SMT market. The office is expected to be a major driver of revenue for TM in the coming years.



Make TM Sign 10-year backbone agreement

Telekom Malaysia (TM) has signed a 10-year backbone agreement. The agreement is expected to be a major driver of revenue for TM in the coming years.



TM maintains dividend payout

Telekom Malaysia (TM) has maintained its dividend payout. The payout is expected to be a major driver of revenue for TM in the coming years.

UniFi next-gen HSBB

TELECOM Malaysia has set its sights on providing a next-generation broadband service to its customers. The company's next-gen UniFi service is expected to be launched in 2011, providing a faster and more reliable internet experience. The service will be available to all UniFi customers, offering a significant improvement in download and upload speeds. This move is part of Telekom Malaysia's commitment to providing high-quality services to its customers and staying ahead of the competition in the broadband market.

The UniFi service is designed to provide a faster network across a wide range of bandwidth-intensive applications and improve end-user performance. This is achieved through the use of advanced network technologies and optimized routing. The service is expected to be a game-changer for UniFi customers, providing a more consistent and reliable internet experience. This move is part of Telekom Malaysia's commitment to providing high-quality services to its customers and staying ahead of the competition in the broadband market.

Telekom Malaysia has announced that it will be providing a next-generation UniFi service to its customers. The service is expected to be a game-changer for UniFi customers, providing a more consistent and reliable internet experience. This move is part of Telekom Malaysia's commitment to providing high-quality services to its customers and staying ahead of the competition in the broadband market.

HSBB will provide us with tremendous growth opportunities

Telekom Malaysia's next-generation UniFi service is expected to be a game-changer for UniFi customers, providing a more consistent and reliable internet experience. This move is part of Telekom Malaysia's commitment to providing high-quality services to its customers and staying ahead of the competition in the broadband market.



TM beefs up WiFi service

Telekom Malaysia has announced that it will be providing a next-generation UniFi service to its customers. The service is expected to be a game-changer for UniFi customers, providing a more consistent and reliable internet experience. This move is part of Telekom Malaysia's commitment to providing high-quality services to its customers and staying ahead of the competition in the broadband market.



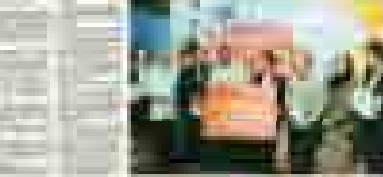
TM to announce UniFi pricing today

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TM scores deal with FA of England



TM vies to resurface fibre challenge

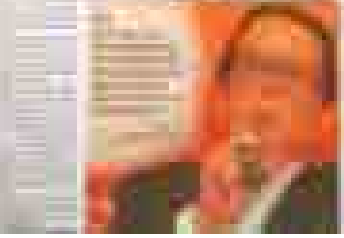


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Catch the latest Blockbuster

TM sets UniFi connection target for premises

HypertV may have over 30 channels by year-end



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2010 corporate events



1. 11 January

Supporting Local Content

In collaboration with Multimedia Development Corporation (MDeC), TM organised a multimedia educational programme, Digital Story Telling, to create greater awareness among school children of the benefits of ICT and its applications.

2. 17-20 January

Pacific Telecommunications Council (PTC) 2010

As Platinum Sponsor for the PTC 2010 Awards Luncheon, TM was able to expand its brand exposure in the Americas region as well as create extensive business networks with over 30 carriers.

3. 22 January

Towering Collaboration

TM inked five-year Partnership Agreements with five state-backed telecommunications tower facility operators in Kelantan, Perak, Perlis, Negeri Sembilan and Kedah for the provision of connectivity services.

4. 30 January

Cool UNI Pack Launch

Together with the Government, TM launched a broadband package for first and second-year university undergraduates, consisting of free broadband access and netbook from only RM50 per month for 24 months.

5. 30 January

Digital Pekan Launch

TM extended the ultimate experience of its broadband through Digital Pekan, which included the setting up of an Experience Centre and Free WiFi for the public.

6. 23 February

TMpoint on Wheels

TMpoint on Wheels was launched to reach out to customers in new and developing areas where TMpoint is not available.

7. 27 February

Packaging Telephony and Broadband

Blockbuster Deals were unveiled to reveal a bundled broadband service and call plan that enables mobility at home.

8. 1-5 March

APRICOT 2010

As the Platinum Sponsor of APNIC 29, held in conjunction with the Asia Pacific Regional Internet Conference on Operational Technologies (APRICOT) 2010, TM was able to promote its data services, especially IP-related products, and establish new links with technology suppliers from all over the region.

9. 6 March

Box Office Hit

Office in a Box was launched as the latest broadband and telephony combo providing a complete and simple communications solution for SOHO operators and SMEs.

10. 9-10 March

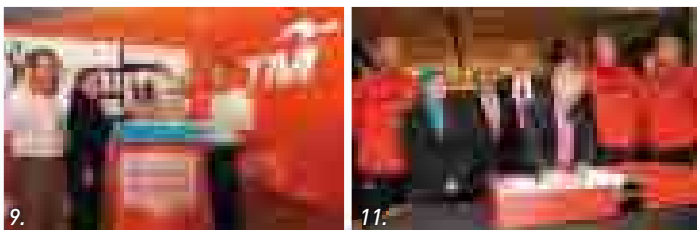
Global Carrier Community London 2010

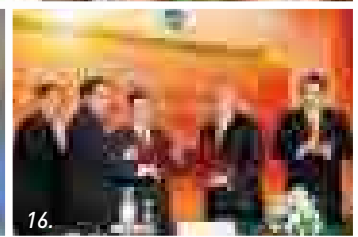
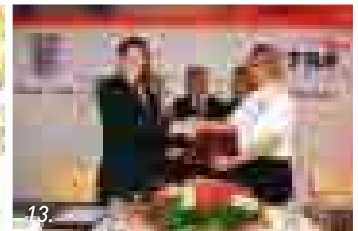
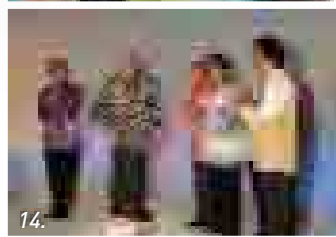
TM was the Premium Sponsor for the third consecutive year of the Global Carrier Community London, building a strong mindshare among members of the Community, especially in the European region. The meeting was held again from 11-12 October 2010.

11. 12 March

Man U Deal

TM sealed a deal with Manchester United to act as the English football club's official integrated telecommunications partner in Malaysia.





**12.
13 March**

For Children of the Earth

TM teamed up with the Malaysian Nature Society (MNS) to organise a year-long series of six environment-themed TM Earth Camps for school children all over the country.

**13.
16 March**

World Cup Fever

In the run-up to the 2010 FIFA World Cup in June, TM signed a license agreement with the England Football Association to be the Official England Telco Licensee in Malaysia.

**14.
24 March**

Enter the New Digital Age

TM launched its next-generation High Speed Broadband (HSBB) service, UniFi, at a gala event featuring broadband lifestyle showcases, interactive exhibitions and a live concert for members of the public.

**15.
2-4 April**

Building Better Relationships

TM feted its partners with a hospitality programme during the Formula One Petronas Malaysia Grand Prix.

**16.
5 April**

Better Terms for Non-Execs in Sabah

TM signed collective agreements with the Sabah Union of Telekom Malaysia Berhad Employees (SUTE) which include enhanced terms for non-executive staff in Sabah.

**17.
9 April**

Empowering Staff in Melaka

The Southern TM Training Centre (TMTC) was officially opened at Menara TM Melaka by TM Chairman Datuk Dr Halim Shafie, underlining the Group's commitment to staff development.

**18.
6 May**

Annual General Meeting

More than 500 shareholders and guests attended the 25th Annual General Meeting (AGM) at Menara TM and voted on nine resolutions presented.

**19.
20 May**

Better Terms for Non-Execs in Peninsular and Labuan

TM inked collective agreements with the National Union of Telecommunication Employees – Peninsular

(NUTE) which included enhanced terms for non-executive staff in Peninsular Malaysia and the Federal Territory of Labuan.

**20.
24-26 May**

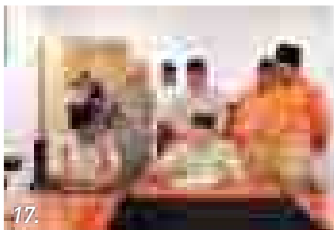
ITW Week 2010

TM participated in the annual International Telecommunications Week (ITW) with the objective of exploring business opportunities in the Americas region. ITW was attended by decision makers of key telcos from around the world. Over 1,890 companies from over 149 countries were represented.

**21.
28 May**

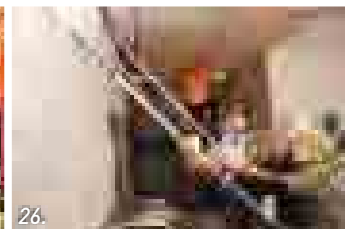
Enhancing Broadband Penetration

In collaboration with the Government, TM launched a broadband and netbook package for lower-income Malaysians, called *Pakej Jalur Lebar TM dengan Komputer 1Malaysia*.





25.



26.



29.



32.

22.
6 June

Digital Pagoh Launch

The local community in Pagoh was able to benefit from the Experience Centre, showcasing TM's latest products and services, and free WiFi.

23.
15 June

Global Ethernet Launch

TM launched its Global Ethernet Services (GES) in CommunicAsia 2010, held in Singapore. GES is a secured and reliable integrated networking solution designed to deliver high and flexible bandwidth requirements.

24.
18 June

Hosting ACASIA Directors

TM hosted the 58th ACASIA Board of Directors and 17th ASEAN Telecom Holdings (ATH) meeting in Kuala Lumpur, where the delegates reviewed ACASIA's and ATH's overall strategies and performance. Among the participants was TM's Group CEO Dato' Sri Zamzamzairani Mohd Isa.

25.
26 June

Better Terms for Non-Execs in Sarawak

TM signed collective agreements with the Union of Telekom Malaysia Berhad Employees Sarawak (UTES) which included enhanced terms for non-executive staff in Sarawak.

26.
3 July

Singular Aid

TM staff joint forces in a *gotong royong* to complete the construction of a house for single mother Lar Faizah, in Pahang.

27.
6 July

TM Global ISO Certified

TM Global received the ISO 9001:2008 certificate from SIRIM QAS International Sdn Bhd for the provision of quality in customer service management.

28.
21 July

Jakarta IP Hub Launch

TM launched the Jakarta IP Hub, and appointed PT Global Inti Copratama as its agent in

Indonesia. Jakarta IP Hub provides customised cost-effective solutions of flexible bandwidth increments up to 1Gbps, catering to the needs of business enterprises.

29.
21 July

Excellent Entrepreneurs Recognised

Outstanding entrepreneurs received due recognition at the TM Entrepreneur Awards 2010. The Company has committed to developing local entrepreneurship, especially in the telco industry.

30.
3-6 August

Promoting BATIC

TM was invited to partner with PT Telkom at the Bali Telkom International Conference (BATIC) 2010, and hosted a luncheon which served to strengthen its ties with key Indonesian partners, while increasing its presence in the Indonesian market.

31.
4-6 August

Pacific Partners' Meeting 2010

TM hosted the Pacific Partners' Meeting (PPM) in Kota Kinabalu, Sabah, which was attended by prime chairs from 14 different carriers to discuss industry issues. PPM members take turns to host the annual event.

32.
6 August

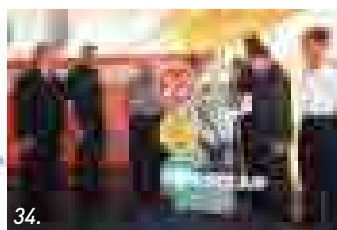
PINTAR Enters Second Phase

The second phase of the PINTAR programme was launched at Sekolah Kebangsaan Tembak in Kuala Ketil, Kedah.

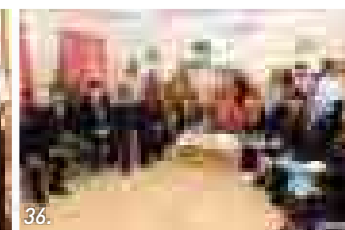
33.
9 August

Safer Putrajaya

MSAFE Putrajaya was launched in collaboration with the Ministry of Information, Communications and Culture, Ministry of Home Affairs (MOHA) and Perbadanan Putrajaya.



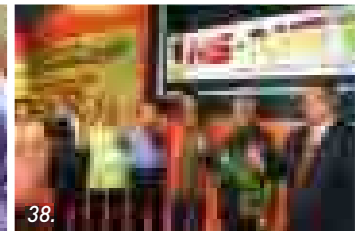
34.



36.



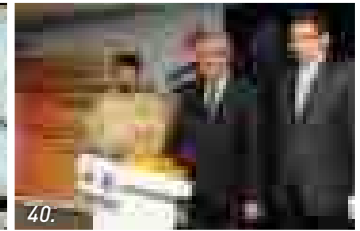
37.



38.



39.



40.

**34.
1 September**

Road Safety Campaign
TM, in collaboration with Polis DiRaja Malaysia (PDRM), launched the annual Ops Sikap campaign, which ran from 3-17 September 2010. In conjunction with the launch, PDRM also unveiled the Ops Sikap toll-free number, 1-800-88-1412, courtesy of TM.

**35.
TM's PINTAR School in Johor**
TM extended its PINTAR School adoption programme to Sekolah Kebangsaan Seri Bandan, Ayer Hitam, Johor.

**36.
25 September**

Muar School Gets Wired
Deputy Prime Minister Tan Sri Dato' Haji Muhyiddin Haji Mohd Yassin visited Sekolah Menengah Kebangsaan Bukit Pasir in Muar to view the school's ICT infrastructure and facilities under the SchoolNet project by TM.

**37.
2 October
Celebrating with Corporate Clients**

More than 3,000 of TM's corporate customers thronged the Multipurpose Hall in Menara TM for the *Majlis Jalinan Mesra Aidilfitri Bersama Pelanggan Korporat TM 2010*.

**38.
5 October**

Wireless in Negeri Sembilan
TM launched the 1NS*Net and 1NS Wireless City projects in Seremban, making Negeri Sembilan the first state to provide such comprehensive wireless broadband services.

**39.
9 October**

More on HyppTV
TM added seven new Premium channels to its HyppTV service: MUTV (Manchester United TV channel), Universal Channel, SyFy Universal, Warner TV, BabyFirst TV, Screen RED and a new HD channel, iConcerts HD.

**40.
15 October**

Total Integrity, Daily
A new Code of Business Ethics (CBE) e-Learning Programme was launched for all executive staff, making TM the first government-linked company to inculcate ethical business behaviour online.

**41.
25 October**

Expanding WiFi Service
TM signed an agreement to expand PERNEC PayPoint Sdn Bhd's Streamyx Zone WiFi coverage at strategic PerneC Payphone locations nationwide.

**42.
28 October**

International Solution for Axiata
TM continued to strengthen its leadership position in the industry with the provision of international bandwidth solutions to the Axiata Group.

**43.
2-3 November**

Sponsoring Capacity Asia 2010
TM was the Platinum Sponsor of Capacity Asia for the fourth year. The pan-Asian wholesale telecommunications meeting and conference brought together about 400 delegates from over 130 different carriers across the globe. TM also hosted the main Networking Reception held on the first day of the event.

**44.
14 December**

Strengthening HSBB Wholesale Commitment
TM inked a deal to provide HSBB (Access) Services to Maxis Broadband Sdn Bhd (Maxis).



41.



42.



44.

"Anugerah Pelancongan
Kebangsaan Malaysia"
2008-2009

- Tarikan Pelancongan
Terbaik - Tarikan
Berinovasi (Buatan
Malaysia)
9 January 2010

PC.COM Award
- Best Fixed Broadband
9 February 2010

12th Annual Chinese New Year
(CNY) Greeting Advertisement
Awards
- Grand Prize
3 March 2010

Starbiz-ICR Malaysia
Corporate Responsibility (CR)
Awards 2009
- Community Category
5 March 2010

Prime Minister's CSR Awards
2009
- Best Workplace Practices
Category
8 March 2010

Putra Brand Awards
- Best Communication
Network
24 March 2010



NACRA AWARDS 2010:

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

BrandLaureate Top 10
Masterbrand Awards
2009-2010

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

26 March 2010

Reader's Digest Trusted
Brand 2010

- Streamyx – Platinum

5 May 2010

Labour Day Celebrations 2010

- "Anugerah Majikan Prihatin"

8 May 2010

2010 Frost & Sullivan
Malaysia Telecoms Awards

- Data Communications Service Provider of the Year

12 May 2010

International Invention,
Innovation and Technology
Exhibition (ITEX)

- Most Innovative Products Award
- Three Golds Awards
- Two Silvers Awards
- Six Bronzes Awards

14 May 2010

Malaysian Media Awards

- Advertiser of the Year
- Three Golds Awards
- Two Silvers Awards
- Two Bronzes Awards

25 May 2010

Asia HRD Congress

- Award for Company's Human Capital Development programmes

8 July 2010

2010 Top Ranking Performers
Awards APAC Region Final

- Highly Commended Award
- Gold Award
- Silver Award

10 July 2010

10th Malaysia HR Awards 2010

- HR Excellence – Gold Award

20 July 2010

Share Guide Association
Malaysia (SGAM) 21st Annual
Conference and ICT Awards

- Unified Communications Excellence

20 July 2010

Malaysian Business-CIMA
Enterprise Governance
Awards 2010

- 1st Runner Up Overall

1 October 2010

Computerworld Reader's
Choice Awards

- Managed Connectivity Services Provider

13 October 2010

IT Inspiration Awards

- CIO of the year
- CIO of the CIOs

10 November 2010

Prime Minister's CSR Awards

- Best Workplace Practices
- Honourable Mention in the Environment Category

1 December 2010

"Malam Penghargaan Jalur
Lebar 1Malaysia"

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

13 December 2010

Malaysian Corporate
Governance Index 2010 Awards

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

14 December 2010





9 January 2010

KL Tower was awarded the *Tarikan Pelancongan Terbaik – Tarikan Berinovasi (Buatan Manusia)* at the Anugerah Pelancongan Kebangsaan Malaysia 2008/2009, for its contribution to tourism in the country.

9 February 2010

TM proved to be the consumer's choice by winning the PC.com Award for Best Fixed Broadband. Winners of this award are determined by a public survey conducted by the PC.com magazine.

3 March 2010

TM's Chinese New Year print advertisement won the Grand Prize at the 12th Annual Chinese New Year (CNY) Greeting Advertisement Awards, organised by China Press and Nanyang Siang Pau newspapers.

5 March 2010

TM won the Starbiz-ICR Malaysia Corporate Responsibility (CR) Awards 2009 for its community initiatives.

8 March 2010

TM made a Company first by winning the Best Workplace Practices category of the Prime Minister's CSR Awards 2009.

24 March 2010

TM won the best Communication Network category at the inaugural Putra Brand Awards, an extension of Malaysia's Most Valuable Brands (MMVB) initiated by the Association of Accredited Advertising Agents Malaysia.

26 March 2010

TM was announced the BrandLaureate Top 10 Masterbrand Awards 2009-2010 in the Communications category, while subsidiary TM Info Media was presented the BrandLaureate Product Branding – Media: Digital Directory award for its Yellow Pages.

5 May 2010

TM continued to be one of the most trusted brands in the country, winning a Platinum for Streamyx at the Reader's Digest Trusted Brand 2010.

8 May 2010

Positioning itself as one of the best employers in Malaysia, TM was awarded the *Anugerah Majikan Prihatin* in conjunction with National Labour Day Celebrations 2010.

12 May 2010

TM was acknowledged as the Data Communications Service Provider of the Year and Managed Service Provider of the Year at the 2010 Frost & Sullivan Malaysia Telecoms Awards.

14 May 2010

TM won three Golds, two Silvers and six Bronzes as well as the Most Innovative Products award at the International Invention, Innovation and Technology Exhibition (ITEX). Twelve out of the 14 products submitted by TM Research and Development (TMR&D) won prizes at the event.

25 June 2010

TM clinched three Golds, two Silvers and two Bronzes, and was named Advertiser of the Year at the Malaysian Media Awards.

8 July 2010

TM Group CEO Dato' Sri Zamzamzairani Mohd Isa received an award from the Asia HRD Congress for the company's human capital development programmes.

10 July 2010

VADS represented the Asia Pacific Region at the Contact Centre World Awards 2010 World Final in Las Vegas and bagged 4 gold and 1 silver awards.

20 July 2010

TM received a Gold for HR Excellence at the 10th Malaysia HR Awards 2010, organised by the Malaysian Institute of Human Resource Management in partnership with JobStreet.com.

20 July 2010

TM Group IT's NOVA team won the Unified Communications Excellence at the Share Guide Association Malaysia (SGAM) 21st Annual Conference and ICT Awards.

1 October 2010

TM emerged as First Runner Up Overall at the Malaysian Business-CIMA Enterprise Governance Awards 2010, making this the third consecutive year it received the Governance Awards.

13 October 2010

TM was named the Managed Connectivity Services Provider of the Computerworld Reader's Choice Awards, which are given to vendors, products, services or solution families that score the highest with customers in terms of price, performance, feature sets, reliability and ease of use.

10 November 2010

Vice President of IT, Nizam Arshad, was named CIO of the Year and CIO of the CIOs at the IT Inspiration Awards held in conjunction with Hitachi Data Systems' Annual Asia Pacific CIO Summit in Tokyo, Japan.

1 December 2010

TM's open culture and employee engagement initiatives were once again recognised with its second win for Best Workplace Practices at the Prime Minister's CSR Awards. TM also received an Honourable Mention in the Environment category of the 2010 awards.

13 December 2010

TM won the *Pakej Jalur Lebar Terbaik* and *Penglibatan Paling Aktif dalam Kembara Jalur Lebar* at the *Malam Penghargaan Jalur Lebar 1Malaysia*, organised by the Ministry of Information, Communications and Culture.

14 December 2010

TM walked away with three awards – for Industry Excellence, Best Conduct of Annual General Meeting and Corporate Governance – at the Malaysian Corporate Governance Index 2010 Award, organised by the Minority Shareholders Watchdog Group (MSWG).



2009

THE BRANDLAUREATE AWARDS 2008-2009

- Best Brands

HEWITT BEST EMPLOYERS

- 10 Best Employers in Malaysia 2009

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

READER'S DIGEST AWARD

- Trusted Brand (Platinum)

MALAYSIAN ASSOCIATION OF RISK AND INSURANCE MANAGEMENT (MARIM) AWARD

- Risk Management Award of Excellence

ABU ASIA-PACIFIC ROBOT CONTEST 2009 TOKYO – TOYOTA AWARD

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS

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

CONTACTCENTERWORLD.COM AWARD

- Best Contact Center (250 + Agents)

CISCO AWARD

- Managed Services Partner of the Year (Revenue)

INTERNATIONAL BUSINESS REVIEW AWARDS

- Excellence in the Telecommunications Sector

ANUGERAH PELANCUNGAN LIBUR

- The Best Monument Award

NACRA AWARDS FOR

- 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 AWARD

- Distinction
- Best AGM Conducted in 2009

STARBIZ-ICRM CR AWARDS 2009

- Community Category

2009 PRIME MINISTER'S CSR AWARD

- Workplace Category

2008

STRATEGIC PARTNERSHIP & ENTREPRENEURSHIP DEVELOPMENT FOR ICMIC BUSINESS AWARD

- Fixed Telephone Line Category

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

MSC MALAYSIA 'CYBERCENTRE'

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

MALAM ANUGERAH CEMERLANG KESELAMATAN DAN KESIHATAN PEKERJAAN 2007

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

THE BRAND LAUREATE AWARDS 2007-2008

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

MALAYSIAN BUSINESS-CIMA ENTERPRISE GOVERNANCE AWARDS 2008

- Merit Award winner
- Corporate Social Responsibility Category winner

MALAYSIA 1000 TOP TEN AWARDS

- TM received recognition for its outstanding financial performance

STARBIZ-ICR MALAYSIA CORPORATE RESPONSIBILITY AWARD 2008

- TM came out top in the Workplace category

COMPUTERWORLD MALAYSIA READERS CHOICE AWARDS

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

THE TECHNOLOGY BUSINESS REVIEW ASEAN AWARDS 2008

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

DEWAN BAHASA DAN PUSTAKA
ANUGERAH CITRA WANGSA MALAYSIA
2007

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

NATIONAL ANNUAL CORPORATE REPORT
AWARDS (NACRA) 2008

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

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

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

MULTIMEDIA DEVELOPMENT
CORPORATION (MDEC)

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

LIBUR MAGAZINE

- Menara KL won the award for The Best Monument

2007

THE BRAND LAUREATE AWARD
2006-2007

- Corporate Brand
 - Telecommunications Industry Category

PC.COM MAGAZINE

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

GSM GLOBAL MOBILE AWARDS

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

LANKA MONTHLY DIGEST

- Dialog won top spot in the Finance Brand Index

STANDARD CHARTERED-FINANCIAL
EXPRESS CSR AWARD 2006

- Won by TM International Bangladesh Ltd

FROST & SULLIVAN MALAYSIA
TELECOMS AWARDS

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

READER'S DIGEST TRUSTED BRANDS
2007 SURVEY

- Trusted Brand in Telecommunications – Platinum Award

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

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

MALAYSIA BRAND EQUITY AWARD 2007

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

2007 FROST & SULLIVAN ASIA PACIFIC
ICT AWARDS

- Service Provider of the Year Award

ADASIA

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

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

- Dialog won the Outstanding Achievement in Customer Relationship Excellence

MOST ADMIRED KNOWLEDGE
ENTERPRISE (MAKE) AWARD

- Won by PT Excelcomindo Pratama Tbk (XL)

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

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

DEWAN BAHASA DAN PUSTAKA – ANUGERAH CITRA WANGSA MALAYSIA 2006

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

UNI-APRO OUTSTANDING EMPLOYEE-PARTNER AWARD

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

RED HERRING ASIA TOP 100 TECHNOLOGY COMPANIES AWARD

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

BEST OUTSOURCED SERVICE CONTACT CENTRE ASSOCIATION OF MALAYSIA (CCAM)

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

MINISTER OF ENERGY, WATER AND COMMUNICATIONS, MALAYSIA

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

SIXTH OSKAR AWARDS 2007 – FILM WORKERS ASSOCIATION OF MALAYSIA

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

MALAYSIA'S MOST VALUABLE BRANDS 2007

- Celcom secured fifth place

CORPORATE GOVERNANCE SURVEY REPORT 2007

- TM was ranked second

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2007

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

PIKOM ICT SERVICE PROVIDER OF THE YEAR AWARD

- Won by VADS Berhad

NATIONAL AWARD FOR MANAGEMENT ACCOUNTING (NAFMA) EXCELLENCE AWARD

2006

PC.COM MAGAZINE

TM Net won:

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

THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

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

READER'S DIGEST "TRUSTED BRAND PLATINUM AWARD 2006"

- Telecom Company Category

THE READER'S DIGEST TRUSTED BRANDS AWARD

- Mobile Service Provider Category – Gold Award

FROST & SULLIVAN MALAYSIA TELECOMS AWARDS

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

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

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

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

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

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

MALAYSIAN BUSINESS MAGAZINE

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

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

- Won by TMpoint in Alor Star, Kedah

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2006

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

THE BRAND LAUREATE AWARDS 2006-2007

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

TELELINK TELECOMMUNICATION AWARD 2006

- Best Mobile Service Provider in Bangladesh, won by AKTEL

JFB PERFORMANCE AWARD 2005

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

GSM GLOBAL MOBILE AWARDS

- Commendation Award won by Dialog Telekom, Sri Lanka

2005

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA 2005

- Anugerah Citra Iklan Radio won by Celcom

GSM ASSOCIATION AWARDS 2005

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

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

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

ASIAMONEY MALAYSIA'S BEST ANNUAL AWARD CEREMONY

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

ACCA MALAYSIA ENVIRONMENTAL AND SOCIAL REPORTING AWARDS 2004

- Commended for Social Corporate Reporting in Annual Report

EUROMONEY MAGAZINE

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

FROST & SULLIVAN AWARD 2005

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

INNOVATIVE LEARNING & DEVELOPMENT AWARD 2004

- Won by TM R&D

MALAYSIAN BOOK OF RECORDS

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

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

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

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

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

ARTHAKANTA BUSINESS MAGAZINE

- Arthakanta Business Award for Most Outstanding Company won by AKTEL

IBM AWARDS

- IBM Platinum Club Award
- IBM Strategic Win Award

MICROSOFT IMAGINE CUP MALAYSIA 2005 – SOFTWARE DESIGN CHALLENGE

- Top 3 prizes won by Multimedia University

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

- New and Existing Building Category – 2nd place

BEST INTERNAL AUDIT PRACTICE AWARD (BIAPA)

- Company with Shareholders Equity of more than RM200 million

ASEAN COMMUNICATIONS EXPO AND FORUM 2005

- Best Booth Design Award

CISCO BEST MANAGED SERVICES PARTNER AWARD FOR MALAYSIA

- Won by VADS

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2005

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

10 AWARDS WON BY TM REGIONAL COMPANY – AKTEL:

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

2004

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

- Largest Paymaster of Service Taxes Award

CHINA PRESS AND THE NANYANG SIANG PAU

- Award for Corporate Chinese New Year Advertisement – Moved

READER'S DIGEST

- Superbrands of 2004 – Gold Award

SUPERBRANDS MALAYSIA MAGAZINE

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

CISCO SYSTEMS

- Silver Certification

THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA (IIA MALAYSIA)

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

COMPUTERWORLD MAGAZINE – CORPORATE BROADBAND SERVICE READERS CHOICE AWARD 2004

- Won by TM Net

2003

INTERNATIONAL ARCH OF EUROPE AWARD

- Platinum Award by Telekom Networks Malawi Limited (TNM)

GSM AWARD FOR BEST USE OF WIRELESS FOR EMERGENCY SITUATIONS

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

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

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

LAUNCH OF THE MALAYSIA 1,000 DIRECTORY

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

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2003

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA IKLAN

- Bill Board Advertisement Good 2 Talk

PUSPAKOM (PUSAT PEMERIKSAAN KENDERAAN BERKOMPUTER SDN BHD)

- TM Facilities Sdn Bhd won the Anugerah Emas Juara Keseluruhan

MALAYSIAN ROYAL CUSTOMS MAJLIS PERASMIAN SAMBUTAN HARI KASTAM SEDUNIA XXII

- Largest Paymaster of Service Taxes Award

ANUGERAH KUALITI MENTERI TENAGA KOMUNIKASI & MULTIMEDIA

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

2002

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

- Highest Service Tax Payer

GSM WORLD AWARDS 2002

- Won by MTN Network

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA WANGSA

- Most Outstanding Award for the Private Sector Annual Report 2001

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2002

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

2001

GSM ASSOCIATION WORLD AWARD 2001

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

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2001

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA

Laporan Tahunan Sektor Swasta 2001

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

2000

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2000

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

DEWAN BAHASA DAN PUSTAKA ANUGERAH CITRA

Laporan Tahunan Sektor Swasta 2000

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

KLSE CORPORATE SECTOR AWARD 2000

- Main Board Trading and Services Category

BOARD OF DIRECTORS

Datuk Dr Halim Shafie

Chairman
(Non-Independent
Non-Executive Director)

Dato' 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' Zalekha Hassan

(Non-Independent
Non-Executive Director)

Tunku Dato' Mahmood Fawzy

Tunku Muhiyiddin
(Non-Independent
Non-Executive Director)

Dato' Danapalan T.P. Vinggrasalam

(Senior Independent
Non-Executive Director)

YB Datuk Nur Jazlan Tan Sri Mohamed

(Independent Non-Executive
Director)

Dato' Ir Abdul Rahim Abu Bakar

(Independent Non-Executive
Director)

Ibrahim Marsidi

(Independent Non-Executive
Director)

Quah Poh Keat

(Independent Non-Executive
Director)

Riccardo Ruggiero

(Independent Non-Executive
Director)

Eshah Meor Suleiman

(Alternate Director to
Dato' Zalekha Hassan)
(Non-Independent Non-Executive
Alternate Director)

Dr Farid Mohamed Sani

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

SENIOR INDEPENDENT DIRECTOR

Dato' Danapalan T.P. Vinggrasalam

Email: sid@tm.com.my

SECRETARIES

Idrus Ismail
(LS0008400)

Zaiton Ahmad
(MAICSA 7011681)

REGISTERED OFFICE

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

HEAD OFFICE

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

WEBSITE

www.tm.com.my

STOCK EXCHANGE LISTING

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

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens, North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel : 603-2264 3883
Fax : 603-2282 1886
Website: www.tricorglobal.com

AUDITORS

Messrs PricewaterhouseCoopers
(Chartered Accountants)
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur
Malaysia
Tel : 603-2173 1188
Fax : 603-2173 1288
Website: www.pwc.com

PRINCIPAL BANKERS

- CIMB Bank Berhad
- Malayan Banking Berhad

HEAD OF INVESTOR RELATIONS

Rohaila Mohamed Basir
Responsible for investor relations and reporting to the Executive Director/Group Chief Financial Officer
Tel : 603-2240 4848
Fax : 603-2240 0433
Email : rohailabasir@tm.com.my

CHIEF INTERNAL AUDITOR

Hashim Mohammed
Responsible for management of internal control and review of its effectiveness, adequacy and integrity. Profile as disclosed on page 72 of this annual report
Tel : 603-2240 1919
Fax : 603-7955 6235
Email : hashimhm@tm.com.my

CHIEF LEGAL, COMPLIANCE AND COMPANY SECRETARY

Idrus Ismail
Responsible for legal, compliance and company secretarial matters. Profile as disclosed on page 71 of this annual report
Tel : 603-2240 1700
Fax : 603-2240 6791
Email : idrus.ismail@tm.com.my

CHIEF CORPORATE & REGULATORY OFFICER

Ahmad Ismail
Responsible for the Group's corporate and regulatory matters. Profile as disclosed on page 72 of this annual report
Tel : 603-2241 5799
Fax : 603-2241 5769
Email : ahmisa@tm.com.my

CARELINE & FEEDBACK

- For enquiries, please call 100 (if you are in Malaysia) or 1 300 888 123 (if you are calling from a mobile) or +603-2241 1290 (if you are calling from overseas) or Email : help@tm.com.my
- For telephone directory, please call 103
- For any enquiries on UniFi please call 1300 88 1221 (Customer Support) or 1300 88 1222 (Sales Enquiries)

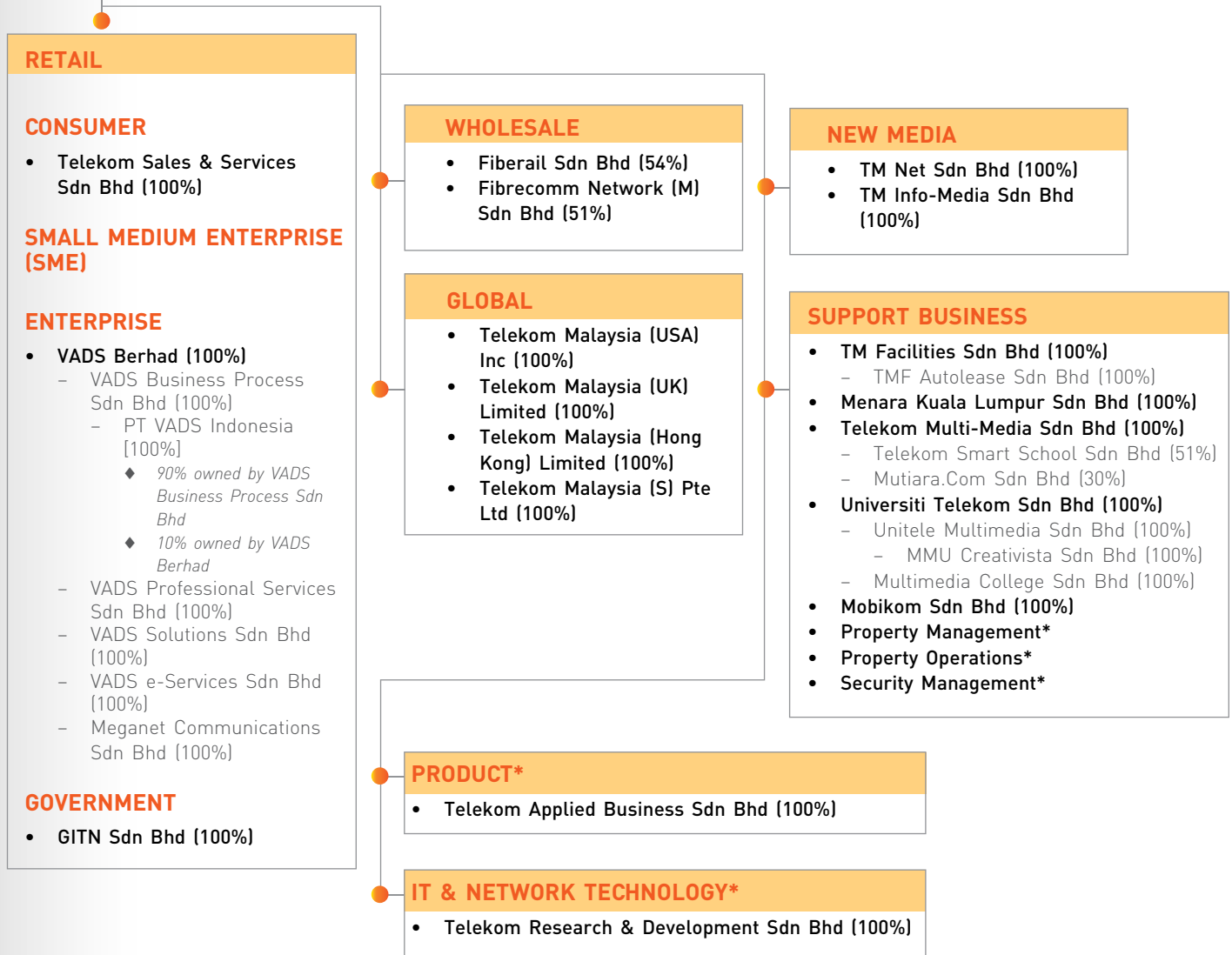


connect
communicate
collaborate

group corporate structure

(as at 18 March 2011)

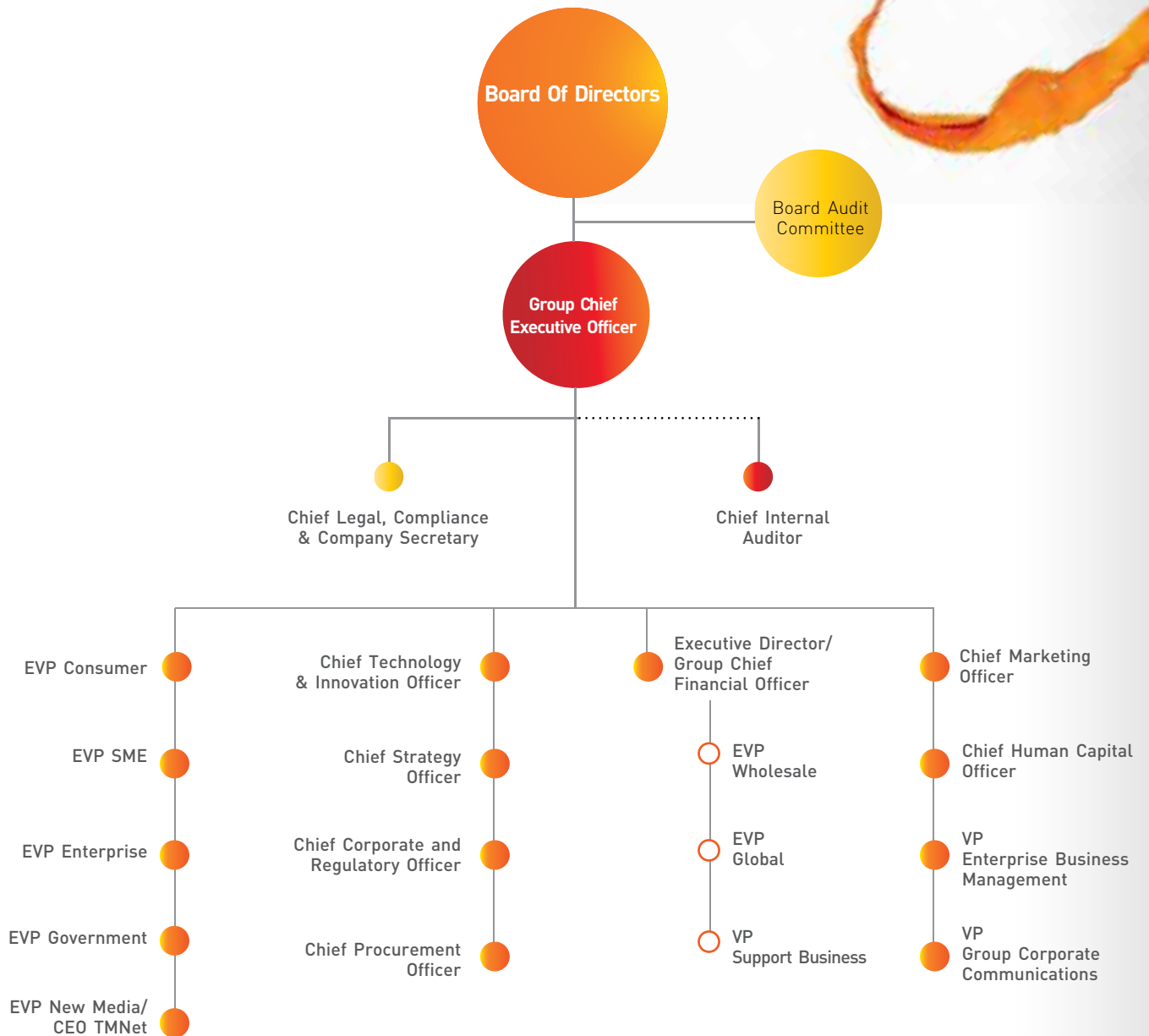
This chart presents our active subsidiaries, associates and Strategic Business Units (SBU) categorised under major business segments/lines of business



* Business Functions

group organisation structure

(as at 18 March 2011)



Note: EVP - Executive Vice President
VP - Vice President

COMMITMENT TO SHAREHOLDERS

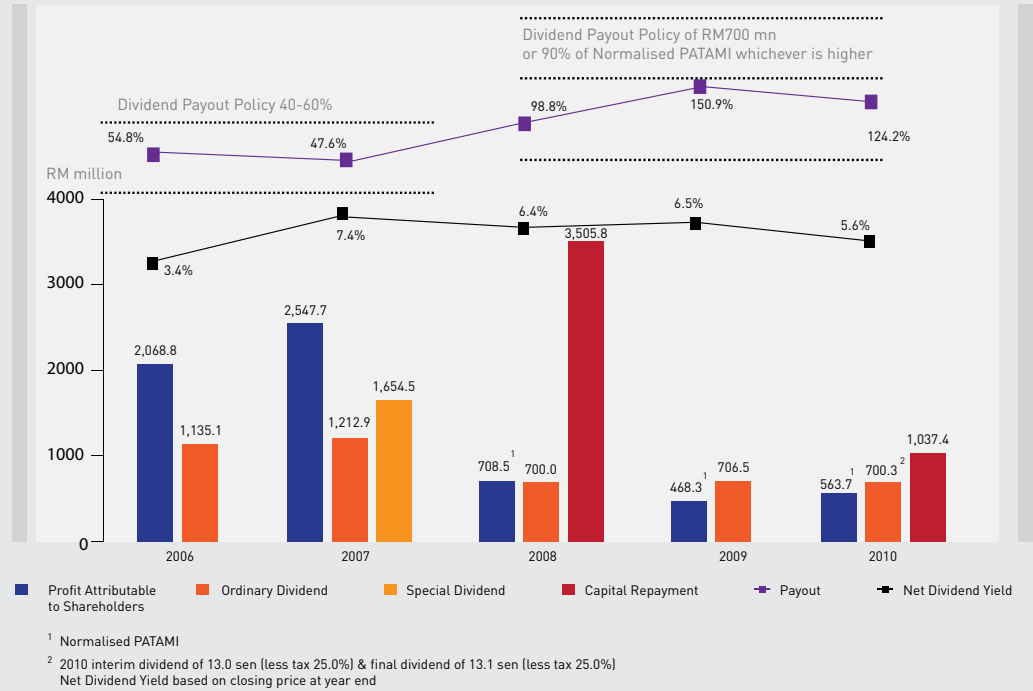
TM remains steadfast in our commitment to continuously creating value for our shareholders in our pursuit to become Malaysia's leading next-generation communications provider.

In the financial year 2010, we demonstrated this commitment by declaring a paid and proposed total net dividend payout of RM700.3 million to our shareholders, which consisted of:

- An interim gross dividend of 13.0 sen per share less tax at 25.0% amounting to RM348.8 million which was paid in September 2010; and
- A proposed final gross dividend of 13.1 sen per share less tax at 25.0%.

In addition to the dividend payment, we are proposing a capital distribution of RM1,037.4 million or 29.0 sen per share to our shareholders. The capital distribution is in line with TM's capital management framework which includes returning excess cash to shareholders, thus providing immediate value enhancement and improvement to our shareholders' long term rates of return. The proposed capital distribution exercise is expected to be completed in June 2011.

SHAREHOLDERS' RETURN

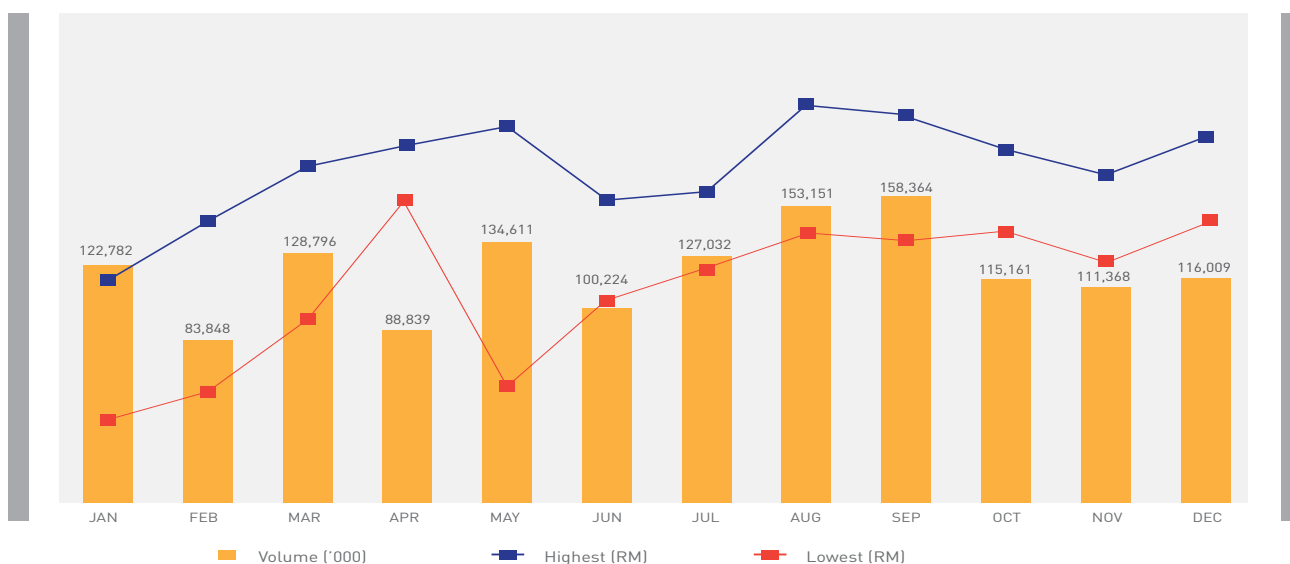


TM SHARE PRICE PERFORMANCE VS FBM KLCI 2010



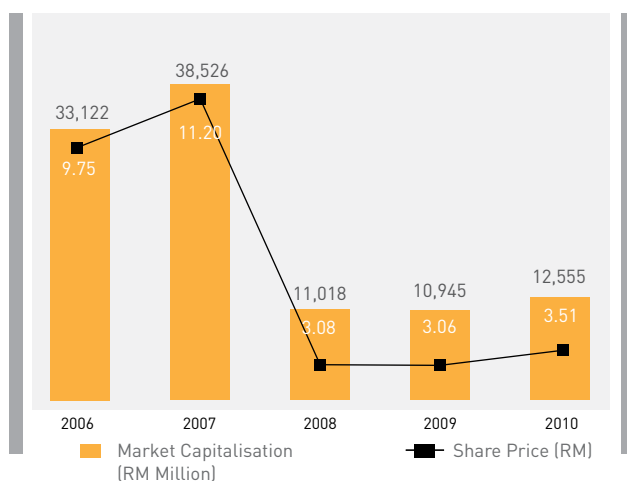
SHARE PRICE & VOLUME TRADED

2010 Monthly Trading Volume & Highest-Lowest Share Price



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume ('000)	122,782	83,848	128,796	88,839	134,611	100,224	127,032	153,151	158,364	115,161	111,368	116,009
Highest (RM)	3.22	3.36	3.49	3.54	3.56	3.41	3.43	3.60	3.58	3.53	3.47	3.56
Lowest (RM)	3.04	3.09	3.18	3.40	3.08	3.22	3.30	3.36	3.33	3.35	3.31	3.36

MARKET CAPITALISATION/SHARE PRICE



TM'S EXISTING DEBTS

LOCAL CURRENCY DEBT

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

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

FOREIGN CURRENCY DEBT

	Global Bond 2010 ¹	Global Bond 2014 ²	Global Bond 2025 ²
Coupon	8.00%	5.25%	7.88%
Yield	-14.28	3.208	5.196
Price	95.8	101.8	107.52
Principal (USD)	260,275,000	465,055,000	300,000,000

¹ Bond price as of 3 December 2010. The Global Bond 2010 matured on 7 December 2010

² Bond price as of 31 December 2010

Shareholder Base

TM has a large shareholder base comprising 31,588 institutional and private/retail shareholders. Our substantial shareholders are Khazanah Nasional Berhad, the Employees Provident Fund Board (EPF), AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera and Kumpulan Wang Persaraan (Diperbadankan), which together account for a 59.83% holding of the Group. Meanwhile, our foreign shareholding base stands at 10.45% as at 31 January 2011.

We have been listed on Bursa Malaysia since 1990. In 2010, TM shares recorded a total turnover of RM4,602 million, placing it among the top 50 highly traded stocks on the exchange with 1,440 million shares traded as compared to 2,141 million shares traded in 2009.

Transparency

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

As a responsible corporate citizen committed to conserving the environment, TM published our second

Sustainability Report in 2010, which was accorded the Global Reporting Initiative (GRI) rating of A+.

In addition, in the Minority Shareholders Watchdog Group (MSWG) survey on the level of governance and transparency among public listed companies (PLCs) in Malaysia in 2010, TM was presented with the Distinction Award, Best Conduct of AGM Award and Industry Excellence Award – Telecommunications Industry for scoring high marks on the Malaysian Corporate Governance (MCG) Index.

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."

DIVIDEND POLICY

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

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

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

TM CREDIT RATING

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

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

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

INVESTOR RELATIONS

We place great emphasis on maintaining a strong relationship between the Company and its investors. To ensure that our investors are kept abreast of our strategies, performance and key business activities, we maintain a continuous stream of active dialogue through a planned programme of investor relations activities.

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

In ensuring that best practices are adhered to, all communication with the capital market is governed by the Investor Relations Policy and Guidelines, guaranteeing fair and timely disclosure of information to all shareholders.

Quarterly Financial Results Announcement and Briefing

TM briefs analysts and fund managers on its quarterly earnings via teleconferencing subsequent to the release of its disclosures to Bursa Securities. These sessions are chaired by the Group CEO together with the Group CFO and attended by Senior Management representing

TM's key Lines of Business. The objective is to provide an avenue for clear understanding of the financial and operational performance of the Group.

Presentations on Financial Results

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

Investor Engagement

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

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

In 2010, we reached out to a wider investor audience internationally by participating in non-deal roadshows to London, Dublin, Tokyo and Sydney while also attending an investors' conference in Singapore.

Domestically, TM participated in small group meetings organised by local research houses and attended the annual Malaysian investment conference, Invest Malaysia 2010. Throughout the year, close to 300 in-house meetings and conference calls with investors and analysts were conducted.

- **Investor Relations Portal**

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

- **Feedback**

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

Retail Business

VOICE SERVICES ACCESS

- Homeline
- Businessline
- Centrex
- ISDN Primary Rate Interface (PRI)

VAS

- Infoblast
- Malaysia Direct
- VOBB (Voice Over Broadband)
- Tollfree 1300/1800
- International TollFree Services (ITFS)

PREPAID SERVICES

- iTalk
- TM Calling Card
- Home Prepaid

CONFERENCING SERVICES

- Audio Conferencing
- Video Conferencing
- Audio with Data Conferencing

Internet Services

- Broadband (Consumer)
 - UniFi VIP
 - Streamyx
 - Streamyx Zone
 - Streamyx Wireless (CDMA/EVDO)
- Broadband (Business)
 - UniFi Biz
 - Business Broadband
 - Direct
 - In-building Broadband Service (IBS)

- Narrowband Services (EZnet 1315/1515/1525)

INTERNET VAS

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

Data Services

MANAGED NETWORK

- IPVPN Premier
- IPVPN Lite
- IPVPN Value
- METRO.e
- Telex

MANAGED CONNECTIVITY

- DLL – Digitaline I (DG)
- DLL – Wideband (DQ)
- DLL – Broadband (BLL)
- Hyperband
- VSAT Premier
- VSAT Classic
- VSAT Value

GEOMATICS

- AVLS (Automatic Vehicle Location)

Application Service

- Webmail

Content Services

- HyppTV
- Hypp.tv
- Hypptunes

Wholesale Business

VOICE SERVICES

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

ACCESS SERVICES

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

IP DATA SERVICES

- High Speed Broadband (Transmission) Service
- Wholesale Ethernet
- IP Wholesale
- Wholesale Internet Access
- Domestic Transit Access

TRADITIONAL DATA SERVICES

- Domestic Bandwidth
- Interconnect Bandwidth

INFRA SERVICES

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

Global Business

VOICE SERVICES

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

DATA SERVICES

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

Government Segment

VALUE ADDED SERVICES

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

INFRA SERVICES

- Managed Hosting Services

MANAGED IPVPN



CHAPTER

performance review

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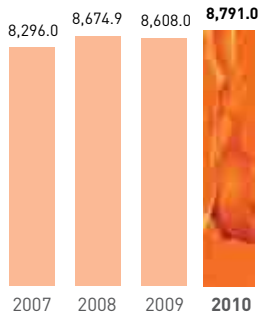




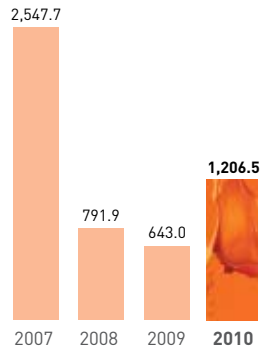
connect
communicate
collaborate

group financial highlights

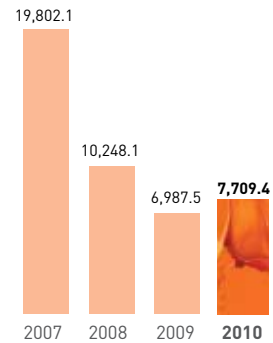
OPERATING REVENUE
(RM Million)



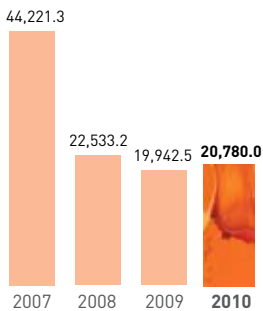
PROFIT ATTRIBUTABLE TO
EQUITY HOLDERS OF
THE COMPANY
(RM Million)



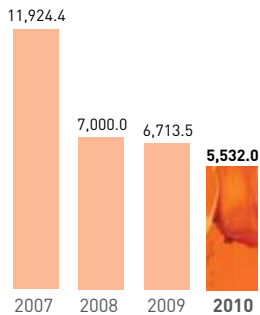
TOTAL SHAREHOLDERS'
EQUITY
(RM Million)



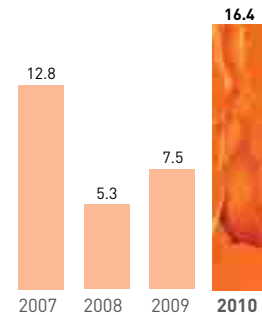
TOTAL ASSETS
(RM Million)



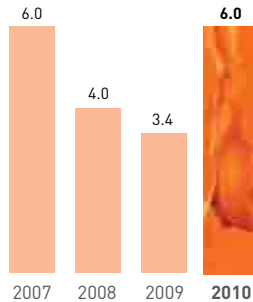
TOTAL BORROWINGS
(RM Million)



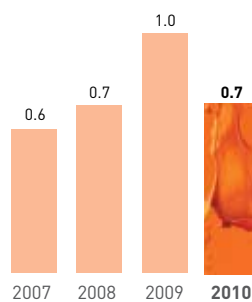
RETURN ON
SHAREHOLDERS' EQUITY
(%)



RETURN ON TOTAL ASSETS
(%)



DEBT EQUITY RATIO





In RM Million

OPERATING RESULTS

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

KEY DATA OF FINANCIAL POSITION

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

SHARE INFORMATION

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

FINANCIAL RATIO

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

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

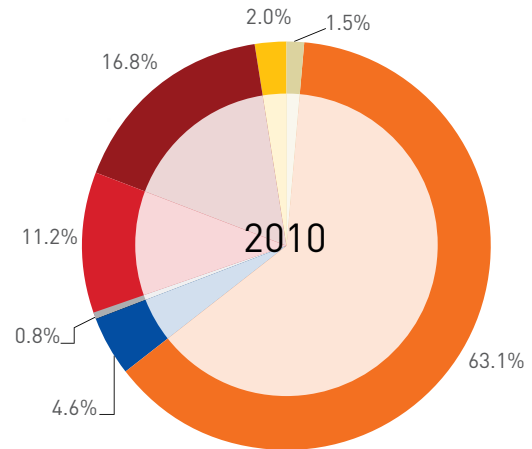
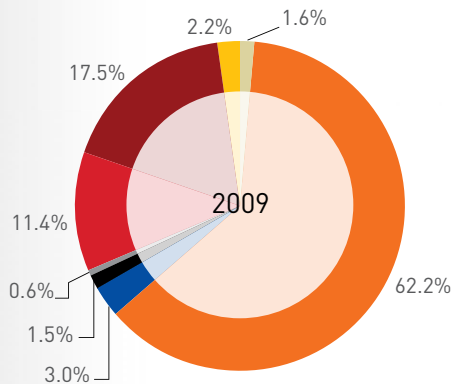
Significant reduction in these items from 2007 to 2008 were due to exclusion of balances of Axiata Group pursuant to the demerger.

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

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

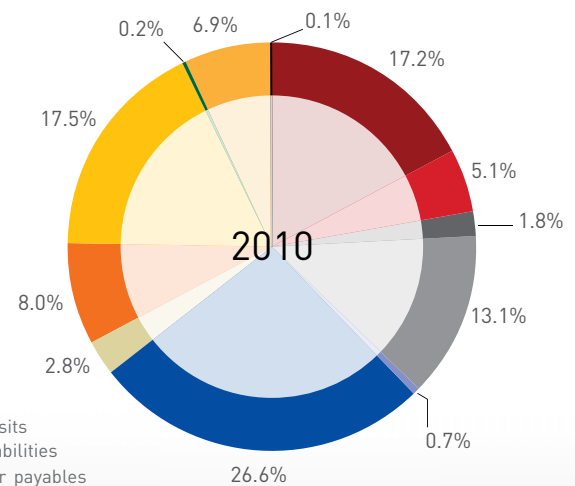
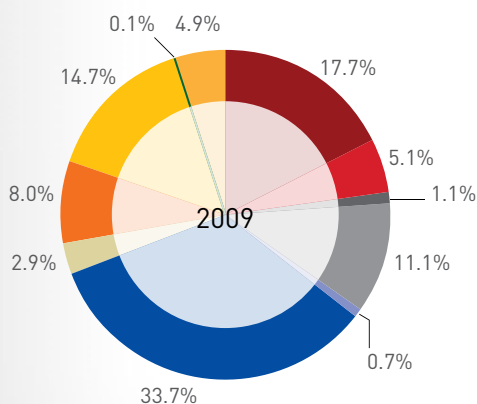
simplified group statement of financial position & segmental analysis

TOTAL ASSETS



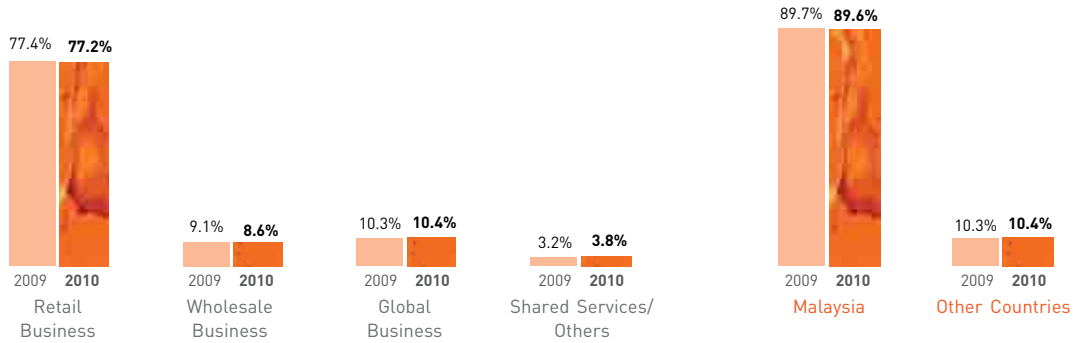
Available-for-sale investments ● Cash and bank balances
Short term investments ● Other assets
Inventories ● Intangible assets
Trade and other receivables ● Property, plant and equipment

TOTAL LIABILITIES & SHAREHOLDERS' EQUITY

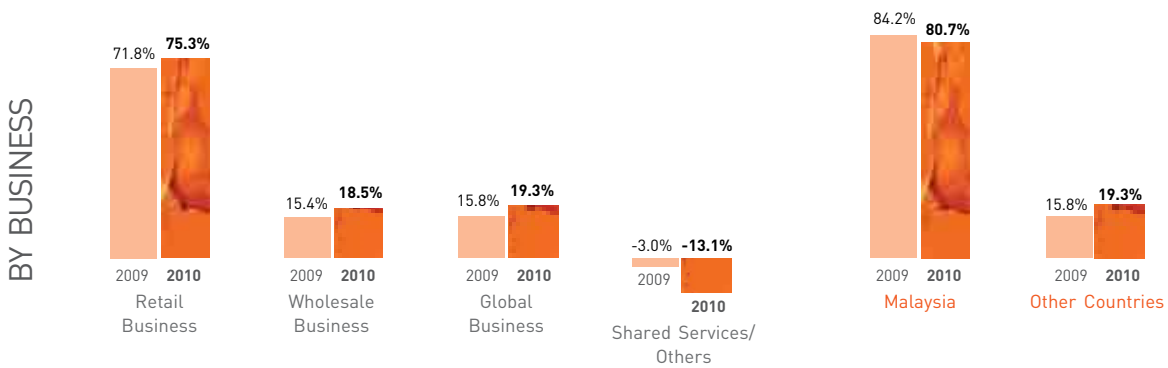


Share capital ● Customer deposits
Share premium ● Deferred tax liabilities
Other reserves ● Trade and other payables
Retained profits ● Taxation and zakat
Minority interests ● Deferred income
Borrowings ● Derivative financial instruments

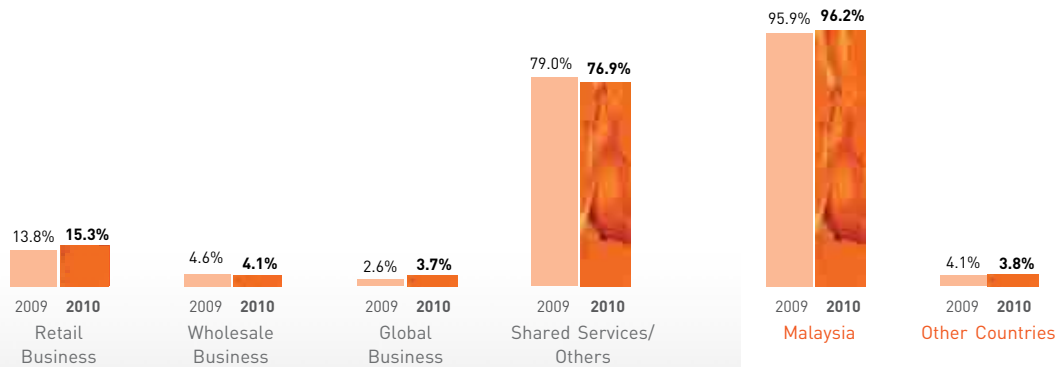
SEGMENT OPERATING REVENUE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER



SEGMENT RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER



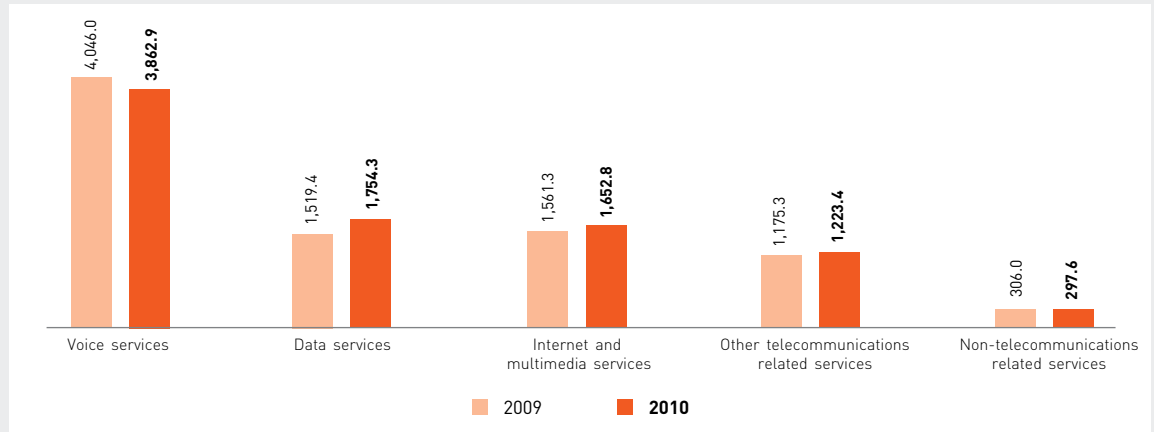
SEGMENT ASSETS AS AT 31 DECEMBER



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

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

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



OPERATING REVENUE (RM Million)

OPERATING REVENUE

For the financial year ended 31 December 2010, the Group's operating revenue rose by 2.1% to RM8,791.0 million from RM8,608.0 million registered in 2009. The increase in revenue was largely driven by growth recorded for internet and multimedia, data and other telecommunications related services.

Internet and multimedia services

The Group continued to win new customers and maintain its lead in the broadband segment, despite a challenging environment with the entry of more players and competitive offerings in the broadband market during the financial year. The broadband customer base was up 17.4% to 1.68 million customers in 2010. In line with increase in customer base, the Group registered an encouraging year-on-year revenue growth of 5.9% to RM1,652.8 million.

Internet and multimedia services contributed 18.8% to the Group's operating revenue

in the current financial year, higher than the 18.1% contribution in 2009.

Data services

Data services, which mainly comprise leased services, IPVPN and IP services, continued to drive revenue growth in 2010, registering a strong growth of 15.4% to RM1,754.3 million recorded in the current financial year. The higher revenue was mainly attributed to increased demand for higher bandwidth services from the domestic and global markets, particularly the South Asia region.

In line with higher revenue, contribution from data services to the Group's operating revenue increased to 20.0% from 17.7% in 2009.

Other telecommunications related services

Revenue from other telecommunications related services include primarily recoverable work orders (RWO), maintenance, broadcasting, restoration of submarine cables, managed

network services and enhanced value-added telecommunications services. The Group recorded higher revenue from these services by 4.2% to RM1,223.4 million. The increase was mainly due to higher revenue from RWO projects and higher realisation of deferred income relating to the High Speed Broadband (HSBB) project in the current financial year.

Other telecommunications related services contributed 13.9% to the Group's operating revenue as compared to 13.6% in 2009.

Non-telecommunications related services

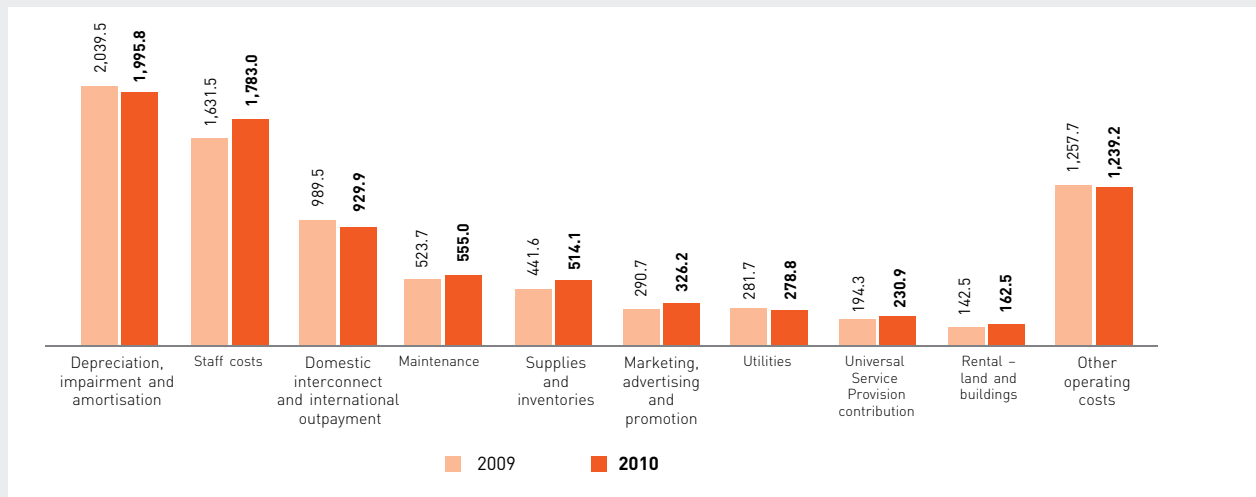
Non-telecommunications related services comprise services of subsidiaries with core businesses in education, printing and publication of directories, property development, trading of consumer equipment, etc. Total revenue from these services reduced by 2.7% to RM297.6 million as compared to the preceding financial year, primarily attributed to lower contribution by Menara Kuala

Lumpur Sdn Bhd following the downward revision in rental rate under the new concession agreement. Higher revenue registered by Universiti Telekom Sdn Bhd in line with an increase in the number of students, and TM Facilities Sdn Bhd following higher income from the sale of land in 2010, partially offset the reduction.

Non-telecommunications related services contributed 3.4% (2009: 3.6%) to the Group's operating revenue in the current financial year.

Voice services

Voice services comprises business telephony (also includes ISDN, interconnect and international inpayment) and residential telephony. In tandem with the global trend of continuing migration to cellular and internet-based communications as well as rate competition from VoIP players, voice revenue registered a decline of 4.5% to RM3,862.9 million in the current financial year.



OPERATING COSTS (RM Million)

Resulting from the decline, voice revenue's contribution to the Group's operating revenue reduced to 43.9% as compared to 47.0% in 2009.

OPERATING COSTS

For the financial year ended 31 December 2010, the Group's operating costs increased by 2.9% from RM7,792.7 million recorded in 2009 to RM8,015.4 million primarily due to higher staff costs, maintenance and supplies and inventories. Lower depreciation, impairment and amortisation charges and reduction in domestic interconnect and international outpayment partially offset the increase.

Depreciation, impairment and amortisation

Depreciation, impairment and amortisation charges, which comprise depreciation, impairment and write off of property, plant and equipment (PPE) as well as amortisation of intangible assets, reduced by 2.1% to RM1,995.8 million in the current financial year.

The lower charges were mainly contributed by deferment of depreciation following the revision of useful lives of PSTN switches and ATM DSLAM back to their original useful lives in 2009 resulting from changes in the migration plan of these assets to the NGN platform, as well as savings from higher amount of PPE written off/retired and fully depreciated at the Company level. Accelerated depreciation of certain network assets and additional depreciation charged for motor vehicles following revision of residual values partially offset the lower charge.

The above lower depreciation charge was partially offset by higher write off/retirement of PPE of RM71.1 million in the current financial year as compared to RM38.7 million in 2009.

Depreciation, impairment and amortisation charges accounted for 24.9% of total operating costs, as compared to 26.2% in 2009.

Staff costs

The Group's staff costs which accounted for 22.2% of total operating costs, rose by 9.3% to RM1,783.0 million as compared to RM1,631.5 million in 2009. The higher cost was primarily attributed to higher salaries and allowances in line with annual increment for 2010 as well as increase in staff headcount to support the roll-out of UniFi services and business growth. Higher sales commission paid to staff in line with revenue growth in 2010 also contributed to the increase. The annual increment for 2010 was 3.0% and the headcount at end 2010 was 26,755 as compared to 24,744 at end 2009.

Domestic interconnect and international outpayment

The Group's domestic interconnect and international outpayment reduced by 6.0% to RM929.9 million as compared to RM989.5 million recorded in 2009 and accounted for 11.6% of total operating costs. The lower costs were due to lower interconnect outgoing traffic

and the revised Mandatory Standard on Access Pricing (MSAP) effective July 2010. Higher international outpayment in line with higher data revenue partially offset the reduction.

Maintenance

Maintenance cost increased by 6.0% to RM555.0 million in the current financial year as compared to RM523.7 million in 2009, mainly due to higher cost incurred for maintaining two networks concurrently and facilities management, including preventive and corrective maintenance.

Supplies and inventories

For the current financial year, supplies and inventories cost increased by 16.4% to RM514.1 million as compared to RM441.6 million in 2009. The increase was due to higher subscriber equipment following higher modem utilisation in line with the increase in new Streamyx installations. Higher expense on equipment parts mainly due to an increase in battery and rectifier replacement costs, and higher

cost for various projects in line with higher revenue also contributed to the increase. Another contributing factor was the higher cable cost incurred in line with increase in cable price.

OTHER OPERATING INCOME

Other operating income rose by 18.7% to RM152.9 million in the current financial year primarily due to higher insurance claims, income from the sale of scrap and service tax refund. In addition, 2009 included higher loss on disposal of staff loans of RM18.2 million as compared to RM2.1 million in 2010. Lower profit on disposal of PPE, revenue from training and related activities and dividend income from investments reduced the increase.

OTHER GAINS

Other gains comprise fair value changes and gains or losses on disposal of available-for-sale investments and financial assets at fair value through profit or loss. The Group's other gains surged to RM373.3 million from RM120.5 million in the last financial year largely due to gain on disposal of available-for-sale investments, namely investments in MEASAT Global Berhad and Axiata Group Berhad (Axiata) shares, which resulted in a gain of RM141.7 million and

RM223.6 million respectively in the current financial year.

NET FINANCE COST

Finance cost

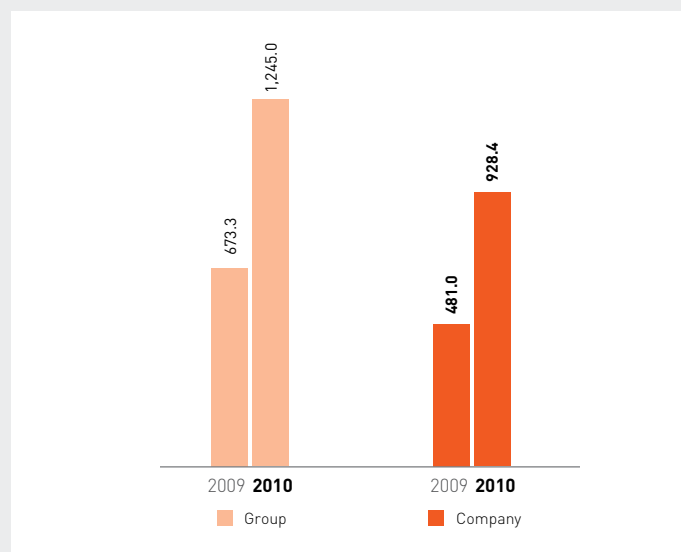
Despite recording lower finance costs on US Dollar bonds in line with lower borrowings following the partial repurchase of US Dollar bonds in 2009 and the full repayment of US Dollar bonds due on 6 December 2010, the Group's total finance cost for the current financial year of RM365.2 million was 2.5% higher than RM356.3 million recorded in 2009. This was mainly due to the absence of a refund of tax deducted at source for the previous redeemable bonds which was offset against finance cost at Group level.

Finance income

Finance income dropped by 30.3% to RM120.0 million in 2010 primarily due to the absence of finance income on amount owing by Axiata which has been fully repaid in April 2009. Lower interest income from employees housing loans following the disposal of the employees housing loan in 2009 also contributed to the reduction. Higher interest income on placements arising from more funds available for placement and increased interest rates partially offset the reduction.

Foreign exchange on translation of borrowings

In line with the weakening of US Dollar which depreciated



PROFIT FOR THE FINANCIAL YEAR (RM Million)

from USD1: RM3.424 at the end of 2009 to USD1: RM3.0835 at the end of 2010, the Group recorded a foreign exchange gain of RM332.3 million on translation of borrowings denominated in US Dollar in the current financial year as compared to RM40.5 million gain recorded in 2009.

The Group has entered into several forward foreign currency contracts to hedge the foreign exchange risk on US Dollar bonds. The fair value gains or losses on these forward foreign currency contracts are presented within foreign exchange on translation of borrowings. 2010 recorded a loss of RM28.6 million on these contracts. No such loss were recorded in 2009 as forward contracts were classified as off-balance-sheet financial instruments prior to the adoption of FRS 139 on 1 January 2010.

Consequent from the above, 2010 recorded a net finance income of RM58.5 million as compared to a net finance cost of RM143.6 million in 2009.

TAXATION EXPENSE

The Group's effective tax rate in 2010 was 8.5% as compared to 27.4% in 2009 primarily attributed to gain on disposal of available-for-sale investments and foreign exchange gain on borrowings as explained above, which are not subject to tax. Current financial year also included a deferred tax income of RM59.5 million in respect of previously unrecognised temporary differences mainly arising between the depreciation charge and amortisation of deferred income for PPE funded by a government grant.

PROFITABILITY

Consequent from higher gains contributed by available-for-sale investments and foreign exchange gain on borrowings, the Group's profit for the financial year surged 84.9% to RM1,245.0 million from RM673.3 million recorded in 2009.



TOTAL ASSETS

Total assets of the Group stood at RM20,780.0 million at end 2010, representing an increase of 4.2% over RM19,942.5 million at the end of the previous financial year, mainly contributed by the increase in carrying value of PPE.

Property, plant and equipment (PPE)

The Group's PPE grew by 5.7% to RM13,112.1 million at end 2010 as compared to RM12,404.3 million at the end of the preceding financial year in line with higher capital expenditure incurred for the HSBB project, which was higher than the depreciation charge and write off/retirement of PPE during the financial year.

TOTAL LIABILITIES

The Group's total liabilities increased by 0.8% to RM12,919.8 million from RM12,812.5 million at end 2009 mainly due to higher deferred income, trade and other payables net of lower borrowings.

Deferred income

Deferred income comprise government funding for Universal Service Provision and HSBB projects, which are amortised on a straight line basis over the estimated useful lives of the related assets. Deferred income increased significantly by 45.3% to RM1,432.1 million at end of 2010 as a result of

additional funding received during the financial year, mainly for the HSBB project.

Trade and other payables

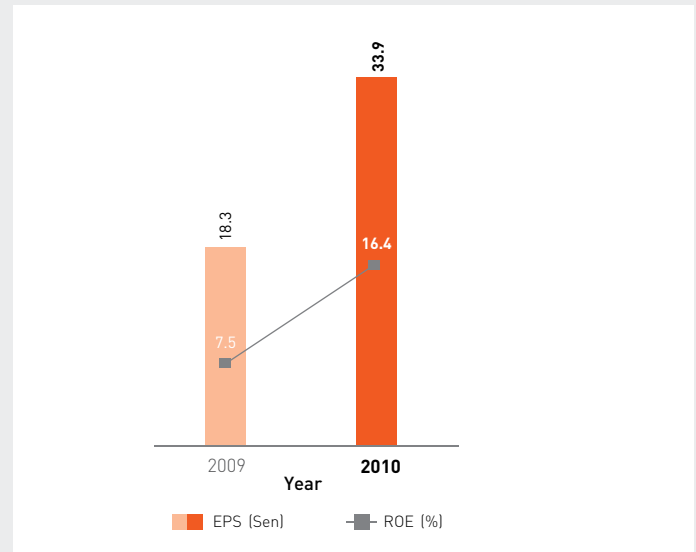
Trade and other payables rose by 24.0% to RM3,639.2 million as compared to RM2,934.6 million at end 2009 primarily due to higher trade payables for network expansion in line with the roll-out of UniFi services as well as higher payable for Universal Service Provision.

Borrowings

The Group's borrowings of RM5,532.0 million was down by 17.6% as compared to RM6,713.5 million at the end of the preceding financial year. The reduction was mainly due to full repayment of US Dollar bonds amounting to RM828.1 million (USD260.3 million) which were due on 6 December 2010. The foreign exchange gain on translation of US Dollar borrowings resulting from the weakening of US Dollar against Ringgit Malaysia during the financial year also contributed to the reduction.

SHAREHOLDERS' EQUITY

The Group's shareholders' equity increased to RM7,709.4 million as at 31 December 2010 from RM6,987.5 million at the end of the last financial year. The increase was primarily due to the current year profit attributable to equity holders of the Company of RM1,206.5 million, fair value



EPS AND ROE

gain on available-for-sale investments and the increase in share capital and share premium pursuant to employees exercising their share options under Special ESOS, which was collectively greater than the appropriation of 2009 final dividend and 2010 interim dividend totalling RM693.8 million.

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

As result of the higher profit attributable to the equity holders of the Company for the current financial year, the basic EPS rose to 33.9 sen from 18.3 sen in 2009. Accordingly, ROE also increased to 16.4% in 2010 from 7.5% in 2009.

Dividends

In respect of the financial year ended 31 December 2010, an interim gross dividend of 13.0 sen per share less tax at 25.0% was paid on

24 September 2010 to shareholders whose names appeared in the Register of Members and Record of Depositors on 7 September 2010. Together with the proposed final gross dividend of 13.1 sen per share less tax at 25.0% subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, the total dividend payout would be RM700.3 million. This is in line with the Company's dividend payout policy of RM700.0 million or up to 90.0% of normalised profit attributable to equity holders, whichever is higher.



statement of value added

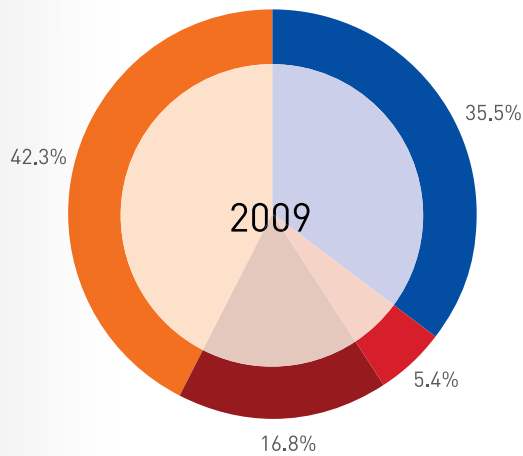
Value added is a measure of wealth created. The following statement shows the Group's value added for 2009 and 2010 and its distribution by way of payments to employees, government/approved agencies and shareholders, with the balance retained in the Group for reinvestment and future growth.

	2009 RM Million	2010 RM Million
VALUE ADDED		
Revenue	8,608.0	8,791.0
Purchase of goods and services	(4,121.7)	(4,236.6)
Value added by the Group	4,486.3	4,554.4
Other operating income (net)	128.8	152.9
Other gains (net)	120.5	373.3
Finance income	172.2	120.0
Finance cost	(356.3)	(365.2)
Foreign exchange gain on borrowings	40.5	303.7
Share of results of associates	0.6	(0.1)
Value added available for distribution	4,592.6	5,139.0
DISTRIBUTION		
To Employees		
Employment cost	1,631.5	1,783.0
To Government/Approved Agencies		
Taxation and Zakat	248.3	115.2
To Shareholders		
Dividends	740.0	697.6
Minority interests	30.3	38.5
Retained for reinvestment and future growth		
Depreciation, impairment and amortisation	2,039.5	1,995.8
Retained profits	(97.0)	508.9
Total distributed	4,592.6	5,139.0

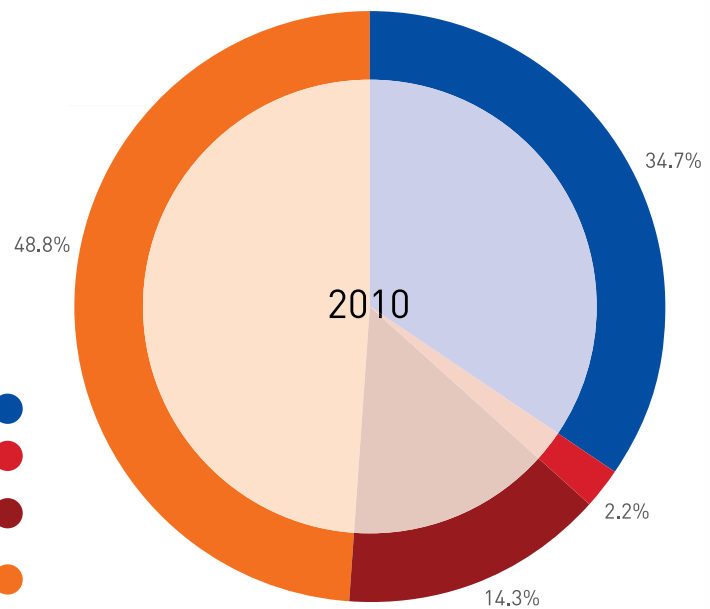


connect
communicate
collaborate

distribution of value added



- To Employees - Employment cost **RM1,631.5 million**
- To Government/Approved Agencies - Taxation and Zakat **RM148.3 million**
- To Shareholders - Dividends and Minority interests **RM776.3 million**
- Retained for reinvestment and future growth - Depreciation, impairment, amortisation and retained profits **RM1,942.5 million**



- To Employees - Employment cost **RM1,783.8 million**
- To Government/Approved Agencies - Taxation and Zakat **RM115.3 million**
- To Shareholders - Dividends and Minority interests **RM736.1 million**
- Retained for reinvestment and future growth - Depreciation, impairment, amortisation and retained profits **RM2,504.7 million**

CHAPTER

leadership

- 58 *Board Of Directors*
- 60 *Profile Of Directors*
- 68 *Group Leadership Team*
- 70 *Profile Of Group Leadership Team*





connect
communicate
collaborate

board of directors



FROM LEFT TO RIGHT

Quah Poh Keat

(Independent Non-Executive Director)

Ibrahim Marsidi

(Independent Non-Executive Director)

Dato' Zalekha Hassan

(Non-Independent Non-Executive Director)

Dato' Ir Abdul Rahim Abu Bakar

(Independent Non-Executive Director)

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

(Non-Independent Non-Executive Director)

YB Datuk Nur Jazlan Tan Sri Mohamed

(Independent Non-Executive Director)

Datuk Bazlan Osman

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

Datuk Dr Halim Shafie

Chairman
(Non-Independent Non-Executive Director)

Dato' Sri Zamzamairani Mohd Isa

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

Dato' Danapalan T.P. Vinggrasalam

(Senior Independent Non-Executive Director)

Riccardo Ruggiero

(Independent Non-Executive Director)

Eshah Meor Suleiman

(Non-Independent Non-Executive Alternate Director)

Dr Farid Mohamed Sani

(Non-Independent Non-Executive Alternate Director)

Idrus Ismail

Company Secretary

Zaiton Ahmad

Joint Company Secretary



Datuk Dr Halim Shafie
Non-Independent
Non-Executive Chairman



Datuk Dr Halim, aged 62, a Malaysian, was appointed Non-Independent Non-Executive Chairman of TM on 31 July 2009. He graduated with a Bachelor of Economics (Hons) from University of Malaya in 1972 and obtained a Masters in Economic Development from University of Pittsburgh in 1980. This was followed by a Ph.D in Information Transfer from Syracuse University in 1988. In addition, he also completed professional courses in Systems Analysis and Design at the National Institute of Public Administration (INTAN) in 1976, Management Education Program at the Indian Institute of Management, Ahmedabad, India in 1977 and Advanced Management at Harvard Business School in 2000.

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

Modernisation and Management Planning Unit (MAMPU) in the Prime Minister's Department in 1987 and was posted back as Director of INTAN in 1994.

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

Over the last 15 years, Datuk Dr Halim has served on many boards, including Tenaga Nasional Berhad, Pos Malaysia Berhad and Multimedia Development Corporation Sdn Bhd. He is currently the Chairman of Universiti Telekom Sdn Bhd and GITN Sdn Bhd, wholly-owned subsidiaries of TM. He also

holds office as a council member of the Malaysian National Computer Confederation (MNCC), Adjunct Professor of Universiti Utara Malaysia, Advisory Board Chairman of the National Library, Malaysia, a Director of Malaysian Electronic Clearing Corporation Sdn Bhd (a subsidiary of Bank Negara Malaysia) and board member of the Malaysian Industry-Government Group for High Technology (MIGHT).

Datuk Dr Halim currently serves as Chairman of TM's Board Dispute Resolution Committee. He attended all 11 Board of Directors' meetings of the Company held during the financial year. 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**
Non-Independent
Executive Director
Managing Director/
Group Chief Executive Officer

Dato' Sri Zamzamzairani, aged 50, a Malaysian, was appointed Non-Independent Executive Director and assumed the position of Managing Director/ Group Chief Executive Officer of TM on 25 April 2008. He holds a Bachelor of Science in Communication Engineering from Plymouth Polytechnic, United Kingdom, and has attended the Kellogg School of Management's programme in Corporate Finance, Strategies for Creating Shareholder Value.

He has vast experience in the telecommunications industry, having held senior

management positions in several multinationals, such as Global One and Lucent Technologies (Malaysia). Previous key positions in TM before assuming his current role include Senior Vice President, Group Strategy and Technology and Chief Executive Officer of Malaysia Business.

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

As the Group CEO, he also sits on the Board Tender Committee of TM. He attended all 11 Board of Directors' meetings of the Company held during the financial year. He is an Executive Director nominated by the MoF Inc., the Special Shareholder of TM. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

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



Datuk Bazlan, aged 47, a Malaysian, was appointed Non-Independent Executive Director of TM on 25 April 2008. He is currently the Group Chief Financial Officer of TM. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA).

He began his career as an auditor with a public accounting firm in 1986 and subsequently served the Sime Darby Group, holding various positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a brief stint in American Express Malaysia

Berhad before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed Senior Vice President, Finance/ Company Secretary. He joined Celcom Axiata Berhad in 2001 as the Senior Vice President, Corporate Finance & Treasury and subsequently appointed as the Chief Financial Officer (CFO) prior to his appointment as TM Group CFO on 1 May 2005. Effective 1 November 2009, he also oversees the operations of Global, Wholesale and Support Business. Datuk Bazlan sits on the Boards of several subsidiaries within the TM Group including Chairman of Fiberail Sdn Bhd and TM Info-Media Sdn Bhd.

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



Dato' Zalekha Hassan
Non-Independent
Non-Executive Director

Dato' Zalekha, aged 57, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 9 January 2008. She graduated with a Bachelor of Arts (Hons) from University of Malaya.

Dato' Zalekha began her career in the Malaysian civil service in 1977, as an Assistant Director in the Training and Career Development Division of the Public Service Department. She continued to serve the Government in numerous ministries including the Ministry of Health, Ministry of

Social Welfare and the Ministry of National Unity and Social Development, prior to joining the Ministry of Finance (MoF) in 1997 as its Senior Assistant Director of the Budget Division. She has since continued to serve the MoF in various capacities. Dato' Zalekha was attached to the Government Procurement Division of the MoF for seven years before taking up her current appointment as the Ministry's Deputy Secretary-General (Management).

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

Dato' Zalekha is currently the Non-Executive Chairperson of TM's Board Tender Committee. She attended nine out of 11 Board of Directors' meetings of the Company held during the financial year. She is a Non-Executive Director nominated by the MoF Inc., the Special Shareholder of TM, and has never been charged for any offence within the past 10 years. She has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Tunku Dato' Fawzy, aged 52, a Malaysian, was appointed Non-Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Arts (Hons) in Business Studies from the Polytechnic of Central London, a Masters in Business Administration (MBA) from Warwick University, and a Diploma in Marketing from the Chartered Institute of Marketing. He is also a member of the Malaysian Institute of Management (MIM).

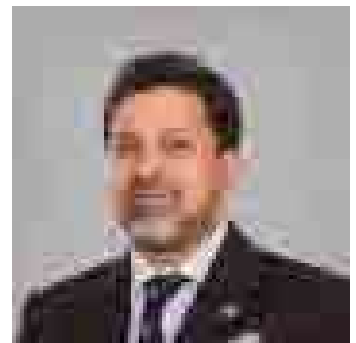
Tunku Dato' Fawzy has accumulated more than 20 years of international work experience in companies

spanning various industries, from banking, information technology and investment holdings to shipping, and oil and gas. He joined Khazanah Nasional Berhad (Khazanah) as Director of Investments in May 2007 and was later appointed Executive Director of Investments until his retirement from Khazanah on 9 May 2010. He also sits on the board of Pos Malaysia Berhad, Kencana Petroleum Berhad and Hong Leong Islamic Bank Berhad.

Tunku Dato' Fawzy is currently the Non-Executive Chairman of TM's Board Nomination and Remuneration Committee and

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

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



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

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

He was previously Chairman of the Malaysian Communications and Multimedia Commission (MCMC) from February 2004 until his retirement in March 2006. Dato' Danapalan was Senior Vice President of the Multimedia Development Corporation Sdn Bhd (MDeC)

from June 1998 to January 2004. Before this, he served as Secretary-General of the Ministry of Science, Technology and Environment from December 1991 until March 1998. He also served as Deputy Secretary-General of the Ministry of Social and Community Development and as Deputy Director of the National Institute of Public Administration (INTAN).

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

Universiti Telekom Sdn Bhd, a wholly-owned subsidiary of TM.

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

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



YB Datuk Nur Jazlan, aged 45, a Malaysian, was appointed Independent Non-Executive Director of TM on 1 June 2004. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom. He was a Council Member and Chairman of the Public Relations Committee of the Malaysian Institute of Accountants (MIA) as well as a Council Member of the ASEAN Federation of Accountants (AFA).

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

Berhad and Ekowood International Berhad.

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

He is currently Chairman of UDA Holdings Berhad and also a Director of United Malayan Land Berhad, Prinsiptek Corporation Berhad, Jaycorp Berhad, TSH Resources



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

Dato' Ir Abdul Rahim, aged 65, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He graduated from the Brighton College of Technology, United Kingdom with a Bachelor of Science (Hons) Electrical Engineering in 1969. He is a member of the Institute of Engineers, Malaysia and is a Professional Engineer, Malaysia (P.Eng). He also holds the Electrical Engineer Certificate of Competency Grade 1.

Pernas Charter Management Sdn Bhd, a management company for the tin mining industry, in 1979. From late 1983 to 1991, he served Malaysia Mining Corporation Berhad (MMC) in various senior positions. Later, from 1991 to 1995, he moved on to MMC Engineering Services Sdn Bhd and subsequently to MMC Engineering Group Berhad as the Managing Director. In May 1995, he joined Petroliam Nasional Berhad (Petronas) as Managing Director of Petronas Gas Berhad and was made Vice President of Petronas' Petrochemical Business in 1999. He retired on 31 August 2002.

He also sits on the board of Scomi Group Berhad, Scomi Engineering Berhad and Global Maritime Ventures Berhad.

Dato' Ir Abdul Rahim is currently the Non-Executive Chairman of TM's Board Investment Committee and a member of the Board Nomination and Remuneration Committee. He attended all 11 Board of Directors' meetings of the Company held during the financial year. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

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

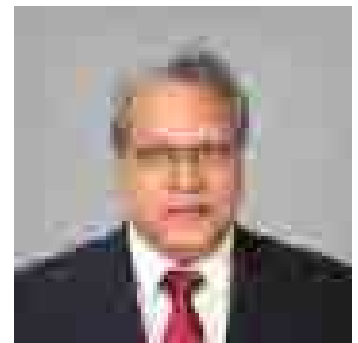
Ibrahim Marsidi, aged 58, a Malaysian, was appointed Independent Non-Executive Director of TM on 25 April 2008. He holds a Bachelor of Economics (Analytical) (Hons) from the University of Malaya.

He was previously Managing Director and Chief Executive Officer of Petronas Dagangan Berhad until his retirement on 31 December 2007. He joined Petroliam Nasional Berhad (Petronas) in 1979, where he

held a number of senior managerial positions. Prior to his appointment as Managing Director and Chief Executive Officer of Petronas Dagangan Berhad, he was the Senior Manager of Eastern and Northern Region, General Manager of the Liquefied Petroleum Gas (LPG) Business and Retail Business in Petronas Dagangan Berhad and General Manager of Crude Oil Group, Petronas.

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

Ibrahim Marsidi
Independent
Non-Executive Director



Quah Poh Keat, aged 58, 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.

He is also an independent non-executive director of IOI Corporation Berhad, PLUS Expressways Berhad, Public Investment Bank Berhad, Public Bank Berhad, Public Mutual Berhad, Public Islamic Bank Berhad, Lonpac

Insurance Berhad and LPI Capital Berhad. He is also a Trustee of Yayasan Tan Sri Lee Shin Cheng and a member of the Federation of Malaysian Manufacturers Economic Fiscal Policies Committee.

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

Quah Poh Keat
Independent
Non-Executive Director



Riccardo Ruggiero
Independent
Non-Executive Director



Riccardo, aged 50, an Italian, was appointed Independent Non-Executive Director of TM on 18 August 2008. He graduated from Rome University La Sapienza with a Doctor in Law. He is currently Chief Executive Officer (CEO) and Chairman of ARIA SpA, a leading WIMAX Italian Operator.

Riccardo began his career in 1986, as a Sales Manager at Finnivest, Mediaset Group. In 1991, he joined the Olivetti Group serving in various capacities including Vice President for International Client and Business Development of Telecommunications Service Worldwide, Marketing and Business Development. His last position during his

11 years with the Olivetti Group was CEO of Infostrada SpA (a joint venture between Olivetti and Mannesman), responsible for the transformation of the start-up company into the first alternative wireline and Internet competitor to Telecom Italia.

In 2001, Riccardo joined Telecom Italia as President of its Wireline Business Unit, responsible for managing and developing the wireline and Internet broadband business worldwide. He was appointed CEO of Telecom Italia Group in October 2005, a position he held until December 2007. As CEO, he was responsible for the management and development of Telecom Italia's fixed, mobile,

broadband and digital media business worldwide. Riccardo also has extensive experience in the management and development of content in a multi-platform environment, including IPTV, mobile TV, digital terrestrial television and multimedia broadband portal. He was the Senior Adviser of Permira Association SpA and Director of Value Partners SpA from 2008 until January 2010 and June 2010 respectively.

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



Eshah Meor Suleiman
Non-Independent
Non-Executive
Alternate Director

Eshah, aged 56, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Dato' Zalekha Hassan on 11 March 2009. She graduated with a Bachelor of Economics (Hons) from University of Malaya in 1980 and obtained a Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 1981. She later obtained a Masters in Business Administration (MBA) in Finance from the Oklahoma City University, USA, in 1994.

Eshah began her career in the Malaysian civil service in 1981 as an Assistant Director,

Macro Economic Section in the Economic Planning Unit of the Prime Minister's Department, and in 1991, she was appointed Assistant Secretary in the Government Procurement Management Division, Ministry of Finance (MoF). Since then, she has held various positions in the MoF, such 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 also a Director of Pos Malaysia Berhad, Global Maritime Ventures Berhad (a

subsidiary of Bank Pembangunan Malaysia Berhad) and a number of private companies.

She is also the alternate member to Dato' Zalekha Hassan on TM's Board Tender Committee. She attended one out of 11 Board of Directors' meetings of the Company held during the financial year in place of her substantive Director. She has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Dr Farid, aged 35, a Malaysian, was appointed Non-Independent Non-Executive Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on 25 April 2008. He holds a Ph.D in Chemical Engineering, a Masters in Engineering and a Bachelor of Arts with first class honours specialising in Chemical Engineering, all from the University of Cambridge.

Dr Farid is Director, Investments of Khazanah Nasional Berhad (Khazanah). He has been with Khazanah since 2004 and has also served in Khazanah's Transformation Management Office and Senior Vice President, Managing Director's Office before assuming his current position in April 2010. Prior to that, Dr Farid was a consultant at McKinsey & Company for two years.

Dr Farid is a Director of Axiata Group Berhad [Axiata]. He also sits on the board of several subsidiaries within Axiata Group such as Celcom Axiata Berhad.

He is a Non-Executive member of TM's Board Tender Committee. He has never been charged for any offence within the past 10 years and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

Dr Farid Mohamed Sani
Non-Independent
Non-Executive
Alternate Director





connect
communicate
collaborate

group leadership team



FROM LEFT TO RIGHT (BEHIND)

Zaleha Abu Bakar, Ahmad Azhar Yahya, Nizam Arshad, Hashim Mohammed, Datuk Bazlan Osman, Sherene Azura Azli, Rozalila Abdul Rahman, Izlyn Ramli, Mohd Khalis Abdul Rahim, Rafeai Samsi

SEATED FROM LEFT TO RIGHT

Ahmad Ismail, Giorgio Migliarina, Dato' Sri Zamzamzairani Mohd Isa, Hamidah Mahmud



FROM LEFT TO RIGHT (BEHIND)

Jeremy Kung Eng Chuang, Mohamad Rozaimy Abd Rahman, Dr Mazlan Ismail, Azizi A Hadi, Imri Mokhtar, Idrus Ismail, Asmawati Yusof, Ghazali Omar, Dato' Kairul Annuar Mohamed Zamzam

SEATED FROM LEFT TO RIGHT

Zam Ariffin Ismail, Nor Akmar Md Yunus, Gazali Harun, Shanti Jusnita Johari

Dato' Sri Zamzamzairani Mohd Isa

Managing Director/Group Chief Executive Officer

Dato' Sri Zamzamzairani, 50, holds a Bachelor of Science in Communication Engineering from Plymouth Polytechnic, United Kingdom, and has attended the Kellogg School of Management's programme in Corporate Finance, Strategies for Creating Shareholder Value. He has vast experience in the telecommunications industry, having held senior management positions in several multinationals, such as Global One and Lucent Technologies (Malaysia). Previous key positions in TM before assuming his current role include Senior Vice President, Group Strategy and Technology and Chief Executive Officer of Malaysia Business. Dato' Sri Zamzamzairani sits on the Boards of several TM subsidiaries, including as Chairman of VADS Berhad and TM Net Sdn Bhd, and Deputy Chairman of GITN Sdn Bhd.

Ahmad Azhar Yahya

Chief Strategy Officer

Ahmad Azhar, 46, holds a Bachelor of Science in Electrical Engineering from Oklahoma State University. He began his career in 1987 as an Engineer in Agilent Technologies (formerly known as Hewlett Packard). He then joined management consultants, Accenture in 1990 servicing a portfolio of clients in Malaysia, Asia and the Middle East in various industries from communications to high technology, oil and gas and the public sector. His experience includes strategic planning and change management, business and operations support systems, enterprise resource management, revenue and customer relationship management. He became a Partner at Accenture in 2000 before joining TM as Group Chief Information Officer on 2 August 2004. In 2008, Ahmad was appointed the Programme Director of the High-Speed Broadband Programme and contributed to the successful launch of UniFi in March 2010. He was appointed to his current position as TM's Chief Strategy Officer on 15 July 2010.

Datuk Bazlan Osman

Executive Director/Group Chief Financial Officer

Datuk Bazlan, 47, is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He began his career as an auditor with a public accounting firm in 1986 and subsequently served the Sime Darby Group, holding various positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. In 1993, he had a brief stint in American Express Malaysia Berhad before joining Kumpulan FIMA Berhad in 1994, where he was appointed Senior Vice President, Finance/Company Secretary. He joined Celcom Axiata Berhad in 2001 as the Senior Vice President, Corporate Finance and Treasury and was appointed the Chief Financial Officer (CFO) prior to his appointment as TM Group CFO on 1 May 2005. Effective 1 November 2009, he also oversees the operations of Global, Wholesale and Support Business. Datuk Bazlan sits on the Boards of several subsidiaries within the TM Group including as Chairman of TM Info-Media Sdn Bhd and Fiberail Sdn Bhd.

Giorgio Migliarina

Chief Technology and Innovation Officer

Giorgio, 42, holds a Masters (Sc) in Electronic Engineering from the Polytechnic University of Turin, Italy and an MBA from INSEAD, France. He has worked for telecom operators, high tech manufacturers and media companies in Asia, Europe and Central America. Most recently, he was a Partner at McKinsey & Company, where he served some of the world's leading fixed line and mobile operators. Based in Milan, London and Beijing, he led projects on network access optimisation, field maintenance process redesign, and the launch of IP-based services. He has also worked for telecom equipment manufacturers, especially on sales of IP-based equipment. Prior to joining McKinsey, Giorgio helped launch Infostrada SpA, Italy's second fixed line operator. Before Infostrada, he worked in Olivetti SpA as a business development manager for its telecom ventures. Giorgio was appointed TM's Chief Technology and Innovation Officer on 1 May 2009.

Mohd Khalis Abdul Rahim

Chief Human Capital Officer

Khalis, 48, holds a Masters in Human Resource Management from the University of Canberra, Australia. He has extensive exposure in human capital management, having served in several multinational companies. This includes almost 20 years of experience in the field of human resource management across different industries. Khalis has been involved in various disciplines of the profession from organisational development and change management to performance management, industrial relations, HR reengineering as well as talent development. Before joining TM as the Chief Human Capital Officer on 17 August 2009, Khalis was the Human Resources Director for Freescale Semiconductor, Malaysia, Singapore and Asia Supply Chain, for three years. Prior to that, he was with Colgate Palmolive as the Human Resource Director for Malaysia.

Rozalila Abdul Rahman

Chief Marketing Officer

Rozalila, 49, holds a Bachelor in Food Science & Technology from Universiti Putra Malaysia. She has 21 years of experience in MNCs particularly in marketing and sales of fast moving consumer goods. She started her career in 1989 as a management trainee with Unilever Malaysia, where she spent 10 years before moving on to Kellogg Asia Marketing as Marketing Manager Innovations for South East Asia. In 2001, she joined Reckitt Benckiser as Marketing Manager (Malaysia/Singapore) handling Shieldtox, Mortein, Vanish, Woolite and Fabulon before moving to Bank Simpanan Nasional as Director of Sales & Marketing. In 2006, Rozalila joined Maxis Communications Berhad as General Manager (Media, Research & Events) in the Consumer Business Division. In 2008, she headed the Segment Marketing team, managing the Malay market, East Coast and East Malaysia. She joined TM as Chief Marketing Officer on 17 February 2010 and is responsible for Group Marketing, Retail Product, Customer Service Management and Centre of Excellence (Business).

Idrus Ismail

Chief Legal, Compliance and Company Secretary

Idrus, 57, obtained his degree in Economics from the University of Malaya in 1977 and a Bachelor of Law from the National University of Singapore in 1987. He has a Certificate in Translation from the National Translation Institute of Malaysia and an Executive Masters in Islamic Banking and Finance from Asia e University. He was called to the Malaysian Bar in 1988. He started his career as a management trainee with Petronas and brings with him over 30 years of experience mostly in conventional and Islamic financial institutions, where he served as company secretary as well as in-house counsel. Before joining TM, he was Company Secretary of the CIMB Group, served the PROKHAS secretarial department (providing secretarial services to Minister of Finance, Inc. companies) and was Senior Counsel of Islamic Banking and Finance in a major corporate law practice. Idrus joined TM as Chief Legal and Compliance on 1 December 2009 and assumed the position of Company Secretary with effect from 18 January 2010.

Gazali Harun

Chief Procurement Officer

Gazali, 52, holds a Bachelor of Science in Finance from the Northern Illinois University, USA and in 1982 obtained a Masters in Business Administration (MBA) from the Governors State University, also in the USA. He is also a Chartered Accountant of the Malaysian Institute of Accountants. He gained vast experience in corporate banking and corporate finance while serving at a local merchant bank prior to joining TM in 1990. In TM, he was involved in treasury management, fund raising activities, mergers and acquisitions, investor relations and overseeing the Enterprise Risk Management Programme for the Group. He was the Vice President, Finance of TM Wholesale before assuming his current position as Chief Procurement Officer on 1 June 2005.

Ahmad Ismail

Chief Corporate and
Regulatory Officer

Ahmad, 50, obtained a Bachelor of Science (Hons) in Electrical & Electronic Engineering from the University of Aston in Birmingham, UK and an MBA from the Multimedia University in Cyberjaya. He joined TM in 1983 as an Assistant Controller of Telecom (ACT), and held various engineering positions before engaging in more managerial responsibilities. In his 27 years in the Group, he has been Managing Director of TM International Bangladesh (TMIB), General Manager, Business Strategy, TM Retail and Chief Strategy Officer of Telco Strategy Division, TM. Prior to that, Ahmad was the CEO of Telekom Sales & Services Sdn Bhd, as well as State General Manager for Penang and Melaka. He then assumed the position of Vice President, Customer Service Management in 2008 and was later appointed Vice President, Programme and Performance Management Office in July 2010. Ahmad was appointed to his current position as Chief Corporate and Regulatory Officer on 1 October 2010.

Hashim Mohammed

Chief Internal Auditor

Hashim, 52, is an alumnus of King's College London, having graduated with a Bachelor of Science from Queen Elizabeth College – now part of King's College London. He qualified as a Chartered Chemist and Chartered Scientist from The Royal Society of Chemistry London, and holds an MBA in International Management from RMIT University, Melbourne. He is currently President of The Institute of Internal Auditors Malaysia, a member of the Australian Institute of Company Directors and a committee member of the Malaysian Corporate Governance Index, Minority Shareholders Watchdog Group. Hashim spent 21 years in Shell, holding various management positions spanning marketing, sales, production, operations, logistics, information technology and internal audit. His responsibilities included providing internal audit services and managing audit teams across the Asia Pacific and Middle East regions. He was secretary to the audit committee of Shell Refining Company (FOM) Berhad, and Secretary to the TM Board Audit Committee until 27 October 2010.

Rafaai Samsi

Executive Vice President,
Wholesale

Rafaai, 53, obtained a Masters in Communications Management from the University of Strathclyde, United Kingdom in 2005 and prior to that, a Bachelor of Science (Hons) in Electronic Engineering from Brighton University, United Kingdom in 1986. His career in telecommunications started with the then Jabatan Telekom Malaysia in 1978 as Technical Assistant, following which he assumed roles of increasing responsibility within the TM Group. He was appointed Chief Executive Officer of Meganet Communications Sdn Bhd, a subsidiary of TM, in July 1997 before returning to TM mainstream in July 2001, where he was assigned as General Manager of a number of divisions including State Business Operations, Market Development and Domestic Carrier Business Division. He was appointed Vice President, Marketing & Sales for the wholesale segment in October 2006 and subsequently promoted to lead the Wholesale Line of Business on 1 July 2008.

Imri Mokhtar

Executive Vice President,
Consumer

Imri, 37, graduated in 1996 with First Class Honours in Electronics Engineering and Management Studies (B. Eng) from the University College of London in 1996, where he was on a TM scholarship. He started his career in TM's ASEAN joint-venture company, ACASIA, before joining the Kuala Lumpur office of McKinsey & Company, an internationally renowned management consulting firm, serving clients in the financial and telecommunications sector. He later joined Astro, a pay-TV operator, to establish and head its interactive TV business before re-joining TM in August 2005 as the General Manager of Strategy Development. He was made the General Manager, Programme Management Office in 2006 and later the Vice President, Programme and Performance Management Office in June 2008. Imri was promoted to his current position as Executive Vice President, Consumer on 15 July 2010 and is responsible for managing the Consumer segment business of TM Group.

Shanti Jusnita Johari

Executive Vice President, SME

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

Ghazali Omar

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

Ghazali, 54, holds a Bachelor (Hons) in Electrical & Electronic Engineering from the University of Leeds, United Kingdom and a Masters in Business Administration (MBA) from Multimedia University, Cyberjaya. He has 31 years of experience in the telecommunications industry, beginning his career with the then Jabatan Telekom Malaysia in 1980 as a Planning & Development Engineer specialising in Data Communications. He was later appointed General Manager, Marketing & Sales, TM Net Sdn Bhd in 2002 and Vice President of Enterprise & Government Sales, TM Retail in 2007 before assuming his current position as Executive Vice President, Enterprise on 1 February 2009. Ghazali is also Executive Director/CEO of VADS Berhad.

Dato' Kairul Annuar Mohamed Zamzam

Executive Vice President, Government

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

Jeremy Kung Eng Chuang

Executive Vice President, New Media/Chief Executive Officer, TM Net Sdn Bhd

Jeremy, 47, holds an Honours Degree in Computer Science from the University of Ottawa, Canada. He has 20 years' experience in technical and managerial roles in IT systems development for media, telecommunications and Business-to-Consumer business. He spent three years at J.Walter Thompson (JWT) and seven years at Star-TV, before serving more than 10 years at PCCW Limited (PCCW), Hong Kong and its group of companies. His last positions there were as SVP of Customer Advocacy and Chief Information Officer of PCCW Global, a business unit of PCCW that provides telecom services globally. Jeremy joined TM Group as CEO of TM Net Sdn Bhd on 20 May 2008 and was appointed Executive Vice President, Consumer of TM on 1 February 2009. He assumes his current position as Executive Vice President, New Media effective 15 July 2010. His position as CEO of TM Net remains.

Mohamad Rozaimy Abd Rahman

Executive Vice President,
Global

Rozaimy, 39, obtained a Bachelor in Distributed Computing from the University of East London, and a postgraduate degree in Technology Management. He attended a programme on Advance IP and Technology Management at the AT&T School of Business and Technology, and trained in telecommunications technology at AT&T Bell Labs in New Jersey, USA. He has more than 15 years' experience in the telecommunications industry, starting as a Systems Engineer with AT&T Network Systems before joining Concert Global Network, a joint venture company between AT&T and BT. He returned to AT&T as Sales Director, AT&T Global Wholesale, responsible for markets in South East Asia and South Asia, before joining TM in 2006 as General Manager of Product Marketing. He was then appointed Vice President of TM Global, responsible for TM Regional offices in the UK, USA, Hong Kong and Singapore before assuming his position as Chief Operating Officer of Global Line of Business on 1 July 2008. He was redesignated as Executive Vice President, Global on 1 February 2009.

Zam Ariffin Ismail

Vice President, Support
Business

Zam Ariffin, 47, holds a Masters in Professional Accounting from St. Louis University, and a Bachelor of Science in Accounting from Emporia State University, both in the USA. He is also a Chartered Accountant of the Malaysian Institute of Accountants. He started his career in 1987 as a Bond Officer at Cagamas Berhad. In 1989, he joined TM in the Corporate Finance Division and was the Assistant General Manager of Financing and Special Projects, before joining Telekom Cellular Sdn Bhd as General Manager of Finance in 1996. From 2000 to 2006, he served in Maxis Communications Berhad as Head and Senior Manager in the Business & Financial Planning Department, Networks Engineering & Operation Division and later in the Contract Management Department, Finance & Administration Division, before returning to TM as General Manager, TM Ventures. Prior to his current position as Vice President, Support Business, he was the General Manager, Subsidiary Management of Group Business Development & Transformation.

Izlyn Ramli

Vice President, Group
Corporate Communications

Izlyn, 40, holds an MBA with Distinction from City University (Cass) Business School, London, specialising in Strategic Management of Technology and E-Business, and a Bachelor of Science (Hons) in Economics from University College London. She started her career in 1992 with PricewaterhouseCoopers before moving to BzW Capital as an investment analyst. Izlyn joined TM in 1998 and served 10 years in Group Strategy and Planning. From 2006-2008, she was appointed Special Assistant to the TM Group Chairman, as key policy liaison officer for national and international fora and organisations, including APEC, APEC Business Advisory Council (ABAC) and United Nations Global Alliance (UNGAID), focused on ICT Development and ICT for Development. Following the TM demerger, Izlyn moved to TM's sister company, Axiata Group Bhd and was promoted to head the Corporate Communications division. She was a key member of the Axiata rebranding team, and was responsible for crafting Axiata's Corporate Responsibility Strategy. Izlyn returned to TM as Vice President, Group Corporate Communications on 1 October 2010.

Zaleha Abu Bakar

Vice President, Enterprise
Business Management

Zaleha, 50, holds a Bachelor of Science in Electrical & Electronic Engineering from Brighton University, UK and a Masters in Communication System from University College Swansea, UK. She started her career in telecommunications with the then Jabatan Telekom Malaysia in 1983 responsible for Switching Operations in Perak. She then moved to Kuala Lumpur, managing the operations and maintenance of key exchanges in the Golden Triangle area. Her work experience in TM has since expanded from network operations to regulatory management. She was a project team member of TM Wholesale Business Implementation, which she later was appointed to lead the Wholesale Product Development and Management. Zaleha has represented TM in various telco activities – she was Chairman of a working group in Malaysian Access Forum Berhad (MAFB) and a committee member of MyIX Association. Zaleha was the Head of Enterprise Business Management until her promotion as Vice President of the same division on 1 January 2011.

Azizi A Hadi

Vice President, Retail Product

Azizi, 46, holds a Masters of Business Administration from Universiti Putra Malaysia and a Bachelor of Science in Electrical Engineering from Wichita State University, USA. He has 23 years of experience in the telecommunications industry, which has included engineering, operations, sales and product development and management. Azizi started his career with the Malaysian Army as an Engineering Officer in the Royal Malaysian Signals Regiment from 1987 to 1996. 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 service provider where he was entrusted with the country's MNC sales in 1999. Prior to joining TM in 2007 as General Manager, Technology & Innovation, he was with Maxis Communications Berhad as the Head of Broadband Business Unit and in Network Engineering and Operations. Azizi was appointed Vice President, Retail Product of TM on 1 February 2009.

Asmawati Yusof

Vice President,
Network Development

Asmawati, 50, holds a Masters [Distinction] in Communications Systems from the University of Wales, Swansea and a Masters in Communications Management from the University of Strathclyde, Scotland. She started her career in TM as an engineer in Bayan Baru, Pulau Pinang and later worked in the CASS Project, a major IT initiative. She was General Manager for the Corporate Information Superhighway where she worked on pioneering projects such as setting up the infrastructure for Frame Relay, ATM and IP-VPN to enable Managed Network Services for large corporations. She was also involved in the setting up and continuous expansion of TM's Internet infrastructure to sustain the high growth of broadband customers. Currently, she is leading the planning and deployment of TM's HSBB network and the transformation of TM's legacy network into a full IP-based infrastructure and migration to the Next Generation Network (NGN). Asmawati was appointed Vice President, Network Development in April 2007 responsible for the development of TM's access and core networks.

Nor Akmar Md Yunus

Vice President,
High Speed Broadband
(HSBB), Programme
Management Office

Nor Akmar, 55, holds a BSc in Electrical and Electronic Engineering from Sunderland University, UK. She started her career with the then Jabatan Telekom Malaysia in 1979 as an Assistant Controller of Telecoms, moving on to Network as a Planning Engineer. She then assisted in the development of the Network Master Plan in the early 90s as well as in the Network Transformation Programme that began in the mid-90s. Following that, she was posted to Corporate Strategy from 1998-2002. In 2002, she joined the Programme Management Office (PMO) that oversaw a re-organisation of the Group. This experience was then called into play when she oversaw the re-organisation of TM Telco into TM Wholesale and TM Retail. Nor Akmar went on to become General Manager, Business Strategy for TM Wholesale. In 2007, she was once again called upon to help in setting up the PMO, this time to oversee the implementation of the HSBB network. Nor Akmar currently serves as Vice-President of the HSBB PMO.

Sherene Azura Azli

Vice President, Strategy &
Business Development

Sherene, 37, holds a Masters in Business Administration from the University of Durham, UK, and a Bachelor of Business Studies (Hons) in Accounting & Finance from the University of Limerick, Republic of Ireland. She has 14 years of experience in the telecommunications industry, beginning in TM in 1996 as a financial analyst. Her experience in TM spans across several key areas of expertise covering Pricing Strategy, Market Development & Research, Customer Loyalty & Retention, Customer Relationship Management, Cost Management and Global Business. With an early working stint as a Research Manager at Irish Telecommunications Investment Plc, Dublin, Sherene is well-versed in the global telecommunications business climate and operations. She was the General Manager of the Dynamic Pricing unit, responsible for the pricing strategy and price positioning of TM products and services and was later appointed Vice President of Group Marketing in 2009. She assumed the role of Vice President, Strategy & Business Development on 15 July 2010.



Nizam Arshad

Vice President,
Information Technology

Nizam, 47, holds a Bachelor of Science degree in Computer Engineering from Case Western Reserve University, Cleveland, Ohio, USA. His career in the ICT industry started with Nixdorf Computer in the implementation of a computerisation project for a national utility company. He subsequently moved to take on systems support, solutions management and accounts management roles with regional responsibilities over a span of 18 years in several companies including Mesiniaga Berhad, Celcom Axiata Berhad, Ericsson AB, IBM (Malaysia) Sdn Bhd and Sun Microsystems Inc. prior to joining TM in 2007 where he was appointed General Manager for IT Architecture. He was later promoted in 2008 as Vice President, Information Technology to lead TM IT's transformation to support new generation services.

Hamidah Mahmud

Vice President, Customer
Service Management

Hamidah, 55, obtained a Bachelor of Science in Electrical & Electronic Engineering from the University of Birmingham, UK, in 1980 and a Masters in Business Administration from the Multimedia University, Cyberjaya, in 2000. She has more than 31 years' experience in the telecommunications industry, joining TM in 1989, where she began as an Assistant Manager of Marketing Unit Central Region. In 1999, she was assigned as the General Manager of Corporate Customer Sales Division for two years, Data Product Consultancy and Program Management Division for two years and Business Strategy Division for one year. She then headed State Business Operations at Multimedia Super Corridor and Kuala Lumpur from 2005 until 2008, and was appointed Vice President of Consumer Sales Division in 2009. Hamidah was appointed to her current position as Vice President of Customer Service Management Division on 15 July 2010.

Dr Mazlan Ismail

Vice President, National
Network Operation

Dr Mazlan, 50, holds a Bachelor of Science (Hons) in Electronics Communication from the University of Salford, United Kingdom, Masters in Operational Telecom from Coventry University, United Kingdom and Engineering Doctorate from Business & Advanced Technology Centre, Universiti Teknologi Malaysia. Both his Masters and Ph.D were completed on TM scholarships. Grown from TM's own Leadership Development programme, Dr Mazlan's career has been focused on building excellence in the technical operations team so as to deliver the best service and experience to TM's numerous customers. He joined TM in 1983, and held various engineering positions including planning, implementation and operation of the telecommunications network before engaging in more managerial responsibilities. In his 27 years with the Group, he has been General Manager, Human Capital Operation, General Manager, Regional Network Operation and was later appointed Vice President, National Network Operation effective 1 September 2010.

CHAPTER

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accountability



statement on corporate governance

“Corporate governance is the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking account the interests of other stakeholders”.

Finance Committee on Corporate Governance in Malaysia
in the Report on Corporate Governance (2002)

Corporate governance is a vital element in realising TM’s vision of becoming Malaysia’s leading new generation communications provider, embracing customer needs through innovation and execution excellence.

The Board of Directors of Telekom Malaysia Berhad (TM) believes corporate governance is an infinite journey, not a destination. TM and its Group of companies remain committed to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards and integrity, which ultimately contributes towards the successful achievement of corporate goals and enhances stakeholders’ value.

TM abides by the principles and best practices as set out in the revised Malaysian Code on Corporate Governance (CG Code), the Guidelines to Enhance Board Effectiveness as codified in the ‘Green Book’ initiated by the Putrajaya Committee on GLC High Performance (PCG), the Corporate Governance Guide: Towards Boardroom Excellence by Bursa Malaysia Securities Berhad (Bursa Securities), the Bursa

Securities Main Market Listing Requirements (Main LR), and also by international best practices on corporate governance.

The Board recognises that corporate governance is not only about commitment to values, ethical conduct and the implementation of best practices, but also understanding and managing stakeholders’ expectations. Governance is not just a matter for the Board but must be fostered throughout the organisation. TM’s commitment is evident in its internal processes, guidelines and systems, which are aligned with sound corporate governance practices aimed at increased efficiency, transparency and accountability.

TESTIMONY TO CORPORATE GOVERNANCE

TM’s commitment to realising stakeholders’ value is evidenced by its winning the following awards under the Malaysian Corporate Governance Index (MCGI) 2010 organised by the Minority Shareholders Watchdog Group

(MSWG) on 15 December 2010:

- Industry Excellence Award for Telecommunications
- Distinction (A+) Award under the Corporate Governance Hall of Fame Award
- Best Conduct of Annual General Meeting

The awards bear testimony to TM’s continuous efforts to ensure transparency, accountability and equality in our governance and stakeholder management.

TM has also maintained our tradition of excellence in annual report publication by winning the following National Annual Corporate Report Awards (NACRA) 2010 for our 2009 Annual Report:

- Gold Award for Most Outstanding Annual Report of the Year
- Platinum Award for Corporate Social Responsibility
- Gold Award for Best Designed Annual Report
- Silver Award for Best Annual Report in Bahasa Malaysia
- Industry Excellence Award for Main Market in the Trading and Services Category

NACRA is jointly organised by Bursa Malaysia Berhad, the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA). The 2010 awards ceremony, held on 27 January 2011, was themed *Towards Accountability and Excellence*.

Details of other local and international awards received by TM Group in 2010 are provided on pages 26 to 29 inclusive, of this annual report.

BOARD OF DIRECTORS MAINTAINING A STRONG, BALANCED AND EFFECTIVE BOARD

TM Group is led and controlled by an active and experienced Board consisting of local and foreign directors with a wide range of business, financial, technical, regulatory and public service backgrounds, and experience in the telecommunications industry abroad.

The Board consists of 11 members, comprising a Non-Executive Chairman, two Executive Directors designated as the Managing Director/ Group Chief Executive Officer (MD/Group CEO) and the Executive Director/Group Chief Financial Officer (ED/Group CFO), two Non-Independent Non-Executive Directors and their Alternates and six Independent Non-Executive Directors including one foreign Director. The current Board

composition complies with paragraph 15.02 of the Main LR as more than half of the members are Independent Directors. The Independent Directors also fulfil the criteria of independence as defined under paragraph 1.01 of the Main LR.

The Board is satisfied with its existing number and composition, which is appropriate for the complexity of the Group's business. The Board's mix of skills and experience adds value to governing the strategic direction and performance of TM as it forges ahead to become a leading new-generation communications provider. The Directors also bring depth and diversity in expertise and leadership perspectives of a highly competitive and regulated communications business.

The Directors' biographies, which appear on pages 60 to 67 inclusive of this annual report, demonstrate a wealth of experience and skills vital for the management of the Group's business and to navigate the Group through this challenging economic environment.

In addition to eight scheduled meetings during the year to deliberate and decide on core issues and quarterly financial results based on the predetermined agendas, three special meetings were held where immediate or strategic

decisions needed to be made. A Board retreat was also held in the fourth quarter to deliberate specifically on strategic aspects and performance targets of the Group. The attendance of individual Directors is stated within the Directors' biographies appearing on pages 60 to 67 inclusive, of this annual report. Besides the Board Meetings, urgent decisions were approved via two Directors' Circular Resolutions during the year.

DUTIES AND RESPONSIBILITIES OF THE BOARD

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

The Board assumes the following six core responsibilities:

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

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

Authority Limit Matrices for TM and its Lines of Business as well as subsidiaries are in place to ensure that Board approvals are obtained for different categories of transactions and activities of the Group within various levels of authority such as Shareholding and Capital Structure, Investments and Mergers and Acquisitions, Corporate Finance, Procurement, Human Resources, Property, Plant and Equipment, Write-off and Sponsorship. These matrices were reviewed in 2010 to reflect the changes in the organisation structure and ensure consistency with existing process flows and guidelines.



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

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

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

The Chairman is responsible for the effectiveness of the relationship between the Non-Executive and Executive

Directors. With vast experience gained during his employment in the government sector, and membership on the Boards of several Government-Linked Companies, including a former Chairmanship of the Malaysian Communications and Multimedia Commission, he is well equipped to interact with global leaders of the industry, build relationships with stakeholders and actively participate in various institutions.

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

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

judgment. They play a significant role in bringing impartiality and scrutiny to Board deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective manner. This ensures that the strategies proposed by the Management are fully deliberated and examined, in the interest of shareholders, employees, customers and the many communities in which the Group conducts its business. The independence of the Non-Executive Directors is constantly reviewed and benchmarked against best practices and regulatory provisions.

The Board had decided on 21 May 2009 on the appointment of Dato' Danapalan T.P. Vinggrasalam as TM's Senior Independent Non-Executive Director (SID), to whom concerns pertaining to the Group may be conveyed by shareholders and the public. Dato' Danapalan also represents and acts as spokesperson for the Independent Directors as a group.

The main responsibilities of Dato' Danapalan, as the SID, are to ensure that the views of each Non-Executive Director are given due consideration and to provide a communication channel between Non-Executive Directors and shareholders.

This communication channel is in addition to normal channels already in place. The SID is also expected to promote high standards of corporate governance and ensure that the Company's obligations to shareholders are understood and met.

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

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

- ensure that the Board is aware of any shareholder concern not resolved through the existing mechanism for investor communication.

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

BOARD APPOINTMENT PROCESS

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

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

While the Board is responsible for the appointment of new Directors, the NRC is delegated the role of

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

BOARD EFFECTIVENESS EVALUATION

The Board Effectiveness Evaluation (BEE), first adopted in 2004 and reviewed in 2006, 2008, 2009 and 2010, comprises a Board Evaluation, Committee Evaluation and a Board of Directors' Self/Peer Assessment. The BEE is designed to maintain cohesion of the Board, and to improve the Board's effectiveness as well as draw the Board's attention to key areas that need to be addressed.

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

The BEE involves the completion of questionnaires on the effectiveness of the Board of Directors as a whole, as well as that of the Board Committees. The Committees' structure and processes; and accountability and responsibilities are evaluated in assessing the effectiveness of the respective Committees. Questionnaires are also completed by the Directors on Self and Peer Assessments. These questionnaires were reviewed in 2010 to ensure close scrutiny of the contribution, personality and quality aspects of individual Directors.

To ensure integrity and independence of the appraisal process, PricewaterhouseCoopers Advisory Services Sdn Bhd (PwCAS) was engaged to collate and tabulate the results of the evaluation. The BEE includes interviews with Directors by PwCAS for more in-depth analysis of results. PwCAS will discuss the detailed BEE results with the Chairman of the Board as well as Chairman of the NRC. Every Board member is provided with the results of the self-evaluation marked against peer evaluation to allow for comparison.

A summarised report will be presented to the Board with a trend analysis of previous years' evaluation results to

enable the Board to identify areas for improvement. Based on the last evaluation exercise, the Board has identified several gaps for improvement as follows:-

- Human Capital Improvement
- Longer Term Strategy and Execution for High Speed Broadband (HSBB)
- Quality of Service and Customer Satisfaction
- Investor Relations
- Risk Management

The Board has analysed the gaps and put in place appropriate measures to ensure overall effectiveness of the Board and TM Group. Amongst key matters deliberated by the Board are on Customer Centricity, which focused on a holistic view on customer experience and improvement efforts for customer satisfaction. The overview on Investor Relations Programme is also discussed by the Board. Whilst issues on human capital improvement and succession planning are deliberated at length at the NRC Meetings. The long-term strategy and execution for HSBB are deliberated by the Management and updated to the Board at every TM Board Meeting. Further, a Board Risk Committee has been established in an effort to improve the monitoring of the Group's risk profile and related corporate governance practices.

RE-ELECTION OF DIRECTORS

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

The re-appointment and re-election of Directors at the AGM is subject to prior assessment by the NRC and the recommendations thereafter are submitted to the Board and then for shareholders' approval. Particulars of Directors standing for re-election have been provided in the Statement Accompanying the Notice of TM's 26th AGM scheduled to be held on 10 May 2011.

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

DIRECTORS' REMUNERATION

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

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

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

Executive Directors' remuneration packages are sufficiently attractive to attract and retain persons of high calibre.

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

In its continuous effort to enhance greater transparency to the public, TM announced its Headline KPIs for 2011 to 2013 on 25 February 2011. These have been set and agreed by the Board and Management as part of the broader KPI framework that TM has in place, as prescribed under the GLC Transformation Programme.

The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration. The remuneration of Non-Executive Directors is based on a standard fixed fee. In addition, allowances are also paid in accordance with the number of meetings attended during the year. Non-Executive Directors are not entitled to participate in the Employees' Share Option Scheme (ESOS) and variable performance-linked incentive schemes pursuant to the Blue Book to maintain an appropriate check and balance and avoid short-term actions. They are entitled to other allowances, such as leave passage and phone bill allowances.

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

Details of the remuneration of each Director of the Company, categorised into appropriate components for the financial year ended 31 December 2010, are as follows:

NAME OF DIRECTORS	SALARY (RM)	BONUS (RM)	FEE (RM)	ALLOWANCE (RM)	BENEFIT IN KIND (RM)	TOTAL AMOUNT (RM)
NON-INDEPENDENT AND EXECUTIVE DIRECTORS:						
Dato' Sri Zamzamairani Mohd Isa	¹ 1,241,276.00	² 460,400.00	—	³ 60,000.00	214,136.95	1,975,812.95
Datuk Bazlan Osman	¹ 749,881.00	² 381,352.00	—	³ 60,000.00	75,676.61	1,266,909.61
NON-INDEPENDENT AND NON-EXECUTIVE DIRECTORS:						
Datuk Dr Halim Shafie	—	—	299,000.00	31,500.00	39,600.00	370,100.00
Dato' Zalekha Hassan	—	—	120,000.00	19,000.00	70,305.09	209,305.09
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	—	—	⁴ 120,000.00	⁵ 38,350.00	75,441.42	233,791.42
ALTERNATE DIRECTORS (NON-INDEPENDENT AND NON-EXECUTIVE DIRECTORS):						
Eshah Meor Suleiman (Alternate Director to Dato' Zalekha Hassan)	—	—	—	1,000.00	3,735.73	4,735.73
Dr Farid Mohamed Sani (Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin)	—	—	—	⁶ 7,650.00	220.40	7,870.40
INDEPENDENT AND NON-EXECUTIVE DIRECTORS:						
YB Datuk Nur Jazlan Tan Sri Mohamed	—	—	120,000.00	16,950.00	78,088.90	215,038.90
Dato' Ir Abdul Rahim Abu Bakar	—	—	120,000.00	19,800.00	11,843.71	151,643.71
Dato' Danapalan T.P Vinggrasalam	—	—	180,000.00	42,000.00	70,646.14	292,646.14
Ibrahim Marsidi	—	—	120,000.00	35,700.00	66,370.75	222,070.75
Quah Poh Keat	—	—	120,000.00	33,100.00	4,021.78	157,121.78
Riccardo Ruggiero	—	—	120,000.00	9,000.00	63,131.72	192,131.72
TOTAL AMOUNT	1,991,157.00	841,752.00	1,319,000.00	374,050.00	773,219.20	5,299,178.20

NOTES:

- ¹ Inclusive of Company's contribution to provident fund.
- ² Bonus for financial year ended 2009, paid in 2010, LTIP and Variable Payment.
- ³ Car allowances in lieu of provision of company car.
- ⁴ Paid directly to Khazanah Nasional Berhad (RM50,000.00).
- ⁵ Paid directly to Khazanah Nasional Berhad (RM14,500.00).
- ⁶ Paid directly to Khazanah Nasional Berhad.

BOARD COMMITTEES

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

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

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

The Board Committees in TM are as follows:

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

The Board on 29 December 2010 approved the establishment of a Board Audit Committee's Sub-Committee (BSC), to conduct an independent and comprehensive internal investigation into the alleged improper payments by Alcatel Lucent Malaysia Sdn Bhd to TM employees. Since the primary objective of the BSC was subsequently achieved, the BSC was dissolved with effect from 2 February 2011.

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

AUDIT COMMITTEE (AC)

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

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

A full AC report detailing its membership, terms of reference, number and attendance of each member at the AC meetings held during the year, summary of principal activities as well as training in 2010 is set out on pages 103 to 109 inclusive, of this annual report. In addition, the Statement on Internal Audit is set out on pages 110 to 113 inclusive, of this annual report.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

Membership

- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin – Chairman (Non-Independent Non-Executive Director)
- Dato' Danapalan T.P. Vinggrasalam (Member/Senior Independent Non-Executive Director)

- Dato' Ir Abdul Rahim Abu Bakar (Member/Independent Non-Executive Director)
- Ibrahim Marsidi (Member/Independent Non-Executive Director)

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

Principal Duties and Responsibilities

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

Nomination	Remuneration
Function	
<ul style="list-style-type: none">• Ensure that the Directors bring characteristics to the Board which satisfy the required mix of responsibilities, skills and experience.• Assist the Board to review annually the appropriate balance and size of Non-Executive participation and to establish procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and the contribution of individual Directors and Board Committee members.• Select candidates with the appropriate expertise and experience as new Executive or Non-Executive Directors. The NRC may use the services of a professional recruitment firm and make its recommendations on the candidates to the Board for approval. The same procedure applies to potential candidates identified by the Special Shareholder.• Take account of the need for openness and transparency in developing Board appointment procedures and making its recommendations to the Board.	<ul style="list-style-type: none">• To set the policy framework and make recommendations to the Board on all elements of remuneration such as the terms of employment, reward structure and fringe benefits of Executive Directors and other selected Senior Management members (identified as pivotal positions) with the aim of attracting, retaining and motivating individuals of the highest quality.• Make recommendations to the Board on the remuneration and entitlements of Non-Executive Directors, including the Non-Executive Chairman, for the decision of the Board as a whole.

Principal Duties and Responsibilities

- Examine the size of the Board with a view to determine and recommend the number of Directors on the Board in relation to its effectiveness and ensure that every Director, including the Executive Directors, shall be subject to retirement at least once in every three years. A retiring Director shall be eligible for re-election. An election of Directors shall take place each year.
- Review annually and recommend the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors shall bring to the Board and disclose the same in the annual report.
- Set, review, recommend and advise on the remuneration policy framework such as reward structure, fringe benefits and other terms of employment of the Executive Directors guided by the overall Group policy guidelines and framework.
- Advise the Board on the performance of the Executive Directors and assess their entitlement to performance-related pay. The NRC shall also advise the Group CEO on the remuneration and terms and conditions of employment of identified pivotal positions.

Nomination

Remuneration

Principal Duties and Responsibilities

- | | |
|---|--|
| <ul style="list-style-type: none"> • Recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors and to ensure a statement is made in the annual report containing a brief description of the type of training attended by Directors during the financial year. • Review, consider and recommend the appointment, upgrading and promotion of the Executive Directors or Group CEO. Ensure that the appointment of the Executive Directors or Group CEO shall be for a fixed term not exceeding three years at any one time with power to recommend his reappointment, removal or dismissal thereafter. • Recommend to the Board candidates for directorship in the Company and Group. • Review the Board structure and balance between Executive and Non-Executive Directors. • Review the adequacy of the structure, size and composition of all Board Committees and ensure periodic reviews of their terms of reference. • Review and consider the recommendations of the Group CEO in the appointment, upgrading and promotion of pivotal positions, as well as the Company Secretary. | <ul style="list-style-type: none"> • Represent the public's interest and avoid any inappropriate use of public funds when considering severance payments for Top Management. The NRC shall also exercise care to prevent the award of any severance package that the public might deem to be excessive. • Review the history of and proposals for the remuneration package of the Board Committees. • Instruct the Trustee, appointed in accordance with the Trust Deed entered into between TM and the Trustee, with regard to the grant of options and other benefits under the ESOS to eligible employees and ensure the implementation and administration of the ESOS are in accordance with the terms and conditions of the ESOS as set out in the By-Laws, as amended, modified and supplemented from time to time. |
|---|--|

Authority

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

Main Activities in 2010

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

- As authorised by the Board, the NRC continued with its role as the Option Committee and facilitated the implementation of TM's Special ESOS until its expiry on 16 September 2010.
- Considered and made recommendations to the Board on the implementation of LTIP for a member of Management in a pivotal position.
- Considered and made recommendations to the Board on the review of the Remuneration Framework for Subsidiary Boards of TM.
- Considered and made recommendations to the Board on the review of the remuneration and benefits for the Board of Directors and Alternate Directors pertaining to Annual Overseas Business Development Trips and Board Leave Passage.
- Considered and made recommendations to the Board on the performance evaluation of the Executive Directors, Management in pivotal positions as well as the Company Secretary against pre-set KPIs.
- Considered and made recommendations to the Board on the Board Merit Award Framework.
- Considered and made recommendations to the Board on the proposed extension of service for the Executive Directors.
- Considered and made recommendations to the Board on improvements in TM's Corporate Governance practices.
- Considered and made recommendations to the Board on the establishment of the Board Risk Committee, its terms of reference and composition of members.

- Reviewed the Employee Productivity Enhancement programme and was updated of its progress at each of its meetings held during the year.
- Monitored closely the status of Directors' training at each of its meetings held during the year.

Meeting Attendance of the NRC

Details of the attendance of each member of the NRC at meetings held during 2010 are as follows:

NRC Member	Number of NRC Meetings	
	Attended / Held	%
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	8/8	100.0
Dato' Danapalan T.P. Vinggrasalam	8/8	100.0
Dato' Ir Abdul Rahim Abu Bakar	7/8	87.5
Ibrahim Marsidi	8/8	100.0

TENDER COMMITTEE

Membership

- Dato' Zalekha Hassan – Chairperson (Non-Independent Non-Executive Director)
- Dato' Sri Zamzamzairani Mohd Isa (Member/Non-Independent Executive Director)
- YB Datuk Nur Jazlan Tan Sri Mohamed (Member/Independent Non-Executive Director)
- Dr Farid Mohamed Sani (Member/Non-Independent Non-Executive Alternate Director)
- Eshah Meor Suleiman (Alternate to Dato' Zalekha Hassan/ Non-Independent Non-Executive Alternate Director)
- Datuk Bazlan Osman (Alternate to Dato' Sri Zamzamzairani Mohd Isa/ Non-Independent Executive Director)



The Board has considered and agreed on the appointment of an Alternate Director as a member of the Tender Committee in view of his qualification, experience and individual attributes.

Principal Duties and Responsibilities

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

Meeting Attendance of the Tender Committee

Details of the attendance of members of the Tender Committee at meetings held during 2010 are as follows:

Tender Committee Member	Number of Tender Committee Meetings	
	Attended / Held	%
Dato' Zalekha Hassan	10/10	100.0
Dato' Sri Zamzamzairani Mohd Isa	10/10	100.0
YB Datuk Nur Jazlan Tan Sri Mohamed	8/10	80.0
Dr Farid Mohamed Sani	10/10	100.0

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

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

RISK COMMITTEE

TM has an integrated approach in managing risks inherent in various aspects of its business. Realising this, the Risk Committee was established by the Board on 22 March 2010 to support improvements in the management and monitoring of the Group's risk profile and related corporate governance practices.

A detailed Risk Committee report detailing its membership, terms of reference, attendance of each member at the Risk Committee meetings held during 2010 together with the Risk Management Report of the Group, is set out on pages 114 to 118 inclusive, of this annual report.

INVESTMENT COMMITTEE

The Investment Committee was established by the Board on 21 October 2010 to assist the Management in evaluating investment and/or divestment related proposals for recommendation to the Board.

Membership

- Dato' Ir Abdul Rahim Abu Bakar – Chairman (Independent Non-Executive Director)
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (Member/Non-Independent Non-Executive Director)
- Mr Quah Poh Keat (Member/Independent Non-Executive Director)
- Datuk Bazlan Osman (Member/Non-Independent Executive Director)

Principal Duties and Responsibilities

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

Meeting Attendance of Investment Committee

The Investment Committee convened its first meeting on 24 November 2010, which was attended by all members.

DISPUTE RESOLUTION COMMITTEE (DRC)

Membership

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

Principal Duty and Responsibility

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

Summary of Activities in 2010

The DRC reviewed and deliberated on reports and updates formulated by Group Legal, Compliance and Company Secretarial Division on the following matters:

- TM's litigation risk exposure
- Updates on material litigation

Meeting Attendance of DRC

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

MANAGEMENT COMMITTEES

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

MANAGEMENT COMMITTEE (MC)

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

- Formulate Group-level strategies and policies.
- Review, guide and facilitate policy-related matters not limited to investments, divestments, enterprise business management, regulatory and financial policies.
- Endorse company-wide policies inclusive of subsidiaries to ensure a 'One Company Mindset' approach to business.
- Provide strategic direction and recommend a policy framework for TM Group human capital management matters to the Board.
- Review and approve the talent management and succession planning policy frameworks.

- Discuss, review and recommend to the Board changes/revisions to Group-wide compensation and benefits such as bonuses, increments, performance management policies/framework and voluntary separation schemes.
- Formulate Group-level key business strategies and major action plans for implementation.
- Prepare and recommend the Group Business Plan to the Board.
- Discuss matters that have been delegated by the Board and Board Committees for further review and recommendation.

GROUP LEADERSHIP TEAM (GLT)

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

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

SUB-MANAGEMENT COMMITTEES

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

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

BOARD PERFORMANCE IMPROVEMENT PROGRAMME (BPIP)

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

BOARD TRAINING AND KNOWLEDGE ACQUISITION

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

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

BOARD TRAINING PROGRAMME (BTP)

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

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

conventions on topics relevant to their roles. Talks and presentations by external speakers during the Board Retreats/Meetings are also included as training hours.

As a result of close monitoring of the BTP by the NRC, the Directors' training structure 2010 was aligned to their training needs with focus on Industry, Strategy/Risk and Finance/Audit. A comparison of the Directors' training structures in 2010 and 2009 is depicted in the charts below.

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

QUARTERLY INDUSTRY INFORMATION PACKS

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

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

Since inception up to December 2010, a total of 19 Board Info-packs had been issued.

Chart 1 – Total Training Hours from January – December 2009

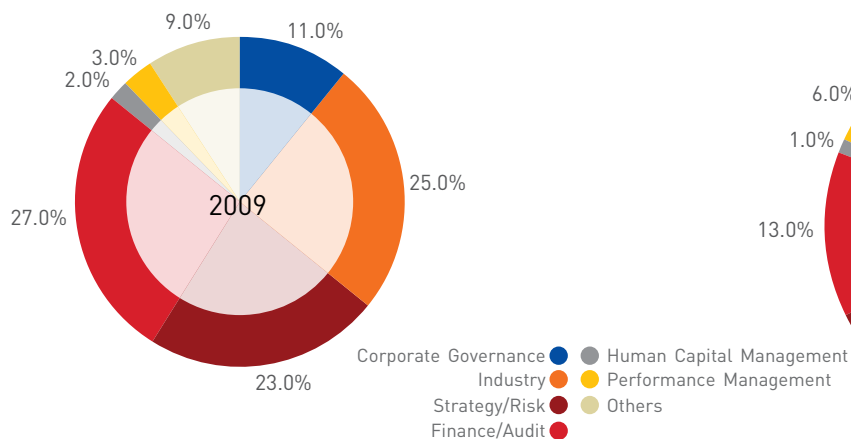


Table 1
Note: Others (9.0%) – includes Investor Relations & Investments.

Chart 2 – Total Training Hours from January – December 2010

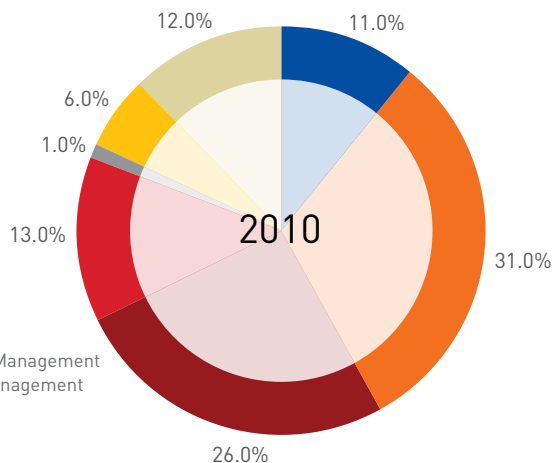


Table 2
Note: Others (12.0%) – includes Investor Relations, Ethics, Procurement, Environment & Corporate Social Responsibility.

ENSURING EFFECTIVE BOARD OPERATIONS AND INTERACTION

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

BOARD MEETINGS SCHEDULE AND PREDETERMINED AGENDAS

The Board and Board Committee meetings calendar and draft agendas for the ensuing financial year are established before the end of the current financial year and synchronised with

Management's business planning cycle and quarterly financial results, to allow the Directors to plan ahead and allocate time in their respective schedules for the next year's Board meetings.

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

The Board meeting agenda is structured to address priority strategic issues aligned with the Company's vision and

mission, consistent with the Board's key roles and the mandate that the Board provides to the Group CEO. The said mandate specifies what the Group CEO needs to accomplish within clear parameters. A structured agenda aims to facilitate productive and meaningful deliberations by the Board. The distribution of actual time spent by the Board of Directors on various broad agenda topics at Board Meetings in 2010 compared to 2009 is as depicted in the charts below.

The Board continued to focus on strategic matters in 2010 as reflected in the time spent

on strategic matters (39.0%) and performance management (26.35%). This is in line with findings from an Institute of Management Development (IMD) survey.

The Board is also committed to improving on the areas identified in the BEE findings.

AVAILABILITY OF INFORMATION TO THE BOARD

Qualified Directors who make informed and independent judgments are indicative of good corporate governance. Hence, it is essential that the Board is provided with relevant and timely information to make informed decisions.

Chart 3 – Distribution of Time Spent on Board Agendas in 2009

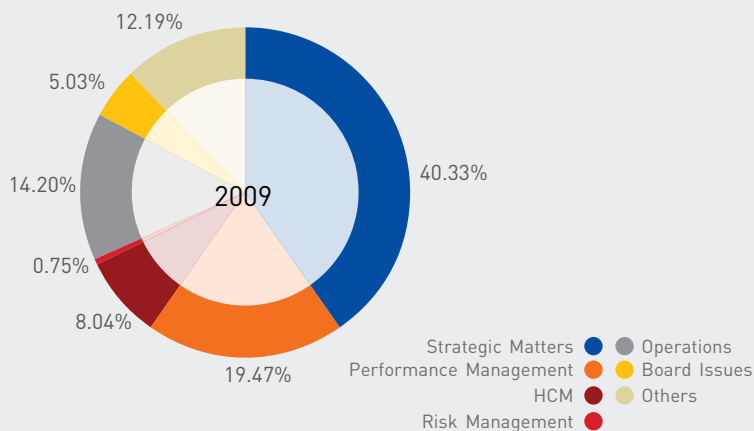
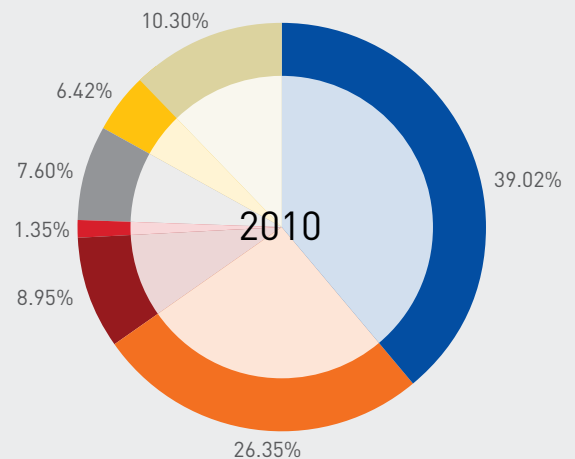


Chart 4 – Distribution of Time Spent on Board Agendas in 2010





On average, the Board and its Committees are given an agenda accompanied by relevant up-to-date information five days prior to each meeting. This is to accord sufficient time for the Directors to review and seek any clarification or further details that they may need from the Management or the Company Secretary in order to make informed decisions. Procedures are also in place for Directors and Board Committees to seek independent professional advice in the course of fulfilling their responsibilities, at the Company's expense.

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

The information regularly supplied to the Board includes:

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

- Statutory and regulatory matters and their impact on the Company's business
- Proposed corporate exercises, acquisitions, divestments or collaboration agreements
- Transactions which are material or strategic in nature
- Human resources policies and significant issues
- General notices of interest

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

PROMPT COMMUNICATION OF BOARD DECISIONS

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

BOARD AND MANAGEMENT INTERACTION

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

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

The information received by the Board determines to a considerable extent its decisions. The Board has, therefore, adopted a rating process for papers and presentations by Management at each Board meeting with constructive feedback on the quality of information and analysis received. This process has led to a higher quality and standard of papers and more

effective decisions by the Board. During the year, the overall average of Board ratings on the quality of Management papers and presentations was maintained at above 4.00 points out of 5.00 points.

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

INDEPENDENT DIRECTORS' DISCUSSION

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

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

BOARD CONDUCT

CODE OF BUSINESS ETHICS

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. The Executive Directors, Management and all employees are required to declare their assets and interests according to the CBE. Updated declarations are required to be submitted each year.

TM's CBE covers the following areas:

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

On 15 October 2010, an e-learning version of the CBE was launched for TM employees, allowing them easy and convenient access to materials pertaining to the CBE anytime and anywhere. It is an awareness programme and serves as an interactive platform to promote ethical behaviour, and inculcate sound values as provided in the CBE. TM was the first to introduce the e-learning version among GLCs. This is further evidence of TM's continuous commitment to entrench the principle of integrity in business operations amongst its employees.

Full details on the CBE are set out on pages 122 to 124 inclusive, of this annual report.

WHISTLEBLOWER POLICY

The Board recognises the importance of whistleblowing in light of the requirements stipulated in the Capital Markets and Services Act 2007 (CMSA 2007), the CG Guide and the Companies Act 1965. The Board has also taken cognizance of the Whistleblower Protection Act 2010 gazetted on 10 June 2010 which became effective on 15 December 2010 and is committed to maintaining the highest possible standards of ethical and legal conduct within the Group.

A mechanism has been established under TM's CBE for TM Group employees to report concerns about alleged unethical behaviour, actual or suspected fraud within the Group. An internal whistleblowing programme has been introduced for employees to channel concerns about illegal, unethical or improper business conduct affecting the Company and about business improvement opportunities. An independent committee has been appointed by the Board, specialising in providing employees of TM with a safe and confidential channel to report illegal, unethical or improper business conduct.

If an employee has concerns about illegal or unethical conduct in the workplace, and feels uncomfortable discussing this through normal channels, he or she can use TM's Ethics Line telephone or fax number or the Ethics Website, through which his or her identity will be known only to specific persons.

The Board and the Management give their assurance that employees will not be at risk to 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 responsible at all times for determining whether they have a potential or actual conflict of interest in relation to any matter which comes before the Board. The Company and the Group require all Directors to make written declarations on whether they have any interest in transactions tabled at regular Board meetings. A paper is tabled at each Board meeting to remind Directors of their statutory duties and responsibilities and to provide updates on any changes thereon.

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

In the event a corporate proposal is required to be approved by shareholders, interested Directors will abstain from voting in respect of their shareholdings in TM on the resolutions relating to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

The CG Guide also provides guidelines for directors of PLCs on how to address conflict of interest and RPTs under Section 6, titled *Conflict of Interest and RPT*.

TRADING ON INSIDER INFORMATION

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

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

DIRECTORS' INDEMNITY

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

RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

SHAREHOLDERS/INVESTORS

With a firm belief that value creation for shareholders stems from good corporate

governance, TM is committed to communicating its strategy and activities regularly and clearly to its shareholders.

The Company communicates regularly and proactively with investors and shareholders, maintaining an active dialogue with investors through a planned programme of investor relations activities and engagement. Care is taken to ensure reporting to shareholders is balanced and sufficiently comprehensive and objective to allow performance to be measured.

The Board strengthens its lines of communication with major shareholders through the SID, who takes heed of their concerns on matters related to corporate governance and Group performance.

In complying with paragraph 9.21(3) of the Main LR to improve investor relations between the Company and its stakeholders, TM ensures that its website contains the e-mail address(es), name(s) of designated person(s) and their contact numbers to enable the public to forward queries to the Company. TM also posts announcements made to Bursa Securities on its website immediately after such announcements are released on Bursa Securities' website.

Details of TM's Investor Relations initiatives and activities during the year are set out on pages 40 to 43 inclusive, of this annual report.

ANNUAL REPORT AND ANNUAL GENERAL MEETINGS (AGM)

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

Another key 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 financial performance and value created for shareholders as well as current developments of the Group. This review is supported by a visual and graphical presentation of the key points and financial figures. The AGM provides an open forum for the shareholders and investors to actively participate by allowing ample time for questions to be posed to Board members and Committee chairpersons.

As part of the initiative to maintain its extensive engagement with its shareholders and investors, feedback on questions raised by the MSWG prior to the AGM is also shared with all shareholders during the AGM as a point of discussion. This assures shareholders that pertinent issues and queries pertaining to the Company's business have been adequately addressed.

The Company supports the CG Code's principles to encourage shareholder participation. The Company's Articles of Association allow a member entitled to attend and vote to appoint a proxy to attend and vote instead of the member and also provides that a proxy

need not be a member of the Company. A press conference is held immediately after the AGM at which the Chairman, Group CEO, Group CFO and relevant Senior Management members are present to clarify and explain issues raised by the media.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

The Statement of Responsibility by Directors is as outlined on page 202 of this annual report.

INTERNAL CONTROLS

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

The Board's evaluation of the adequacy of the Group's system of internal controls is based on criteria developed

under the COSO (Committee of Sponsoring Organisations of the Treadway Commission) Internal Control Integrated Framework, which is widely accepted for internal control assessments.

The Directors' Statement on Internal Control, which provides an overview of the state of internal controls within the Group, is enumerated on pages 97 to 102 inclusive, of this annual report.

RELATIONSHIP WITH AUDITORS

An appropriate relationship is maintained with the Company's auditors through the AC. The AC has been explicitly accorded the power to communicate directly with both the external and internal auditors.

The external auditors have continued to report their opinion to shareholders of the Company, and this is included as part of the Group's financial reports with respect to their audit in each year's statutory financial statements. In so doing, the Group has established a transparent arrangement with the auditors to meet their professional requirements. The auditors are also under the obligation to highlight to AC and the Board any matter that requires their attention.



connect
communicate
collaborate

The internal audit function is performed in house by the Group Internal Audit Division which reports significant findings to the AC with recommended corrective actions. Management is responsible to ensure that corrective actions on reported weaknesses are undertaken within an appropriate timeframe. The Statement on Internal Audit is set out on pages 110 to 113 inclusive, of this annual report.

The role of the AC in relation to the auditors is set out in the AC Report on pages 105 to 106 inclusive, of this annual report.

COMPLIANCE WITH BEST PRACTICES IN CORPORATE GOVERNANCE

The Board is pleased to report that the Company has fully complied with the principles and best practices of the revised CG Code. Best practices adopted by TM Group over and above the recommendations prescribed in the CG Code are those recommended by PCG and international best practices which the Board has deemed to be suitable for the Group.

This Statement, together with the Statement on Internal Control and Board Risk Committee Report, sets out the manner in which the Company has applied the principles and best practices as prescribed in the CG Code.

TM will continue to strengthen its governance practices to safeguard the best interests of its shareholders and other stakeholders.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors duly passed on 25 February 2011.

Datuk Dr Halim Shafie
Chairman



directors' statement on internal control

RESPONSIBILITY AND ACCOUNTABILITY

The Board of Directors (Board) and Management are responsible and accountable for maintaining a sound system of internal controls encompassing governance, risk management, financial, strategic, organisational, project management, operational, regulatory and compliance controls to safeguard shareholders' investments, customers' interests and the Group's assets. The Board recognises and affirms its overall responsibility for the Group's system of internal controls, which includes the establishment of an appropriate risk and control framework as well as the review of its effectiveness, adequacy and integrity.

The Board is assisted by the Management to implement approved policies and procedures on risk and control. Management identifies and evaluates the risks faced by the Group and designs, implements and monitors an appropriate system of internal controls in line with policies approved by the Board.

PURPOSE OF INTERNAL CONTROL FRAMEWORK

The Board acknowledges that the system of internal controls is designed to manage, rather than eliminate risks that will

hinder the Group from achieving its goals and objectives. It therefore provides reasonable, and not absolute, assurance against the occurrence of any material misstatement or loss.

The system of internal controls is based on an ongoing process designed to identify the principal risks hindering the achievement of the organisation's goals and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process is regularly reviewed by the Board, taking into account changes in the regulatory and business environment to ensure the adequacy and integrity of the system of internal controls.

A satisfactory system of internal controls was in place within the Group for the year ended 31 December 2010, and up to the date of the Annual Report and accounts. This Statement on Internal Control (the Statement) has been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Statement on Internal Control - Guidance for Directors of Public Listed Companies.

RISK AND CONTROL FRAMEWORK

TM Group has in place Enterprise Risk Management processes for identifying, evaluating and managing significant risks faced by the Group. Risk assessment and evaluation take place as an integral part of TM's annual strategic planning cycle. There is a detailed risk management process, culminating in a Board review, which identifies the key risks facing the Group and each business unit. This information is reviewed by Senior Management as part of the strategic review.

Key features of the enterprise-wide risk management comprise the following procedures:

- Clearly documented financial management procedures and guidelines;
- Senior Management collectively reviews the Group's key risks and has created a Group risk register describing the risks, owners and mitigation strategies. This is reviewed by the Management Committee and subsequently by the Board Risk Committee before being reviewed and approved by the Board;
- The Group's internal auditors carry out continuing assessments on the quality of risk management and control, and report to Management

and the Board Audit Committee on the status of specific areas identified for improvements; and

- The Board Risk Committee, on behalf of the Board, considers the effectiveness of the risk management process in the Group during the financial year.

REVIEW OF INTERNAL CONTROL EFFECTIVENESS

The Board's evaluation of the effectiveness of internal controls in the Group is based on criteria developed under the COSO (Committee of the Sponsoring Organisations of the Treadway Commission) Internal Control Integrated Framework – a generally accepted framework for internal control widely recognised as the standard against which the Group measures the effectiveness of its system of internal controls. The internal control system is intertwined with the Group's operating activities and exists for fundamental business reasons.

The Board's review of internal control effectiveness is based on information from:

- Key management within the organisation responsible for the development and maintenance of the internal control framework;

- The work of the internal auditors, who submit regular reports to the Audit Committee which include their independent and objective opinion on the adequacy and effectiveness of the organisation's system of internal controls together with recommendations for improvements;
- Self assessments of key entity and functional controls by Management to complement the above input in providing a holistic view of the Group Risk and Control Framework effectiveness.

The Audit and Business Assurance Committee will address and monitor any internal control weakness and ensure continuous process improvement.

Under the COSO Internal Control Integrated Framework, internal control assessment is segregated into five interrelated components, as follows:

A. CONTROL ENVIRONMENT

Control environment is the organisational structure and culture created by Management and employees to sustain organisational support for effective internal control. It is the foundation for all the other components of internal control, providing discipline and structure.

Management's commitment to establishing and maintaining effective internal control is cascaded down and permeates the Group control environment, aiding in the successful implementation of internal controls. Key activities include:

Strategic Themes and Objectives

- Management has established four strategic thrusts to support the achievement of the Group's key business objectives. They are:
 - Customer centricity and quality improvements
 - One company mindset with execution orientation
 - Operational excellence and capital productivity
 - Leadership through innovation and commercial excellence
- A Steering Committee provides clear direction and guidance for the implementation of the Group's High Speed Broadband (HSBB) project. The HSBB Steering Committee meets at least once a month, chaired by the Group CEO. The committee ensures the overall delivery of the HSBB project meets the desired customer satisfaction level.

Organisation Structure

- TM Group has a formal organisation structure with clearly defined lines of responsibility and accountability, aligned with business and operations requirements.
- The roles of Central Functions (Corporate Centres) have been strengthened to provide guidance related to specific core function strategies and governance related matters to the Lines of Business.

Assignment of Authority and Responsibility

- The Group has established a Limit of Authority (LOA) matrix that clearly outlines Management limits and approval authority across various key processes such as Capital Structure, Mergers and Acquisition, Procurement, Corporate Finance, Account Receivable and Property Plant and Equipment. The LOA is duly approved by the Board and subject to regular review and enhancement to ensure it reflects changes in accountability and the risk appetite of the Group.
- Clear accountability and responsibility for key business processes have been established through the Group's Business Process Manual and

Subsidiaries Policy, both approved by the Board.

Core Values

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

Code of Business Ethics

- All employees are required to sign and adhere to the Group's Code of Business Ethics, which outlines the minimum standard of behaviour and ethical conduct expected of employees in business matters. TM Group Chief Executive Officer (GCEO) recently launched an e-Learning version of the CBE which outlines acceptable and unacceptable behaviour and conduct of employees in dealing with customers, suppliers, business partners, competitors, shareholders, the community and the Government.
- All TM employees declare their assets and any conflict of interest annually to provide an update on the value of individually or jointly owned assets.

Procurement Ethics

- It outlines the principles and specific requirements related to the procurement process. It supports the Procurement Red Book and complements the TM Code of Business Ethics, which provides guidelines on dealing with employees, customers, business partners, competitors and other parties.

Competency-Based Development Framework

- TM Group has established a comprehensive framework that provides a structured competency baseline requirement to assess existing human capital development needs across various management levels. This is to ensure the Group's key assets, namely its people, and their skills and abilities are competitive and remain so in the future.

Board and Audit Committee

- The various Board Committees, namely the Audit Committee, Board Risk Committee, Nomination and Remuneration Committee, Tender Committee, Employee Share Option Scheme (ESOS) Committee and other ad-hoc 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, knowledge and expertise. Its members continue to meet and have full and unimpeded access to both the internal and external auditors during the financial year. There is also a senior independent non-executive director, who is a member of the Audit Committee.

Human Resources Policies and Procedures

- The Group has made great efforts to realign its existing Human Resources policies and procedures according to initiatives developed by the Government under the GLC Transformation Programme.
- The TM Leadership model was established to support the Group's strategic initiatives and is embedded within the key human resources functions of human capital development, talent management and external recruitment.
- The Group has established a new promotion policy and framework aligned towards building

leadership capabilities. This is in line with the Group's aspiration to ensure that appropriate persons of calibre are selected to fill available positions.

- Formal training programmes, either classroom type or through e-learning, semi and annual performance appraisals and other relevant procedures are in place to ensure staff are competent and adequately trained to discharge their duties and responsibilities effectively.

B. RISK ASSESSMENT

Risk assessment is the identification and analysis of risks which may impede the achievement of the Group's objectives, forming a basis for determining how risk is managed in terms of likelihood and impact. Key activities involved within this area are:

Enterprise Risk Management (ERM)

- Risk management is firmly embedded in the Group's system of internal controls, and is regarded by the Board to be integral to operations. Managing risk is a shared responsibility, therefore is integrated into the Group's governance, business

processes and operations. It is an interactive process consisting of steps which, undertaken in sequence, enable continual improvement in decision-making.

- Employees' commitment towards ERM is continuously emphasised and reinforced.
- The COSO ERM model has been adopted to streamline the existing risk management framework with the COSO Integrated Framework used by internal audit to assess internal control effectiveness.
- Group Internal Audit complements the role of the Risk Management Unit by independently reviewing risk profiles, risk management strategies and the adequacy and effectiveness of the controls identified and implemented in response to the risks identified at every audit engagement.

Control Self-Assessments (CSA)

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



C. CONTROL ACTIVITIES

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

Business Performance Management (BPM) Policy and Guidelines

- BPM provides a comprehensive reference to TM's Balanced Score Card (BSC), stating the guiding principles and policies for TM Group on developing and deploying BSC processes.
- It supports TM's Corporate Governance, providing an internal control framework to manage strategy implementation for better business performance.

Annual Business Plans

- Annual business plans are prepared by TM's business units and all major operating subsidiaries. The annual business plans are presented and approved by the Board. Actual performances are reviewed against the targeted results on a monthly basis, allowing for timely response and corrective action to be taken to mitigate risks. The Board reviews regular reports from Management on the key

operating statistics, as well as legal and regulatory matters, if any.

Towards Operational Perfection (TOP)

- Information Technology and Network Technology (IT&NT) has launched a three-year initiative to improve customer experience and operational performance in a holistic, end-to-end manner, covering Sales Channels, Customer Service as well as Network Operations. Aptly named Project TOP (Towards Operational Perfection), the project urges TM to re-think the way the organisation works, and subsequently re-engineer the processes to be more efficient, focusing on end-to-end performance targets in service delivery and quality, and enhancing employee productivity.

Corporate Responsibility (CR)

- The Group has adopted the Bursa Malaysia CR framework as a guiding principle to provide clarity, focus and consistency of CR practices that deliver sustainable value to society at large. The Group's inaugural Sustainability Report was accorded Global Reporting Initiative (GRI)

Application Level A+, the highest application level in the GRI framework.

TM Corporate Security Policy

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

Credit Management Policy

- The Group has established a new comprehensive credit management policy to provide the minimum requirements for effective Credit Management functions, and standardised its implementation throughout the organisation. These include upfront identification of high-risk customers and mitigating actions to safeguard the Group from any undue loss.

IT Governance Manual

- TM Group has in place an IT Governance (ITG) policy consisting of six core sections, namely ITG General Information, IT Principle, IT Architecture, IT Infrastructure, Business Application Needs and IT Investments and Prioritisation.

Subsidiaries Policy

- Subsidiaries Policy (SP) is positioned to ensure that the Group's interests are protected and prioritised at all times while providing adequate flexibility for subsidiaries to deliver their respective business objectives.

Insurance and Physical Safeguards

- Adequate insurance and physical safeguards on major assets are in place to ensure that Group assets are sufficiently covered against any mishap that could result in material loss.

D. INFORMATION AND COMMUNICATIONS

Information and Communications 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:

Communications Policy

- TM Group is committed to open and effective communications as an essential component of its culture in order to motivate the workforce to deliver high quality services and exceptional value to customers and other stakeholders as well as to anticipate their feedback.

- Its purpose is to encourage communicativeness and ensure that communication across the Group is well coordinated, effectively managed and meets the diverse needs of the organisation.

Internal Control Incident (ICI) Reporting

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

Best Practice Committee

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

E. MONITORING

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

Management Committees

- Two Top Level Committees have been established, namely the Management Committee and the Group Leadership Team (GLT), each with clear demarcation of roles in managing the Group's strategic and operational matters more effectively. The Management Committee focuses on providing guidance and making decisions on strategic matters while GLT concentrates on matters pertaining to business performance and ensures effective supervision over key operational issues.
- The Audit and Business Assurance Committee (ABAC), comprising members of Senior Management from respective Lines of Business, regularly monitors major internal and external audit issues to ensure they are promptly addressed and resolved.

Periodic Self-Assessments

- Annual disclosures are made by both TM Senior Management represented by Group Chief Officers, Executive Vice Presidents, Vice Presidents, General Managers and by TM Group Operating Companies' CEOs and CFOs on the overall effectiveness, reliability and adequacy of their respective companies' systems of internal and financial controls.
- Quarterly disclosures on Financial Controls Compliance and Assurance Statement (FCCAS) form part of the initiative to inculcate awareness of 'financial and internal controls' requirements within the Group.
- Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with FRS.

Group Internal Audit

- Group Internal Audit carries out continuous assessments on the adequacy of risk management and maintains a flexible audit approach and a robust audit plan that together

address emerging as well as potential risks. The new design of control was thoroughly assessed for new projects launched. As an example, detailed risk assessment and control effectiveness was rigorously undertaken for the HSBB project throughout the year. 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 regards to policies and procedures, and the effectiveness of internal control systems. Significant findings and recommendations for improvement are highlighted to Senior Management and the Audit Committee, with periodic follow-up reviews of the implementation of action plans. Group Internal Audit's practices and conduct are governed by its Internal Audit Charter.

Special Affairs Unit

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

CONCLUSION BY THE BOARD OF DIRECTORS

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

TM in its announcement to the Bursa Malaysia on 29 December 2010 had highlighted the settlement case of Alcatel Lucent with the US Securities and Exchange Commission and the Department of Justice made public in the United States of

America on 27 December 2010, which include allegations of improper payments made to TM employees by Alcatel Lucent. TM takes such allegations seriously and has zero tolerance for bribery and corruption. In the interest of transparency, TM had immediately formed a Board sub-committee to investigate the allegations. The Board sub-committee, in turn, appointed a consultant to conduct an independent forensic audit of this matter under the supervision of TM Group Internal Audit's Special Affairs Unit reporting to BAC.

It is envisaged that the independent investigation into the allegations and the eventual findings will be analysed and the lessons learnt applied operationally to further strengthen the internal governance policies. In line with good corporate governance practices, the report from the independent investigation was submitted to the Malaysian Anti-Corruption Commission (MACC) on 1 March 2011. In this regard, full cooperation will be extended to the relevant authorities.

However, for the financial year under review, the Board is satisfied that the system of internal controls was satisfactory and has not resulted in any material loss, contingency or uncertainty.

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

MEMBERSHIP

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

From left to right:

Quah Poh Keat

Chairman

Independent Non-Executive Director

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Member

Non-Independent Non-Executive Director

Dato' Danapalan T.P. Vinggrasalam

Member

Senior Independent Non-Executive Director

Ibrahim Marsidi

Member

Independent Non-Executive Director



MEETINGS AND ATTENDANCE

The AC had nine meetings in the financial year 2010. Details of the attendance of each member are as follows:-

AC Member	Number of AC 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	9/9	100.0
Ibrahim Marsidi	9/9	100.0

The Group CEO, Group CFO, other Senior Management members and the external auditors attended these meetings upon invitation to brief the AC on specific issues.

Prior to some AC meetings, private sessions were held between the Chairman, the Chief Internal Auditor and external auditors without the Management's presence. The AC also had two meetings with the external auditors without the Management's presence.

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

TERMS OF REFERENCE

The AC has reviewed and endorsed its Terms of Reference to be in line with the Main LR of Bursa Securities and best practices propagated by Bursa Securities Corporate Governance Guide: Towards Boardroom Excellence.

COMPOSITION

- The AC shall be appointed amongst TM Board and shall consist of not less than three members, comprising non-executive directors, with the majority being independent directors.

- The Chairman shall be approved by TM Board and shall be an independent director.
- Members of the AC shall possess sound judgement, objectivity, an independent attitude, management experience, professionalism, integrity, knowledge of the industry and be financially literate.
- At least one member of the AC shall fulfil the following requirement:
 - must be a member of the Malaysian Institute of Accountants (MIA); or
 - if he is not a member of the MIA, he must have at least three years' working experience; and
 - have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - must fulfil such other requirements as prescribed or approved by Bursa Securities.
- No alternate director shall be appointed as a member of the AC.

REVIEW OF THE AC

- The terms of office and performance of the AC and each of its members shall be reviewed by TM Board at least once in every three years to determine that the AC and its members have carried out their duties in accordance with their terms of reference.
- TM Board shall annually review the AC's required mix of skills, experiences and other qualities, including core competencies, which the AC non-executive directors should bring to the AC.

MEETINGS

The AC shall meet at least four times a year with additional meetings as and when requested by the Chairman. To form a quorum, the majority of members present must be independent directors.

RIGHTS AND AUTHORITIES

- a. Right to meet and discuss with the auditors without the attendance of other directors and/or employees of the Company, whenever deemed necessary.
- b. Right to meet and discuss with the external auditors at least twice a year without the attendance of executive directors and/or employees of the Company, whenever deemed necessary.
- c. The AC shall have the following rights in carrying out its duties and responsibilities:-
 - Explicit authority to investigate any matter within its terms of reference.
 - The resources which are required to perform its duties.
 - Full, free and unrestricted access to any information, records, properties and personnel of TM and of any other companies within TM Group.
 - Access to the minutes, reports and information from all subsidiaries of the Company.
 - Direct communication channels with the external auditors and internal auditors.
 - Obtain independent professional or other advice and to invite outsiders with relevant experience to attend the AC's meetings (if required) and to brief the AC thereof.
 - Authority to invite other directors and/or employees of TM to attend AC meetings specific to the relevant agenda.
 - Immediate access to reports on findings and recommendations from the Group Internal Audit (GIA) in respect of any fraud or irregularities discovered and referred to GIA by the management.
 - Ability to seek clarification from the respective boards of TM's subsidiaries or its Chief Executive Officer.
 - To intervene wherever Senior Management or members of TM Board are implicated in a possible fraud, illegal act or violation of the code of conduct.
 - Direct the centralisation of the GIA and ensure the GIA provides representation at the subsidiaries' respective audit committees.
 - Authority and ability for placement of internal audit resources TM Group-wide.
 - Require the heads of internal audit at the respective TM subsidiaries and the Chief Internal Auditor to escalate and inform the AC immediately of any urgent matter.

DUTIES AND RESPONSIBILITIES

The following are the main duties and responsibilities of the AC collectively and the same would be reviewed and reported to TM Board from time to time:-

- a. Assessing the Control Environment
 - Determine whether Management has implemented policies ensuring that controls in place are adequate, and functioning properly to address the risks.
 - Review the adequacy and integrity of TM Group's internal control systems and management information systems, including systems for compliance with the applicable laws, rules, directives and guidelines.
- b. Overseeing Financial Reporting
 - Provide the Board with assurance on the quality and reliability of financial information used by TM Board and of the financial information issued publicly by the Company and the Group.
 - Assess whether the financial report presents a true and fair view of the Company's financial position and performance and complies with regulatory requirements.
 - Review the quarterly results and year end financial statements of the Company and the Group, before these are approved by the Board focusing particularly on:
 - changes in major accounting policies or their implementation.
 - Significant or material adjustments with financial impact arising from the audit.
 - Significant unusual events or exceptional activities.
 - Financial decision-making with the presumptions of significant judgments.
 - The going concern assumptions.
 - Compliance with approved accounting standards, Bursa Securities, other regulatory and legal requirements.
 - Review with the external auditors the audited financial statements for the purpose of approval before the audited financial statements are presented to TM Board.
 - Discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss in the absence of the Management where necessary.



- Propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the CG Code, other applicable laws, rules, directives and guidelines.
 - Review the follow-up actions by Management on the weaknesses of internal accounting procedures and controls as highlighted by the external and internal auditors.
- c. External Audit
- AC shall discuss the following with the external auditors:
 - The audit plan.
 - Nature, approach and scope of the audit.
 - Co-ordination where more than one audit firm is involved.
 - Evaluation of the Company's system of internal controls.
 - The audit reports.
 - The AC shall monitor the extent of non-audit work to be performed by the external auditors to ensure that the provision of non-audit services does not impair their independence and objectivity.
- d. Group Internal Audit (GIA)
- Review and approve the Internal Audit Charter, which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company and Group.
 - Review the adequacy of the scope, functions, competency and resources of the internal audit functions and ensure it has the necessary authority to carry out its work.
 - Review the Internal Audit Plan and results of the internal audit work.
 - Appraise and recommend the performance and remuneration of the Chief Internal Auditor.
 - Review any appraisal or assessment of the performance of senior staff members of GIA.
 - Approve the appointment, termination, upgrading and promotion of the Chief Internal Auditor and senior staff members of the GIA and be informed of resignations of the Chief Internal Auditor or senior staff members of the GIA and provide the resigning staff an opportunity to submit his reasons for resigning.
- Be informed, referred to and agree on the initiation, commencement and mechanism of any disciplinary proceedings / investigations, including the nature and reasons for the said disciplinary proceedings / investigations, as well as the subsequent findings and proposed disciplinary actions against the Chief Internal Auditor and the senior staff members of the GIA. As employees of TM, the Chief Internal Auditor and senior staff members of the GIA are subject to TM's human resources policies and guidelines, including disciplinary proceedings / investigations and actions.
 - Review the assistance and co-operation given by TM's officers to the external and internal auditors.
 - The GIA function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care. TM Board or the AC should determine the merit of the internal audit function.
- e. Reviewing Conflict of Interest Situations and Related Party Transactions (RPTs)
- Ensure that Management establishes adequate processes and procedures to monitor, track and identify RPTs. Such a framework should be able to provide sufficient assurance that RPTs and conflict of interest situations, including recurrent related party transactions, are identified, evaluated, presented for review and approval and reported, where required.
 - Review conflict of interest situations or RPTs and determine the following:
 - Whether the transaction is in the best interest of the Group.
 - Whether the transaction is fair, reasonable and on normal commercial terms.
 - That the transaction is not detrimental to the interest of minority shareholders.
- f. Employees Share Option Scheme (ESOS)
- i) Verify the allocation of options to the Group's eligible employees in accordance with the Main LR at the end of each financial year.
 - ii) Prepare an AC statement verifying the said allocation in the annual report.

- g. Whistleblowing and Fraud
- i) Review TM Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The AC shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up actions.
 - ii) Ensure the confidential, anonymous submission by employees, of concerns regarding questionable accounting or auditing matters.
 - iii) Review the Group's procedures for detecting fraud.
- h. Other Matters
- i) To promptly report to Bursa Securities, if the AC views that a matter resulting in a breach of the Main LR reported by the AC to TM Board has not been satisfactorily resolved by TM Board.
 - ii) Such matters as the AC considers appropriate or as defined by TM Board.

SECRETARY

The Secretary of the AC shall be the Company Secretary.

Note: The AC underwent a change of secretary in October 2010.

SUMMARY OF PRINCIPAL ACTIVITIES IN THE FINANCIAL YEAR

During the year ended 31 December 2010, the principal activities carried out by the AC were as follows:-

- a. **FINANCIAL REPORTING**
- i) Reviewed the Quarterly Unaudited Financial Statements of TM Group to be in line with Financial Reporting Standard (FRS) 134 and the Main LR before recommending it to TM Board for approval.
 - ii) Reviewed the Audited Financial Statements of TM Group before recommending it to TM Board to ensure that the financial report presents a true and fair view of the Company's financial performance and complies with regulatory requirements.
- b. **INTERNAL CONTROL**
- i) Reviewed reports on the adequacy, effectiveness and reliability of the system of internal controls based on controlled self-assessment performed annually by the key management of the Operating Companies/ Subsidiaries. The Annual Internal Control Assurance Letter and Internal Control Incidents Report were submitted to the Group CEO and the Chief Internal Auditor.
 - ii) Received and deliberated reports from the Audit and Business Assurance Committee on the following matters:
 - Management actions to resolve significant internal controls and accounting issues as highlighted by the internal and external auditors.
 - Revenue Assurance and Fraud Management activities to mitigate revenue leakage and telecommunications related fraud.
 - Any other recommendations made by the AC for Management's action.
 - iii) Reviewed and deliberated on reports from the Best Practices Committee (BPC) on the following matters:
 - Updates and developments of best business practices and exposure drafts, principally on corporate governance; statutory and regulatory requirements; compliance with accounting standards and other business guidelines.
 - Major policy updates, revisions or enhancements as recommended by the Management to ascertain that the improvements made were aligned with business best practices and effective internal control processes.
 - iv) Received and deliberated on reports from Internal Control Incidents (ICI) Committee on alleged major control incidents or failures based on reports submitted from management or special investigations/ audits conducted and proposed the next course of action. The reports were summarised by the Chief Internal Auditor and updates submitted to the AC on a quarterly basis, describing following:
 - The nature and root causes of control failures which had financial impact and/or affected the image and reputation of the Group.
 - Lateral learnings to prevent the recurrence of similar incidents within the Group.
 - Status of actions taken by management to remedy the control weaknesses and appropriate disciplinary actions.



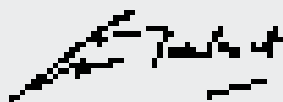
- v) Received and reviewed reports from Management on key strategic, financial and operational risks to ensure these were managed effectively. These included:
- Treasury Management
 - Credit Management
 - TM Group Limit of Authority Matrix
 - Impact of FRS 139 Implementation
 - Impact of FRS 7 in Disclosure of Unimpaired Overdue Accounts
 - Impairment of Goodwill
- c. **RELATED PARTY TRANSACTIONS (RPTs)**
- i) Reviewed reports on RPTs to ensure the transactions were fair, reasonable, on normal commercial terms and in the best interests of the Company.
- ii) Periodically reviewed the Recurrent Related Party Transactions to ensure they were at arm's length and duly tracked against their mandated amount.
- d. **EMPLOYEES SHARE OPTION SCHEME**
- The AC noted that there was no allocation of options during the year.
- e. **EXTERNAL AUDIT**
- i) Discussed with the external auditors before the audit commenced, the audit plan, nature and scope of the audit, engagement strategy, including the terms as detailed in the external auditors' engagement letter.
- ii) Reviewed and approved the engagement letter from the external auditors upon confirmation of their independence and objectivity.
- iii) Reviewed the results of the annual audit, their audit report and Internal Control Memorandum, together with Management's responses to the findings of the external auditors.
- iv) Reviewed and approved the scope of non-audit services provided by the external auditors to ensure there was no impairment of independence or objectivity.
- v) Reviewed the overall performance of the external auditors and, upon satisfactory assessment, recommended that TM Board approve the fee payable to the external auditors in respect of the scope of work performed.
- vi) Held two private meetings with the external auditors to ensure there were no restrictions on the scope of their audit and to discuss any items that the auditors did not wish to raise in the presence of Management.
- f. **INTERNAL AUDIT**
- i) Reviewed and approved the reports from GIA on the following:
- The annual business plan to ensure adequate scope and comprehensive coverage of activities of the Group.
 - The competency and resources of the internal audit function to ensure that, collectively, GIA has the required expertise and professionalism to discharge its duties.
 - Reviewed and deliberated on internal audit reports which were tabled during the year, the audit recommendations made and Management's response to these recommendations. In cases where appropriate, AC instructed Management to rectify and improve control procedures based on GIA's recommendations and suggestions for improvements.
 - Monitored 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.
 - Reviewed and deliberated major cases of internal misconduct in relation to the Group's Code of Conduct and whistleblower programme.
 - Key Performance Indicators (KPIs) for GIA linked to the Balanced Scorecard that focused on qualitative and quantitative aspects.
- ii) Held private meetings and discussions with the Chief Internal Auditor on key internal control and internal audit related matters.

TRAINING

During the year, the AC members attended various conferences, seminars and training programmes as follows:-

Aspect	Title of Conference / Seminar
a. Finance	i) Building Audit Committee for Tomorrow ii) Financial Industry Conference iii) BDO Tax Forum Series: Which Hat are You Wearing?
b. Risk Management	i) Derivatives and Risks: Analytics, Valuation and Management ii) Risk Management of Derivatives iii) Risk Management in Islamic Finance
c. Strategy	i) Building Organisational Capability to Strategic Transformation ii) National Key Economic Area (NKEA) from the Government's Perspective and Expectations iii) Challenges in Driving Profitability Moving Forward for TM
d. Corporate Governance	i) Evening Talk on Corporate Governance Guide ii) Minda Breakfast Talk-Moral Foundation for Good Governance iii) Performance Pays Report on Non Executives Remuneration iv) The Changing Landscape of Shareholder Activism - The Roles We Play
e. Corporate Social Responsibility	Bursa Malaysia's Focus Group for Board of Directors: Bursa Malaysia's Upcoming CR Guide and Web-portal
f. Industry	i) Telecom Transformation Asia Pacific 2010 ii) Huawei's IPTV Platform iii) CommunicAsia 2010

This AC Report is made in accordance with the resolution of the Board of Directors duly passed on 25 February 2011.



Quah Poh Keat

Chairman of Audit Committee



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

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

PRACTICES AND FRAMEWORK

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

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

INDEPENDENCE AND OBJECTIVITY

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

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

SCOPE AND COVERAGE

Group Internal Audit practises adaptive auditing and a robust audit planning which provides the flexibility needed to address emerging current risks as well as potential future risks. This enhances the ability of GIA to focus its resources and skills on ensuring alignment with business strategy and goals, thus maintaining relevance and driving continuous improvements within the Group. The scope of audit engagements is also aligned with the primary risks of the organisation and its key strategic initiatives. Identified key audit areas in 2010, in line with COSO broad objectives, are as follows:

1. **Strategic**
 - a) Management Control Review
 - b) Product Costing and Pricing Towards Achieving Highest Profit
 - c) Review of Internet Protocol Television (IPTV) Platform and Media Centre
 - d) Project Governance
2. **Operations**
 - a) **Human Resources**
 - Review of Workforce Planning and Recruitment
 - Review of Performance Consequence Management
 - Review of the Overall Implementation and Execution of Job Broadbanding

- b) **Procurement**
 - Emergency Purchases Process Review
 - Review of Procurement Direct Award Process
 - Review of Sales and Services Contract Management
- c) **Marketing**
 - Effectiveness of Customer Service Management Function: Complaint Management
 - Customer Services and Cash Management at TM Point
 - Sell to Customer Process Review
 - Review of TM SME One Plan
- d) **Accounting and Finance**
 - Debtors and Credit Management
 - Review of Finance Function Effectiveness
- e) **Network**
 - Audit on Digital Data Network (DDN)
 - Audit on Next Generation Network (NGN)-Network Element (Establish Phase)
 - Audit on NGN-Internet Protocol Core (Operate & Transfer Phase)
 - Audit on Global Internet Protocol Transit
 - Audit on Access Network Data Verification and Migration
- f) **Information Technology**
 - Key Billing Systems Review
 - Review of Network Inventory System
 - Post Implementation Review of Next-Gen Opportunity Vibrant Ambition (NOVA)

3. Reporting

- a) Financial Reporting Reviews
- b) Quarterly Interim Financial Reviews

4. Legal, Regulatory & Compliance

- a) Related Party Transactions
- b) Special review of TM ESOS
- c) Post Implementation Review of Universal Service Provisioning and Programme Management
- d) Review of Litigation Cases Management

GIA's expertise has also been requested to assist management in troubleshooting internal control weaknesses raised by Whistleblowers, complex data analysis in detecting errors and omissions, post mortems of internal control failures and risk

exposures of major TM projects. To ensure continuous relevance to the lines of business and to add value, GIA also participated in the review of major projects covering new business products and system implementations to ensure adequate controls are in place before these products or systems are launched. GIA further conducted special reviews based on requests from the Audit Committee and/or management in addition to the planned reviews for the year. Follow-up reviews were performed on the implementation of audit recommendations on a quarterly basis and the status of the implementation reported to the Audit Committee accordingly.

RESOURCES

A total of RM6.4 million was spent on internal audit activities in 2010. A summary of the internal audit cost, based on key categories, is as follows:

Category	RM (million)	% of total cost
Manpower	4.2	66.0%
Materials	0.1	1.0%
Incidentals (incl. Travelling)	0.5	8.0%
Internal Recharges (incl. Space Rental, IT charges, Training Costs, etc.)	1.5	23.0%
Depreciation	0.1	2.0%
Total	6.4	100.0%

A summary of internal auditors, based on their respective competencies as at 31 December 2010, is as follows:

Discipline	Number of Internal Auditors	Percentage
Accounting and Finance	12	35.0%
Information Technology	5	15.0%
Engineering/Network	9	26.0%
Marketing	5	15.0%
General/Human Resources	2	6.0%
Legal	1	3.0%
Total	34	100.0%

CO-SOURCING ACTIVITY

There was no co-sourcing of internal audit activities in 2010. All internal audit activities were performed in-house.

COMMITMENT TO COMPETENCE

In maintaining a highly adaptive audit function, there is a need to invest more heavily in competency models and training plans for individual staff each year. Auditors need to have better appreciation of entrepreneurship and the business work and be skilled in strategic thinking, innovation and risk management, amongst others.

A number of training modules have been identified to enhance the competency and skills of the internal auditors. Key seminars and workshops attended by Group Internal Audit in 2010 were as follows:

- a) **Group Training** – designed to cater specifically for internal auditors' requirements such as structured thinking analysis, report writing skills and product knowledge. These programmes represented collaborations between Group Internal Audit and respective consultants such as IIA and other training consultants. As at December 2010, the following group training had been conducted:
 - o Customer Service Management (CSM), where key CSM Management participated in the session including the Vice President.
 - o Retail Product Strategy and Management, where the presentation was delivered by the Vice President of Retail Product.
 - o HSBB NOVA Project overview by the NOVA Project Director and Vice President of Group Information Technology.
- b) **Individual Training** – 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 2010 were:
 - i. **Auditing Skills:**
 - IIA conference
 - Risk Based Auditing: A Value Add Proposition
 - Network Security Audit
 - Computer Forensics
 - Project Management Audit for Continuing Growth

ii. Strategic Skills:

- Strategic Organisational Transformation and Renewal
- Developing Business Creativity
- Strategic Business Realignment for Leaders
- Harvard Premier Business Management Program
- Thinking Outside the Box
- Strategic Thinking, Planning & Implementation
- Managing Major Changes for Senior Managers

iii. Functional Skills:

- New Payment Collection System and Customer Service at TM Point
- Financial Management for Small Medium Enterprise (SME)
- eTOM for Beginner Training
- Understanding the Impact of FRS Management Practice
- COSO-Based Internal Audit
- The Future of Finance Shared Service
- Communicasia 2010 Summit
- Customer Service – "Above and Beyond"
- Customer Focus to Foster Organisational Excellence
- Successful Project Management
- Next Generation Broadband
- Network Security Masterclass
- Business Performance Management

iv. Management and Leadership Skills:

- Leadership and Customer Values Excellence
- Managing and Leading A Business Unit
- Leading Organisational Change

Apart from the above, GIA embarked on extensive GIA-Management Training Collaboration. These knowledge sharing sessions by subject matter experts from management aim to speed up auditors' acquisition of knowledge of the Company. They enable the auditors to obtain first-hand practical knowledge from experts supporting key processes within TM. In-house knowledge sharing sessions by subject matter experts are also held to increase the internal auditors' competencies.

INTERNAL AUDIT QUALITY

The Chief Internal Auditor develops and maintains a quality assurance and improvement programme that covers all aspects of internal audit activities. The quality assurance programme assesses the effectiveness of GIA processes and identifies opportunities for improvement via both internal and external assessments.


GIA has an advanced Peer Reviewer mechanism to ensure a consistently high quality output of every audit engagement. Peer reviewers with relevant expertise from the consultancy team are selected to provide professional advice and ensure the highest level of quality and that risks areas are adequately covered before communicating the final engagement results to the appropriate parties.

An internal quality assessment is also performed annually within GIA to evaluate its conformance with the IIA's IPPF. This is performed through self-assessment by a qualified Certified Internal Auditor (CIA) and includes in-depth interviews, surveys and detailed data analysis.

GIA also organises an external quality assessment by a qualified independent reviewer of the entire spectrum of audit work performed by the internal auditors once every five years. The assessment includes area such as compliance to IIA's IPPF and Group Internal Audit Manuals, contribution to governance, risk assessment and control processes and performance management. An external assessment of the Group Internal Audit was performed during the year and it was noted that Group Internal Audit generally conforms to the International Standards for the Professional Practice of Internal Auditing.



Hashim Mohammed
Chief Internal Auditor



Quah Poh Keat
Chairman Audit Committee

INTRODUCTION

In its pursuit to improve the corporate governance practices in Telekom Malaysia Berhad (TM/the Company), the Board of Directors of TM has established a separate Board Risk Committee (BRC) on 22 March 2010 to provide more focus on risks issues. Previously, the Board Audit Committee (BAC) assisted the Board in overseeing the risk issues of TM Group.

The duties and responsibilities of the BRC members are in addition to those 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 regard to their fiduciary duties and responsibilities. The members must continue to exercise due care and judgement in accordance with their statutory obligations.

MEMBERSHIP

The BRC comprises a Non-Independent Non-Executive Director as its Chairman, two Independent Non-Executive Directors and a Non-Independent Executive Director who is also the Group Chief Financial Officer of the Company. Its composition is as follows:



From top left to bottom right:

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Chairman

Non-Independent Non-Executive Director

Dato' Danapalan T.P. Vinggrasalam
Member

Senior Independent Non-Executive Director

Ibrahim Marsidi

Member

Independent Non-Executive Director

Datuk Bazlan Osman

Member

Non-Independent Executive Director/Group Chief Financial Officer

MEETINGS AND ATTENDANCE

The BRC had four meetings in the financial year 2010. Details of the attendance of each member at BRC meetings held during 2010 are as follows:

BRC Member	Number of BRC Meetings	
	Attended/ Held	%
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	4/4	100.0
Dato' Danapalan T.P. Vinggrasalam	4/4	100.0
Ibrahim Marsidi	4/4	100.0
Datuk Bazlan Osman	4/4	100.0

The Vice President of Group Business Assurance, who also acts in his capacity as Head of the Risk Management Unit, attended the BRC meetings as a permanent invitee. Other attendees, external or internal, were invited to attend all or part of any meeting as and when appropriate, and with the consent of the Chairman, to facilitate BRC businesses.

TERMS OF REFERENCE

COMPOSITION

- The Board may, upon recommendation of the Board Nomination and Remuneration Committee (NRC), appoint any of its members or their Alternates as members of the BRC.
- The BRC must be composed of no fewer than three members including the Chairman and the majority shall be Non-Executive Directors at least one of whom shall preferably have recent and relevant experience in risk management.

- c. Members of the BRC may relinquish their membership in the BRC by giving prior written notice to the BRC Chairman and Chairman of the NRC with a copy to the Company Secretary. The NRC will review and recommend to the Board for approval another Director to fill up such vacancy within three months of the notice.
- d. All members of the BRC, including the Chairman, will hold office for only so long as they serve as Directors (or Alternate Directors) of the Company.
- e. The Chairman shall be a Non-Executive Director, as recommended by the NRC, and cannot be the Chairman of the BAC.
- f. Members of the BRC shall possess sound judgment, objectivity, an independent attitude, management experience, professionalism, integrity and knowledge of the industry.

MEETINGS

The BRC shall meet at least four times a year preceding the quarterly BAC meetings or such additional meetings as decided by the Chairman. A majority of members present at a meeting shall form a quorum.

SECRETARY

The BRC Secretary shall be the Company Secretary.

RIGHTS AND AUTHORITY

The BRC shall have the power, inter alia, to:

- investigate any matter within its terms of reference.
- obtain sufficient resources which are required to perform its duties.
- have full and unrestricted access to any information, records, properties and personnel of TM or any other company within the TM Group.
- obtain advice from independent professionals or those with relevant experience and invite them (if necessary) to attend the BRC meetings to brief the BRC on specific matters.
- engage external consultants to assist with the execution of its duties.

DUTIES AND RESPONSIBILITIES

The BRC will not assume the functions of management, which remain the responsibility of the Executive Directors, officers and other members of the Senior Management. The main role of the BRC is to assist the Board in ensuring that the Company has in place a sound and robust enterprise risk management framework and such framework has been effectively

implemented to enhance the Company's ability to achieve its strategic objectives.

The BRC will perform all the functions as necessary to fulfil its role as aforementioned including the following:

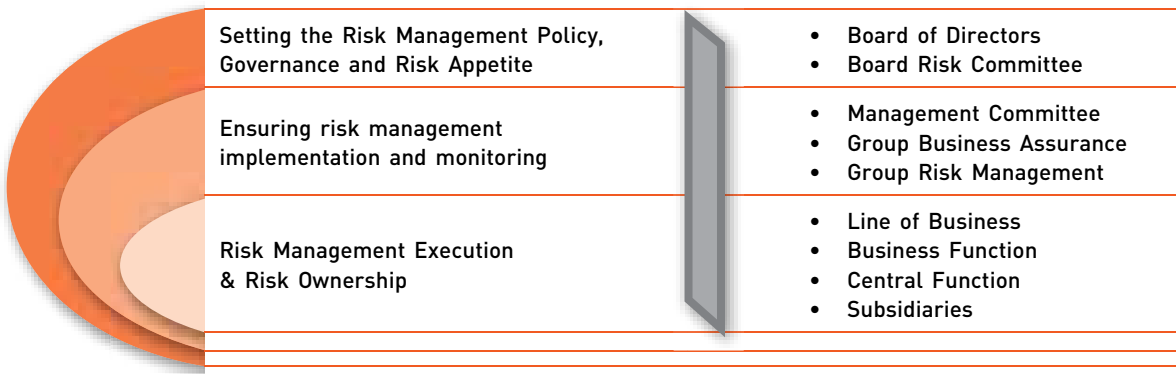
- Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Board.
- Monitor the effectiveness of the risk management organisational structure.
- Keep under review the status and application of risk management responsibilities and accountabilities.
- Monitor the implementation of the policy and plan for risk management by means of risk management systems and processes.
- Make recommendations to the Board or Board Committee as delegated by the Board on levels of tolerance and risk appetite, and ensure risks are managed within the levels of tolerance and appetite as approved by the Board.
- Oversee the dissemination of the risk management plan throughout the Company and its integration into the day-to-day activities of the Company.
- Ensure that risk management assessments are performed on a continuous basis.
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- Ensure that management considers and implements appropriate risk responses.
- Ensure continuous risk monitoring by management.
- Liaise closely with the BAC to exchange information relevant to risk.
- Express to the Board its formal opinion on the effectiveness of the system and the process of risk management.
- Review the risk management report to be included in the consolidated report to the Board.

RISK MANAGEMENT REPORT

The Group's continuous focus on the enterprise-wide risk management framework which emphasises effective strategic, regulatory, financial and operational risk management in enhancing the Group's ability to achieve sustainable profitability, continues to deliver strong corporate social responsibility and stakeholder management as well as delivering positive shareholder value despite the challenging business conditions and market uncertainties.

TM Group continues to strengthen its risk management infrastructure and refine the processes to proactively manage key areas of risk in line with changes in market conditions. This involves reviewing the governance for risk management cutting across from the Board to the operation level, embedding the risk management process in key and strategic business decision-making processes, continued training of all levels of staff to build sustainability in the risk management culture and clearly defining the roles and responsibilities for risk management across the organisation structure.

TM Group Risk Management policy and guidelines clearly define the roles and responsibilities for risk management across the Group as illustrated below:



The Board of Directors (Board) is ultimately responsible for the management of risks. The Board, through the Board Risk Committee (BRC), maintains overall responsibility for risk oversight within TM Group. The Risk Management Policy statement and level of risk tolerance are set in line with the Group's strategic direction and business objectives as per the approved Business Plan.

The Management Committee facilitates the overall risk management discussion, challenges the corporate and individual business unit risk maps, and challenges and monitors the execution of agreed risk mitigation plans before the consolidated risk report is tabled to the BRC for endorsement. The monthly assurance report to the BRC denotes the commitment of all levels of management and business units to ensure business risks are continually identified and assessed, and that mitigation plans are executed to minimise business risk both from the perspective of incident frequency and risk impact severity.

The Line of Business, Business Function, Central Function and subsidiaries, being the first line of defence against risks, are responsible for identifying, mitigating and managing risks within

their divisions. These divisions ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits.

Key Risk Factors

Risks in the telecommunications industry are dynamic; new risks are constantly emerging, putting pressure on the organisation to manage both inherent industry risks as well as newly emerged risks. The following paragraphs unveil some of the key risks that may adversely affect the well-being of the organisation. These risks have been constantly monitored under the Corporate Risk radar and the positioning of the key risks in this report does not denote their risk ranking.

Credit Risk

Credit risk will remain as long as the majority of our sales are post-paid, while the level of risk will differ according to the customer portfolio and behaviour, robust application of our Credit Management Policy especially the credit rating of customers and the application of credit limits and collateral, fraudulent application of services and financial position of the customer following changes in the macro economy.

Credit risk management is governed by the new Credit Management Policy which sets out guidelines for customer credit assessment and management covering credit rating, the setting of credit limits per customer, collateral management, customer payment behaviour management, management of credit period, collection cycle management, tainting of customers and the management of bad debts. TM is putting in place new credit management systems to support the new Credit Management Policy, especially in strengthening the assessment and profiling of customers to minimise the credit risk at the time of customer acquisition rather than battling for collection from delinquent customers. Depending on the credit worthiness of the customer and the tenure of the business relationship with TM, service can be offered based on credit or on a pre-paid basis. For high credit risk customers, pre-paid services will be offered until their credit risk rating improves.

Telecommunications Fraud Risk

Any dishonest or illegal use of services where the intention is to avoid or reduce legitimate call charges or to gain illegitimate access to the network in order to enjoy undeserved fees is considered Telecommunications Fraud. Telecommunications Fraud committed by third parties, customers, resellers and internal staff has been an ongoing concern within TM.

Attempts at fraud have been increasing over the years, with additional attempts coming from IP services. The changing trend of fraud attempts over the years is influenced by many factors, but mainly by product promotions, the introduction of new services into the market, and the evolution of technology which cause dynamic and constant change of fraud behaviours beyond TM's control. The high incidence of fraud attempts is countered by the existence of a fraud surveillance system which immediately detects irregularities or suspected fraud, allowing for analysis and investigation by the Fraud Management Unit. This lowers the number of successful frauds, avoiding loss to TM. On top of the surveillance system, TM Group has also put in place various operational controls to mitigate the impact of fraud losses to the Group.

Revenue Leakage Risk

Gaps in the processes, data flows, data consistency across diverse systems and fraud contribute to leakage in revenue. Most of these gaps can, fortunately, be plugged through revenue assurance reviews, fraud investigations and leakage management by the operations team. Critical performances for data, Streamyx

and prepaid services are being monitored through a revenue assurance system that allows for early detection of potential revenue losses.

Furthermore, continuous efforts are made by the Revenue Assurance Unit to strengthen weak areas with respect to people, processes and systems within the key revenue streams, thus preventing revenue leakage. This includes subscription control, billing management and collection management. The Revenue Assurance Unit and operational teams continue to track and monitor revenue losses to ensure these are recovered as soon as possible.

Competition Risk

Competition leads to erosion of revenue and market share, and is a given risk in all businesses that operate in a free and open market. The risk is further intensified when customers become more aware of their right to choose their service provider based on their unique preferences. Except for high speed broadband services, most cellular operators have been offering identical voice, data and low end broadband services to the market that directly competes with TM's existing products and services.

The preference for mobile services (service on the go) further enhances the competition, especially in the voice sector, where it is gradually eroding TM's market share. In mitigating this challenge, we have put in place various strategic and operational controls that include meticulous planning of our strategic roadmap; and seeking new sales with innovative, value for money products and attractively priced packages and technology as required by the market.

Reputation Risk

The risk of loss of reputation arises from any action, event or circumstance that could adversely or materially impact TM Group's reputation, leading to loss of revenue, litigation or prejudice the interest of stakeholders. TM is exposed to a multitude of risk factors that may affect TM Group's reputation, from failure to comply with regulatory and legal requirements, and failure to deliver minimum standards of service, to exposure of unethical practices in the organisation and high profile legal suits. Breach of third party intellectual property rights, poor financial performance/EBITDA and continued investigation by authorities could also expose TM to Reputation Risk.



TM has put in place a number of effective control measures, and quality initiatives are also under way, to prevent the recurrence of any event that could tarnish the Group's reputation or to minimise the impact of such events should they be beyond TM's control. TM Group continues to direct Group-wide efforts to maintain its legal and regulatory compliance culture in all jurisdictions that the Group operates in. The Group seeks to meet the standards and expectations of regulatory authorities through a number of initiatives and activities to support compliance with regulations imposed by the authorities, covering Mandatory Quality of Service Standard and others.

TM Group also has put in place disaster recovery and business continuity plans covering major network and IT services which are tested regularly to ensure prompt recovery of critical business functions in the event of major business and/or system disruptions, including outbreaks of pandemic flu, natural disasters or manmade disasters. Where appropriate, the Group mitigates the risk of high impact loss by appropriate insurance coverage.

With regard to unethical conduct of its employee, agents or vendors, TM Group has put in place an appropriate and tested Code of Business Ethics and a Whistle Blowing Policy to detect and prevent corruption and other unethical conduct within the Group.

Service Disruption Risk

TM Group is committed to ensuring network and service availability to uphold its quality of service to all levels of customers. However, some factors that affect service availability are beyond its control, hence will continue to exist despite the control activity. Over the years, we face a multitude of challenges that lead to service disruption covering manmade disasters, natural disasters and frequent cable thefts.

For the past two years, cable thefts have been on the rise due to higher copper prices in the market and the establishment of second-hand stores that buy over the scrap from the thieves. Such thefts not only incur unnecessary operating cost to replace the cables, but also increase the number of complaints from customers due to interrupted services.

It is a challenge to manage both internal and external root causes of risk and TM Group continues to invest in key risk mitigation plans that will minimise risk and/or its severity. Various operational initiatives have been introduced with the main objective of increasing customers' satisfaction level and their experience with services and products through faster installation and its restoration in the event of failure.

CONCLUSION

TM Group continues to review the effectiveness of its overall enterprise wide risk management programme covering risk governance, execution and implementation as well as creating a well-balanced risk and reward culture across the Group. Operating in a highly competitive and regulated market, TM continues to be exposed to a multitude of business risks, either externally driven or that are inherent to the business.

With guidance from the Board of Directors and the top management team, Group Business Assurance Unit, Group Internal Audit and the external auditors continue to play their respective roles in ensuring that the Group's enterprise risk management programme is reviewed and updated periodically to match the changes in the marketplace before any recommendation for improvement is deliberated and discussed with the Management Committee, BRC and then ultimately with the Board of Directors.

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Chairman

ADDITIONAL COMPLIANCE INFORMATION IN ACCORDANCE WITH APPENDIX 9C OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES)

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

1.0 UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

The Company did not raise any proceeds from corporate proposals during the financial year.

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

2.0 SHARE BUY-BACK

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

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

3.0 OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year.

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

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

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

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

5.0 IMPOSITION OF SANCTIONS/PENALTIES

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

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

6.0 NON-AUDIT FEES

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

	RM
a. PricewaterhouseCoopers, Malaysia	168,000
b. PricewaterhouseCoopers Taxation Services Sdn Bhd	570,833
Total	738,833

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

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

7.0 VARIATION IN RESULTS

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

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

8.0 PROFIT GUARANTEE

The Company did not give any profit guarantee during the financial year.

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

9.0 MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts nor any contracts in relation to loans entered into by the Company and/or its subsidiaries involving interests of directors or major shareholders either subsisting as at 31 December 2010 or entered into since the end of the previous financial year ended 31 December 2009.

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

10.0 REVALUATION POLICY ON LANDED PROPERTIES

The Company did not adopt any revaluation policy on its landed properties during the financial year. The significant accounting policies on property, plant and equipment, investment properties and land held for property development, are disclosed in notes 2(d) to 2(f) of the Significant Accounting Policies for the financial year ended 31 December 2010.

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

11.0 LISTING OF PROPERTIES

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

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

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

At the last AGM held on 6 May 2010, the Company had obtained a general mandate from its shareholders on the RRPT entered into by the Company and/or its subsidiaries (RRPT Mandate). The RRPT Mandate is valid until the conclusion of the forthcoming 26th AGM of the Company to be held on 10 May 2011.

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 2010 pursuant to the said shareholders' mandate are as follows:

Transacting companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of relationship	Nature of RRPT	Value of Transactions RM'000
Our Company and/or our subsidiaries (TM Group)	Axiata Group Berhad (Axiata) and/or its subsidiaries (Axiata Group)	Ministry of Finance (Incorporated) (MoF Inc.), Khazanah Nasional Berhad (Khazanah), Dato' Zalekha Hassan, Puan Eshah Meor Suleiman, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin and Dr Farid Mohamed Sani	<p>In addition to their shareholdings in our Company, MoF Inc. and Khazanah are Major Shareholders of Axiata.</p> <p>Dato' Zalekha Hassan is a representative of MoF Inc. on our Board. Puan Eshah Meor Suleiman is the alternate Director to Dato' Zalekha Hassan.</p> <p>Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin is a representative of Khazanah on our Board.</p> <p>Dr Farid Mohamed Sani is the alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin on our Board.</p> <p>Dr Farid Mohamed Sani is also a Director of Axiata and Celcom Axiata Berhad (Celcom), a subsidiary of Axiata.</p>	<p><u>Revenue</u></p> <ul style="list-style-type: none"> - Interconnect revenue from Axiata Group. 60,918 - Provision of Voice Over Internet Protocol related services to Axiata Group. 38,918 - Provision of leased-line services to Axiata Group. 45,148 - Provision of data and bandwidth related services to Axiata Group. 12,745 - Site rental for telecommunications infrastructure, equipment and related charges by TM Group to Celcom. 25,329 - Provision of internet access and broadband services to Celcom. 12,031 - Commission on registration and collection by Telekom Sales and Services Sdn Bhd from Celcom. 1,591 - Provision of contact centre and business process outsourcing services by VADS Berhad to Axiata Group. 91,868 - Provision of fibre optic core and bandwidth services by Fiberail Sdn Bhd to Celcom. 11,732 - Provision of dark fibre, bandwidth, space & facility by Fibrecomm Network (M) Sdn Bhd to Celcom. 26,957 - Rental of office premises to Axiata Group. 14,371 - Leasing of vehicles to Axiata Group. 6,865 - Provision of system hardware and software maintenance services from VADS Berhad to Celcom. 0 - Revenue from other telecommunications-related transactions with Axiata Group. 800 <p><u>Cost</u></p> <ul style="list-style-type: none"> - Interconnect charges by Axiata Group. 80,932 - Leased-line charges by Axiata Group. 3,140 - Dark fibre and leased line charges by Celcom to Fibrecomm Network (M) Sdn Bhd. 1,671 - Voice Over Internet Protocol related services charges by Axiata Group. 59,384 - Core rental and mobile services from Celcom to Fiberail Sdn Bhd. 1,360 <p>TOTAL 495,760</p>	
Our Company and/or our subsidiaries	KUB Malaysia Berhad (KUB) and its subsidiaries (KUB Group)	Ministry of Finance, Malaysia (MOF)	In addition to its shareholdings in our Company and via Khazanah, 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.	35,873

The Company proposes to renew the RRPT Mandate at the forthcoming Extraordinary General Meeting of the Company to be held on 10 May 2011. The renewed RRPT Mandate, if approved by shareholders, would be valid until the conclusion of the next AGM of the Company.



connect
communicate
collaborate

code of business ethics



Facts at a Glance

1st GLC to launch CBE
via e-learning programme

As a government-linked company (GLC), Telekom Malaysia Berhad (TM) plays an important role in complementing the efforts of the Government to achieve the 4th challenge of Vision 2020; "to establish a fully moral and ethical society whose citizens are strong in religious and spiritual values and imbued with the highest ethical standards". As a responsible organisation, TM also fully supports the agenda of business ethics as expounded

in the third target of the National Integrity Plan (NIP), namely "to enhance corporate governance, business ethics and corporate social responsibility".

TM is guided in its dealings both internally and externally by an extensive Statement on Corporate Governance, a Code of Business Ethics and a framework for our corporate responsibility initiatives. These ensure the Company and staff observe the highest principles

of integrity in our daily behaviour, and are constantly updated so as to be continuously relevant.

The Code of Business Ethics (Code), launched in October 2004, is premised on every representative and individual within TM – from directors, management, employees and representatives of the Company – upholding our KRISTAL Values of Uncompromising Integrity. The objective is to ensure TM

conducts our business in a manner that is efficient, effective and fair. The Code, in fact, goes beyond the relevant laws or Company policies and procedures. TM is motivated to take the highest moral ground in the firm conviction that integrity wins and maintains the confidence of customers, thus allowing us to create more value for the Company.

TM CBE E-LEARNING

To create greater awareness of our Code and to make it easier to access and understand, TM achieved a milestone by becoming the first GLC to introduce the Code to employees via e-learning. This e-learning module was launched on 15 October 2010 by the Deputy President of the Malaysian Institute of Integrity. This e-learning, in English, was targeted to executives including the Top and Senior Managements of TM. This is to be extended to other executives within the Group in the second quarter of 2011. Meanwhile, a Bahasa Malaysia version of the programme for non-executive staff is expected to be launched in the third quarter of 2011.

TM's CBE e-Learning Programme has been designed to further emphasise the correct code of conduct and create awareness of positive workplace values. The e-learning module is both interactive and dynamic featuring, among others, animated content, case studies and games to make it more user-friendly. The modules, produced in collaboration with the Malaysian Institute of Integrity (MII), supports the broader national agenda under the NIP. For TM, it represents an innovative approach in our constant efforts to create greater appreciation and awareness of the content and spirit of the CBE.

AMENDMENT TO THE CODE OF BUSINESS ETHICS

In keeping abreast with the latest developments in business practice and legal requirements, TM amended the Code for the third time in 2010. The latest amendments underline our zero tolerance for corruption, fraud, bribery and anti-competitive practices.

TM's managers are expected to lead according to our standards of ethical conduct, in both words and action. They are also expected to look out for indications of unethical or illegal behaviour and report such incidents to the "Talian Etika". It is, moreover, the responsibility of managers to protect anyone who reports cases of misdemeanour in good faith. Accordingly, the Code has clear provisions for the protection of whistleblowers. The protection of company personnel who report breaches of law involving fraud and dishonesty is in line with the Companies Act 1965, the new Whistleblower Protection Act 2010, the Evidence Act 1950, and the Malaysian Anti-Corruption Commission Act 2009. It is further the duty of managers to report any serious offence involving fraud or dishonesty to the Board of Directors, as required under the Companies Act 1965.

The third edition of the Code reminds employees that violation of the law, the Code or other Company policies can result in disciplinary action. It also stresses the prohibition of soliciting or accepting any form of gifts from third parties. In addition, new employees are required to complete their Declaration of Assets within one month from the date of their employment.

With respect to the Settlement entered into between Alcatel-Lucent (ALU) with the U.S. Securities and Exchange Commission and the Department of Justice made public in the United States of America on 27 December 2010, alleging improper payments to TM's employees, TM views such allegations very seriously. In relation thereto, TM has formed a Board Sub-Committee of the Board Audit Committee to conduct an independent internal investigation into the alleged improper payments to safeguard the integrity of our procurement process and the Code. TM has a zero tolerance policy towards such improprieties and will take appropriate action in the event that any of our employees were indeed involved. In line with good corporate governance practices, TM has also appointed external forensic accountants and legal advisor to assist in the internal investigation.

CERTIFIED INTEGRITY OFFICERS' PROGRAMME

As part of our commitment to maintaining the highest standards in our Code, TM sent two officers to attend a six-month Certified Integrity Officers' Programme at the Malaysian Anti-Corruption Academy. This programme was the first of its kind to be introduced by the Government through the Malaysian Anti-Corruption Commission, in line with the national agenda for companies to have recognised integrity officers to plan, implement and monitor integrity programmes.

PROCUREMENT ETHICS

TM recognises the importance of ensuring the highest standards of corporate governance with the objective of building and maintaining public trust, aiming to promote greater transparency and accountability throughout the Company. One of the key areas that TM has given major focus is towards its procurement process.

In accordance with the Procurement Red Book, "grey areas" in the procurement process must be minimised by adopting a clear disclosure policy and cultivate an ethical working environment that will reduce graft, enable products to be purchased at competitive market prices and ultimately improve profitability.

The Procurement Ethics Rules and Regulations was introduced in June 2006 to support the Procurement Red Book and complement TM's Code of Business Ethics.

In ensuring that TM employees duly understand key elements of the Procurement Ethics, a module under the TM CBE e-Learning was developed to emphasise provisions relating to ethical conduct in dealing with TM suppliers and business partners. The module provides guidelines on TM employees' conduct in procurement activities when dealing with TM suppliers and vice versa. Examples of case studies on possible conflict of interest scenarios in a procurement process are provided for clarity and understanding.

In TM, our stakeholders and employees are encouraged to conduct business dealings with companies and organisations that uphold the principles of good governance. To ensure that TM suppliers are equally addressed on the principles of ethical conduct in procurement activities, awareness programmes for suppliers are held on a regional basis as well as through video conferencing at TM Live Video Conference Centres located in every state.

The key objective is to create awareness and understanding among suppliers that any company desiring to participate in our procurement process needs to uphold the basic principles of trust, honesty, fair and transparent behaviour in their business dealings. It is important that TM clarify and institutionalise:

1. Acceptable business behaviours;
2. The available channels to communicate or report unethical behaviour; and
3. The implications of non-compliance to ethical procurement conduct.

The ALU incident reveals the vulnerability of TM's processes despite its zero tolerance on corruption. Unscrupulous vendors or suppliers will still attempt to obtain unfair advantage over rival bidders by dishonest means via employees who fail to observe basic ethical precepts and code of conduct.

Notwithstanding the same, TM shall strive to focus and uphold the three key tenets of ethical conduct:

1. Zero tolerance on corruption;
2. No or transparent conflict of interest; and
3. Honest representation of capabilities.

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perspective





Dear Shareholders,

It gives me great pleasure to present TM's results for the financial year 2010, which have proven to be exceptional on several counts. In this milestone year during which we launched UniFi, TM has achieved all three of our headline key performance indicators (KPIs). It is as strong a proof as any that the strategic decisions we have made in our transformation to a next-generation telco have been judicious, not just for the Company but also for the nation.

TM's revenue increased 2.1% from RM8,608.0 million in 2009 to RM8,791.0 million in 2010, leading to a strong normalised earnings before interest, tax, depreciation and amortisation (EBITDA) margin of 33.1%. Meanwhile our profit after tax and minority interests (PATAMI) doubled from RM643.0 million to RM1,206.5 million. These figures speak volumes for a company operating within an intensely competitive and fast-changing domain. Notwithstanding government stimulus packages and programmes to increase broadband uptake, I believe our performance points to TM having 'got it right' in several crucial ways. We have the right people, the right processes and, perhaps most importantly, the right principles guiding our every step and strategy.

One principle that we hold on to steadfastly is our commitment to you, our shareholders. Since our demerger with Axiata in 2008, we have committed to paying out either RM700 million or 90% of our normalised PATAMI, whichever is higher, in the form of dividends. Not only have we kept to this

promise, but in the process we have earned the distinction of being one of the highest performing companies in terms of total shareholder return. Our returns stand at 17% above the median of 12.1%, ranking TM second among Asia's top 30 operators in the last three years. This year, I am pleased to announce, we have been able to meet our dividend target yet again.

Another commitment that has shaped our evolution over the years has been to support the Government in its endeavours to develop the nation. Since our establishment in 1946, we have been instrumental in supplying the country's telecommunications needs. Today, we are continuing to partner with the Government as it propels the nation into the next economic development phase by ensuring the necessary ICT infrastructure is in place. 2010 was a historic year for TM, and the nation, because it was the year in which we rolled out our high speed broadband (HSBB). This marks the beginning of a new era in which society at large will be able to connect, collaborate and communicate

in ways they have never been able to do before.

The HSBB project that we launched into upon signing a public-private partnership agreement with the Government in 2008 is one of the most ambitious in the world in terms of its scope and time frame. Yet, I'm proud to say that to date we have met all our targets well ahead of schedule. In so doing, we are fuelling the Government's Economic Transformation Programme (ETP) aimed at progressing the nation to achieve high-income status. The Government has mapped out 12 National Key Economic Areas (NKEAs) that will contribute towards more than doubling Malaysia's per capita income from US\$6,700 to at least US\$15,000 by 2020. Needless to say, all these NKEAs stand to benefit from the broader bandwidth, faster connectivity and the multitude of managed services that HSBB makes possible.

But TM is doing much more than lay the foundation for the nation's economic transformation; we are also proactively involved in various entry point projects. TM is

nurturing a vibrant Communications Content and Infrastructure (CCI) ecosystem by offering open access to our HSBB service thus encouraging local companies to focus on value-add, creative content. With HSBB, further, Malaysia will have the technological clout to position itself as a world-class data centre hub, positively impacting the development of the Business Services NKEA. More generally, businesses will have access to smart networks on which they will be able to conduct a multitude of transactions.

We believe we are well-positioned to be the Government's preferred partner in delivering the ETP, given our unrivalled local and international reach, as well as our proven resources and expertise. We already have an impressive track record as the Government's ICT service provider, having developed the e-Government portal on which the *rakyat* are able to access information and complete various procedures. We have also developed several e-learning solutions which are benefitting students at smart schools around the country,

and are developing e-Healthcare initiatives to enable Malaysians to better manage their well-being.

The beneficiaries of all these multimedia offerings, of course, are the people; and Malaysians are very receptive to broadband services and applications. The Government's target of 50% broadband penetration by end December 2010 was surpassed when the national penetration rate hit 55%. TM's significant contribution comes in the form of Streamyx as well as UniFi. In fact, UniFi's take-up of 33,000 subscribers is better than we had expected. It exceeds global benchmarks of similar country roll-outs, and leads us to anticipate subscription to more than triple in the coming year.

TM'S OWN TRANSFORMATION

Central to the many changes TM is bringing about in the country's ICT-landscape is a transformation that is just as great, though not as visible to the outsider. The Company itself is evolving, thanks to a Performance Improvement Programme (PIP 2.0) that is simplifying our operations, making them more effective and efficient.

One critical goal is to provide the customer with impeccable service. In 2010, we

channelled 5.1% of our revenue towards programmes to enhance our overall customer experience. Particular focus was placed on the smooth delivery of UniFi. Towards this end, TM UniFi Call Centres were set up with dedicated lines for sales and after-sales services. Installation teams were closely monitored to ensure appointments were met and that installations were completed on time. Not neglecting our voice customers, in 2010 we reduced the mean time to install fixed lines from 9.2 days to 5.9 days, marking a significant 35% improvement, while the mean time to restore faulty lines was halved from 50 to 26 hours. In 2011, we are targeting to achieve three days for installation and 24 hours for the restoration of services.

At the same time, we have been pushing the envelope of innovation, especially to improve the range and richness of our products. With UniFi, for example, we are offering – for the first time in Malaysia – an attractive triple play of video, internet and phone (VIP). In addition, we are giving the customer greater choice – of what bandwidth they require (either 5 Mbps, 10 Mbps or 20 Mbps) and which TV or video content they would like.

Underlining our enhanced service delivery was a programme developed by IT and Network Technology (IT&NT) called Towards Operational Perfection (TOP), which has improved the systems that support customer service. That the IT&NT team has developed TOP is itself reflective of another objective of our transformation journey, namely to empower our people and motivate them to take greater ownership of the tasks entrusted to them. We have nurtured a culture of continuous training and development of our employees, and are proud of having invested no less than RM66 million to ensure our people are technically up to scratch with the cutting-edge technologies that encompass HSBB. To further drive a performance culture, we have instituted performance-based bonuses and rewards in our remuneration scheme. Talents are identified and their careers fast-tracked to enable them to acquire new skills and, most importantly, put these into action.

We also positively encourage a spirit of innovation, particularly among our Research and Development (R&D) team which develops products, systems and processes that support TM's transformation journey. This includes collapsing 700 processes to ultimately 70, something that

has never been attempted by any other telco in the world. Yet we have full confidence in our talented research staff, who receive a very healthy training budget and who are bolstered by a brain gain programme.

TM recognises that our people play a critical role in realising our vision and goals. We also recognise that people deliver their best when they take pride in what they do, and feel a sense of belonging to the organisation. To create this *esprit de corps*, we launched a new programme called Teaming With Passion (TWP), which brought our employees together in spirit and reinforced the one-company, or 1TM, mindset. Following the TWP sessions, we noted a higher level of motivation among staff and a more vibrant atmosphere in general. We feel indebted, too, to the three unions that represent our employees which have given their full support to our transformation, allowing us to meet our challenges.

CORPORATE RESPONSIBILITY

TM prides itself with a deep sense of duty to the nation, our stakeholders and especially to our customers and employees, thus corporate responsibility (CR) is ingrained in the very essence of our organisation. We are guided by



the Malaysian Code on Corporate Governance and, as a government-linked company (GLC), abide by the Silver Book produced by the Putrajaya Committee on GLC High Performance. As a responsible corporate citizen committed to good governance and transparency, TM continues its pledge to ensure the integrity of our processes, people and reputation. Corporate governance in TM is steered by our Board of Directors, and is further supported by our Code of Business Ethics as well as our KRISTAL Values which emphasise 'uncompromising integrity' in all TM's dealings with our various stakeholders.

In keeping with industry best practices, we have formulated a CR Strategy which reinforces responsible behaviour in the four main domains of the marketplace, the community, workplace and the environment. Together these ensure the well-being of our stakeholders while also safeguarding the sustainability of the environment.

Personally, I take great pride in TM's track record of empowering the nation through education. Yayasan TM (YTM), set up in 1994, has for the last 16 years been providing scholarships to deserving Malaysians to study both locally and at some of the best universities abroad.

To date, it has disbursed a total of RM408.0 million to support 12,345 Malaysian youth seeking to pursue their academic dreams. It also gives me great satisfaction to see TM provide connectivity in rural and remote areas. Where the infrastructure is lacking, we have installed fixed wireless services, supplementing these with our mobile TMpoint on Wheels. We are also providing broadband facilities to 10,000 schools nationwide, and support the Government in its Broadband-PC programme for university students as well as low-income families. In addition, we offer rural communities access to broadband at 168 Community Broadband Centres as well as 99 Community Broadband Libraries. These initiatives have resulted in our having the widest reach; indeed, TM is the telco for the people.

PROSPECTS

While 2010 has been an exceptional year for TM, we are certainly not resting on our laurels. We realise that competition in the industry will only intensify with more aggressive strategies from mobile operators. Already, the number of mobile broadband subscribers has overtaken that of fixed broadband. Yet, there are many avenues for continued growth of TM. In broadband, there is

tremendous potential to take our Streamyx service further and wider afield to reach our target of 75% household penetration by year 2015. We are also focusing on increasing the availability of Streamyx for those on the go. In 2010, we launched 10,982 Streamyx hotspots nationwide and plan to increase this number to 28,000 by end 2011.

We will continue to work hand-in-hand with the Government to further accelerate the take-up of broadband services in general. We believe broadband is both an enabler and equaliser, capable of creating greater and more equitable economic growth. At the same time, we will add to our UniFi service offerings to make it even more irresistible to urban Malaysians. From the take-up already achieved, I envisage TM exceeding our targets for the coming year.

TM is also confident of an increase in demand for broadband from the ETP, particularly from the CCI sector as well as SMEs and the business sector in general. The nascent e-Government initiative is a further potential source of growth.

ACKNOWLEDGEMENTS

I would like to take this opportunity to record my sincere appreciation to all our

stakeholders who have continued to believe in and support TM – our shareholders, customers, business partners, the media and regulators. I'd like to single out our employees in particular for rising to the occasion and proving their abilities with the impressive roll-out and implementation of HSBB and UniFi. I am aware of the long hours they have put in and would like to recognise their hard work and unflagging efforts. A heartfelt thank you goes to every member of the TM family, from our senior management to the most junior of our staff.

I would also like to extend a special note of appreciation to the Government for entrusting TM with the ambitious HSBB project. I look forward to greater collaboration with the Government on the ETP and anticipate a bright future in which TM will continue to 'open up possibilities' for the nation. 1TM for 1Malaysia.



Datuk Dr Halim Shafie
Chairman



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group chief executive officer's statement

Dato' Sri Zamzamzairani Mohd Isa



The year 2010 was nothing short of historic for TM. As we surged ahead in our transformation into a new generation communications provider, we established ourselves as an enabler for Malaysian consumers, businesses and the Malaysian Government to achieve their visions of a better nation. Most notably, we rolled out the first high speed broadband (HSBB) service in the country, which we took to market in an entirely novel triple play bundle of video, internet and phone (VIP). We also achieved a significant operational milestone by meeting all three of our headline key performance indicators (KPIs).

We went live with UniFi, our brand for HSBB, in four exchange areas in March 2010, and by end December had rolled out the service in 48 exchange areas, providing access to 760,000 premises, surpassing the target of 750,000, and recording over 33,000 subscribers. What has been truly outstanding is the speed with which we have moved since signing our private-public partnership with the Government on 16 September 2008. Our roll-out of HSBB Wholesale Transmission Service within seven months, and commercial retail launch of the service within 18 months, was one of the fastest globally. HyppTV, developed in just six months, represents another record achievement, and is today keeping subscribers well entertained with no less than 37 live channels, six interactive channels and a wide range of video on demand (VoD). Equally impressive is the quality of service delivered. These factors together have led to a very encouraging take-up rate of this high demand service, which in its first year has surpassed global benchmarks. We are excited about making good on our promise to deliver an enhanced and integrated digital lifestyle to Malaysian homes.

With the launch of HSBB and UniFi, we are transforming a

legacy to leave a legacy for future sustainable growth. From a voice exchange, we are evolving into an information exchange supported by a fully IP-based network. This change has begun with the migration of our core network onto the latest IP network infrastructure, providing a future-proof platform for us to deliver a more integrated service proposition. Also on the home front, we are transforming our systems to create an even more customer-centric organisation and to further simplify our product offerings with innovations such as Malaysia's first integrated triple play service. Finally, in line with our new positioning as a new generation communications provider, we are changing the way we communicate with our customers and to the market – to show that we really listen, and that we take action.

This has been a good year, one that proves we have laid a strong foundation for a sustainable and bright future.

FINANCIAL PERFORMANCE

TM delivered a commendable performance despite the challenging economic environment and intense competition last year. For the financial year ended 31 December 2010, we registered a Profit After Tax And Minority

Interest (PATAMI) of RM1,206.5 million, marking a healthy increase of 87.6% from RM643.0 million recorded in 2009. This was achieved on the back of overall improvement in revenue along with tight cost management, gains from the disposal of non-core investments and unrealised foreign exchange gains on the translation of foreign currency borrowings.

Notably, TM also achieved all three of our Headline Key Performance Indicators (KPIs) for 2010 with revenue growth of 2.1%, a normalised Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) margin of 33.1%, and a customer experience spend of 5.1% of our revenue. These, in turn, have contributed to our retaining a strong market position.

Performance was boosted by growth in data revenue by 15.4% to RM1,754.3 million from RM1,519.4 million the previous year, arising from demand for higher bandwidth services. Leveraging on our strong brand presence and wide distribution network, Internet revenue in FY10 increased by 5.9% from RM1,561.3 million to RM1,652.8 million year on year. The lower percentage growth in revenue as compared to physical was mainly due to the introduction

of NBI-related packages such as low income broadband, Universal Service Provision Broadband PC (USP BBPC) and Cool UNI Pack packages. The total net addition of new broadband customers in FY10 was 249,000 as compared to 151,000 in FY09. Finally, UniFi was also successfully rolled out to 48 exchanges with 33,000 customers, just nine months after its launch.

We are pleased to report that we are very much on track with HSBB. As of end February 2011, we have achieved more than 780,000 premises passed and installed the service for close to 50,000 customers. While we are set to meet the UniFi target of 1.1 million premises passed by end 2011, due attention will be given to ensure the rollout of UniFi is cost-effective while surpassing customers' expectations. UniFi sales are steadily increasing as service installation capabilities are being progressively ramped up. Despite the fierce competition, TM continued to attract new customers and maintained our leadership position in the broadband segment with 1.68 million customers as at end 2010, a growth of 17.5% from 1.43 million customers in 2009. We also increased the number of our hotspots from 2,069 as at end 2009 to 10,982 as at end 2010. We will continue to expand our WiFi areas and expect to reach 28,000 key locations nationwide by end 2011.

We had anticipated pressure on our EBITDA as a result of increased spending related to the aggressive roll-out of UniFi and NBI related activities such as marketing cost, customer premises equipment, network operating cost and human capital cost. These investments are necessary to ensure future growth and profitability of TM and will be compensated for in the next few years. Yet, we managed to achieve a normalised EBITDA margin of 33.1% (or RM2,958.5 million) in 2010, a drop of only 0.9 percentage points from 34.0% (or RM2,967.9 million) in 2009. This strong showing reflects the Group's profitability which in turn has been enhanced by extensive cost saving measures and concerted efforts to enhance our capital management. We have a healthy balance sheet with low debt and high cash position and enjoy a healthy international credit rating of A-.

In line with our continued focus on shareholder returns and capital management, the Company also announced a proposed final gross dividend of 13 sen less 25% tax or approximately RM351.5 million on top of the interim gross dividend of 13 sen less 25% tax amounting to RM348.8 million distributed in September last year. TM announced plans to carry out a capital distribution exercise of approximately RM1,037.4 million whereby our

shareholders will be entitled to receive a cash payment of 29 sen for every TM share held. The total payout of the net final dividend and capital distribution of approximately 38.8 sen or RM1,388.9 million is expected to be made in June 2011.

THE CHANGING FACE OF THE MARKET

Without doubt, telecommunications is one of the most dynamic and exciting industries on the face of the planet today. Its evolution over the last few years has picked up momentum, and has reached such fever pitch, there is neither time nor place for laggards. TM feels energised within this highly charged environment. The Group is itself at an inflection point, poised on the brink of transitioning from our legacy PSTN to an all-IP based network. Once we tip over onto our new platform, there will be no end to the flow of creative content, innovative applications and value-add multimedia services to see to the differentiated needs of the population. The digital age of the future is literally round the corner, and we intend to usher it in.

This exciting new era will bring about many changes, not just to the end user but also among telcos. Significantly, it is characterised by convergence, a blurring of the lines between services that traditionally occupied distinct

domains and which targeted different consumers. I am proud to say that, as the national broadband champion, TM has taken the lead in promoting such convergence by both delivering HSBB and UniFi to our customers and by making available our HSBB network to other service providers. In 2009, we opened our network for point-to-point transmission, following this with last mile access in 2010 and, this year, we will close the loop with network-to-network connectivity. In sharing the HSBB network, we are catalysing change at the ground level which will foment into an explosion of ICT and multimedia offerings, further enriching Malaysians' lifestyle and driving the economy.

TM believes that fixed line and mobile are complementary services which can create great synergies for the benefit of the end user, fueling the growth of a knowledge society critical for achieving the Government's vision of a high-income economy. It has been estimated that every 10% increase in broadband penetration boosts GDP by an average of 1.3%. In this brave new and enriched world, we no longer function as a voice service provider but as an infinitely more complex yet rewarding information exchange.

With UniFi, for example, Malaysian consumers have ready access to more and richer information and



entertainment, and are able to simplify their lives in countless ways. UniFi brings to life the promise of e-learning, e-healthcare and e-Government while enabling a host of daily activities such as banking, shopping and paying bills, all from an online vantage point. Businesses get to position themselves in the global marketplace and immediately expand the reach of their products and services, while being able to network and communicate more effectively with branch offices that are geographically dispersed. Through UniFi, they are also able to connect to 'cloud' services, thus increase their productivity and efficiency.

While UniFi is a national first, and is creating unprecedented change, we realise we cannot let up on the pace of innovation. We intend to fortify this service with increasingly more attractive triple, and even multiple play packages, with new content and applications. At the same time, we will continue to grow Streamyx, which marked our entry into broadband and has become so entrenched into the Malaysian cyberscape, it accounts for 50% of total Malaysian household broadband penetration, which in turn stood at 55% at the end of 2010. There is clearly still much room for expansion and we feel confident of being able to fill in huge sections of the gaping un-served market with our pioneering broadband

service. We have already taken Streamyx from the home and office into open spaces by creating 10,982 hotspots in shopping malls, F&B outlets and other public areas where subscribers are able to access the internet. While further expanding on the hotspot network, we are also catering to the customer on the move, and have formed strategic partnerships to provide hotspots at some 2,000 payphones across the country.

With expansion plans for both Streamyx and UniFi, we have every confidence of maintaining our leadership in broadband and are undaunted by the competition from mobile players. Fixed broadband will always have an edge in terms of clarity and consistency because of limitations in mobile spectrum and their power to transmit. At the same time, we would like to be able to offer our customers greater flexibility and a fuller range of services to suit their every requirement. Hence, TM is on the lookout for a suitable entry point to take us into wireless play, be it via WiFi, CDMA or any other technology that emerges, including LTE. We are also open to collaborating with mobile players to share in their network, as they are with ours.

While UniFi and broadband grabbed the spotlight in 2010, Data services actually outpaced growth of internet in

2010 and, for the first time, made a larger contribution to TM's overall revenue than internet. In 2010, we focused on strengthening our regional network and achieved a first with TM's partnership with NTT Communications Corporation to develop our own private cable, Cahaya Malaysia. This forms part of the Asia Submarine cable Express (ASE) and will link Malaysia with Hong Kong and Japan. We also invested in the new Batam-Dumai-Melaka Cable System, connecting the country with Indonesia. In efforts to fulfill the growing capacity needs of customers, TM also collaborated with Hong Kong based PCCW Global to open a new Point-of-Presence (PoP) at our data centre in Kuala Lumpur, which will provide enterprise and corporate customers with flexible, scalable and future-proof global networking solutions.

Because of our heavy investment in domestic, regional and international



networks, as well as expertise gained over the years, we stand in a unique position of being able to offer attractive wholesale propositions to service providers. Indeed, we are proud of being able to catalyse exponential growth of this nascent ICT industry, to the ultimate benefit of the people and country.

A COOL TRANSFORMATION

The improvements in our product portfolio and service delivery are rooted in changes taking place internally at TM. The Group is undergoing a holistic transformation of people and processes to support our vision of serving as a leading information conduit, not just within the country and region, but at a global level. This transformation is focused on four main areas as encapsulated in the apt programme acronym, COOL. These four areas are: Customer Centricity and Quality Improvements; Operational Excellence and Capital Productivity; One-Company Mindset With Execution Orientation; and Leadership Through Commercial Excellence, and Innovation.

TM has always been a customer-centric organisation, and recognises that excellence in customer service is not

static but has to be worked at continually. In 2009, we had restructured the Group's business model to be aligned with our major customer segments of Consumers, SMEs, Enterprise, Government, Wholesale and Global. Last year, we added a new segment – New Media – reflecting the niche market we are developing; and completed our line-up of young and dynamic executives to head these Lines of Business (LOBs). The idea, subsequently validated, was that this new structure would enable us to cater more specifically to the differentiated needs of our customer segments.

Within the segments, priority is given to personalised and professional service. For example, we have dedicated customer service representatives to cater to UniFi customers; at TMpoints, we have separate counters just for SMEs. We have goals in terms of keeping to appointments, prompt delivery of service and dealing with complaints, supported by continuous improvements in our networks and systems. Most recently, our IT and Network Technology division devised an incredibly effective Towards Operational Perfection, or TOP, programme. And I'm proud to say that we have achieved results. We have significantly improved the time taken to install new lines or networks, and to repair breakdowns. This is reflected in the TRI*M

index which measures overall customer satisfaction. For Streamyx, for example, our TRI*M index improved by an impressive 4.8 points in September 2010 from the previous year.

To keep our customer experience at a high level, we have in place various customer-centric initiatives such as Keeping Customers Informed, First Call Resolution, Call Centre Rationalisation and self-service interactive voice response (IVR), which are integrated under a 360 degree customer relationship management system, iCARE Prime. Our commitment to continuous customer service enhancement is reflected in our 2010 spend of 5.1% of our revenue towards further improving our customer service.

The second thrust of COOL focuses on managing our capital by keeping our operations lean and cost-effective. Our migration to the IP platform is a positive step in this direction; the delivery of integrated services to homes via a single optic fibre necessarily reduces our network procurement, operations and maintenance costs. At the same time, we have embarked on an ambitious initiative to simplify our processes and have mapped out a plan to collapse the 700 systems we currently employ to 300 and, by year 2015, to only 70. This has never been done by any other

telecommunications company, and all eyes are glued on us as we manage this exercise. Once completed, this systemic overhaul will bring us long-term savings from working capital efficiency. We have also managed to reduce costs from switching to online billing, end-to-end customer premise equipment (CPE) management, energy-saving initiatives and stringent administrative control.

More than keeping costs down, we are ensuring a steady stream of credit by better managing our collections, and by really sweating our assets. We continue to dispose of unutilised property, and are optimising on the space we have in Menara TM, making available more office area that can be tenanted. In July 2010, we set up a new Enterprise Business Management division to look into ways to further improve our end-to-end processes to meet the needs of the industry.

Much of our transformation rests on one key asset – our people. Today, as we transform into a new generation communications provider, we are ensuring our employees are up to mark with the new technologies involved. No effort is spared to provide them with the requisite training, not just on hard skills that equip them with practical knowledge and technical know-how but also on the softer skills that allow them to collaborate and

communicate more effectively among each other and with our business associates as well as customers. We have a leadership development programme that complements our succession planning, and a fast track programme for talented individuals who are identified from the early stages of their careers at TM. Recognising the need for employees to have the option of learning at their own time and pace, we are developing more online learning modules, which are proving to be popular.

At our current juncture, it is imperative that our employees look at innovative ways of meeting our internal and external needs and expectations. The TOP programme, mentioned earlier, is a fine example of this. The programme does away with excess so we achieve more with less. It is extremely heartening to see not only our employees come up with an innovative concept such as TOP, but also implement it successfully and obtain positive results. At TM, we encourage such innovation and teamwork via our rewards structure which is based on individual and group performance. We further encourage teamwork, which we believe is crucial to the sustainability of our business, via a newly-introduced Teaming With Passion programme. As its name implies, the programme instils a stronger sense of

camaraderie among the TM family, and has resulted in a revitalised, more cohesive workforce driven by a desire to connect and collaborate to achieve the Group's vision.

Finally, the fourth thrust of COOL is to further grow our revenue by maintaining our leadership within the intensely competitive landscape. We are fully cognisant of the need to be dynamic and innovative in order to retain our existing customers and to entice new subscriptions. Our R&D team based in Cyberjaya, together with our product development teams, is working full steam on a series of products that will appeal to changing lifestyle needs. Already, we have some attractive IPTV content in the pipeline which we believe will further drive the take-up of UniFi. Other than products, we also believe in offering our customers value packages such as our triple play and blockbuster deals which we will continue to further enhance. Meanwhile, our investment in a predictive churn model has led to customer relationship management acting proactively to prevent churn by targeting customers with irresistible offers.

CORPORATE RESPONSIBILITY

While for many companies the concept of corporate responsibility is relatively new, for us at TM it is deeply ingrained into the very fabric

of our being. In dealing with all our stakeholders, TM holds corporate governance, transparency and integrity in the highest regard. TM was set up explicitly to provide telecommunications services for the people of Malaysia. In so doing, we have played an integral role in national development and are thereby duty bound towards its future sustainability. We will continue in this vein; today we are central to the Government achieving its vision of elevating the nation into a high-income economy.

In keeping with current best practice, we have formulated a corporate responsibility strategy that covers the four main pillars of the marketplace, workplace, community and environment. We are, in fact, pioneers in terms of CR in the first three of these segments. Our environmental initiatives, however, are comparatively new and have been inspired by growing realisation of the urgent need for all corporations to play our part in reducing our carbon footprint in order to sustain the world as we know it.

In recent years, we have intensified our efforts to preserve and protect the environment. I'm pleased to report that the new fibre optics network that will replace our legacy copper represents a very 'green' technology. It is estimated that it takes twice the amount of

energy to operate a copper network than a fibre optics HSBB network, based on a design comprising 20% fibre to the home (FTTH) and 80% fibre to the building (FTTB).

Within TM, we have implemented various measures to inculcate a green culture. We began with a 3R campaign to reduce, reuse and recycle waste to get our employees into the groove of thinking green. We then launched into greater energy savings by switching to energy efficient equipment and employing energy saving systems such as retrofit chillers that reduce the airconditioning load. To further reduce our energy consumption, we began to switch off lights and airconditioners during the lunch hour and after office hours. These efforts have been complemented by a BumiKu (My Earth) programme that engages staff more extensively in a green lifestyle. We planted an 'Idea Tree' in the lobby of Menara TM where environment-friendly suggestions generated by staff are hung. Those that are feasible are subsequently put into action.

Having begun our own green revolution in earnest, we then focused on 'green-washing' our neighbourhood. TM roped in Unilever Sdn Bhd and the University of Malaya to collaborate on an environment project involving the Kondo Rakyat Pantai Dalam

community. We also embarked on a project with the Malaysian Nature Society (MNS) to run nature camps for school children around the country.

Our efforts to preserve the environment won us an Honourable Mention in the Anugerah CSR Perdana Menteri 2010. Our more established responsible workplace practices, meanwhile, have become a benchmark for other corporations in the country. We won the Anugerah CSR Perdana Menteri for Best Workplace Practices two years consecutively, in 2009 and 2010. TM is also consistently recognised for our high standards in Corporate Governance. The crowning achievement was being awarded the Platinum Award for CSR reporting at the National Annual Corporate Report Awards (NACRA) 2010 just recently.

OUTLOOK FOR 2011

I have no doubt that the telecommunications environment will continue to get even more competitive and challenging. However, I believe TM's ongoing transformation journey will stand us in good stead and allow us to maintain the momentum of growth that we have already established. Certainly, we will not let up on the pace of HSBB expansion and have every reason to

believe we will be able to cover sufficient ground in 2011 to meet our target of 1.1 million premises passed in 78 areas by end 2011, and 1.3 million premises passed in 95 areas by end 2012.

The Malaysian economy in general is expected to grow at a slightly more moderate pace than in 2010, with MIER projecting GDP growth of 6.5% in 2011. The telecommunications market, meanwhile, is expected to grow at a CAGR of 5.6% from 2010 to 2015 according to IDC, with internet CAGR and data CAGR projected at 14.7% and 8.6% respectively. These figures in themselves bode well for TM, but I am even more upbeat of the coming year given the Government's unrelenting efforts to push the Economic Transformation Programme (ETP). This has been moving forward with great speed ever since it was announced in September 2010. Practically every one of the Entry Point Projects (EPPs) envisaged in the ETP will require efficient communications services, which will necessarily create greater demand for our services.

TM is well positioned to enable the Government to achieve its EPP objectives under the ETP by leveraging on our extensive network infrastructure and collective expertise and opening up possibilities for Malaysians through connection,

communication and collaboration. Against this promising backdrop, TM is set to take its stage of growth to the next level despite a fierce competitive environment.

We expect no less than a tripling in number of UniFi customers in 2011, from 33,000 as at end 2010, as customers and businesses experience the benefits HSBB brings. To further fuel this organic demand, we will naturally expand on the range of content and applications that feed the lifestyle and business needs of Malaysians. Not only are we designing more products to whet the nation's appetite for ICT, but we are also in dialogue with small local content providers to better understand their requirements so as to develop a content eco-system that will assist them to bring to market ever more attractive and relevant applications. Indeed, we are making it known that our doors are open to content providers to come and talk to us about collaboration on the HSBB service.

ACKNOWLEDGEMENTS

The year 2010 has been challenging but certainly rewarding, and will go down in the annals of TM as the year of HSBB. Ever since embarking on this project with the Government in 2008, we have been promising a new, enriched world of multimedia and ICT, and we made good

all our promises in the year that has been. For this, I have each and every staff at TM to thank. They were given a tall order, but they saw to it that we delivered. I would like to take this opportunity to convey my deepest gratitude to the entire TM family for its dedication and commitment to the Company.

My sincere appreciation also goes to the various stakeholders who have stood by TM over the years and given us their unstinting support. These include our biggest partner, the Government of Malaysia; the regulators, for maintaining a healthy and fair playing field in the industry; our wide range of vendors, associates and suppliers, who have shown the utmost diligence and patience in their dealings with us; and of course our most valued stakeholder – our customers – who have remained loyal in the face of stiff competition, spurring us on to innovate and rejuvenate. Finally, a word of thanks to our shareholders, to whom we are indebted and who inspire us to reach for greater heights. Because of you, we will continue to be Malaysia's preferred provider to connect, communicate and collaborate.



Dato' Sri Zamzamzairani Mohd Isa

Group Chief Executive Officer

CHAPTER



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connect
communicate
collaborate

retail business

CONSUMER

OVERVIEW

Retail Business at TM comprises sales to end users namely consumers, businesses – which we categorise as SMEs and Enterprises – as well as the Government. Each segment has dedicated teams looking into the needs of its customers and work conscientiously to introduce innovative products to meet these. To further grow the Retail Business, TM focuses on quality service, quality products and operational efficiency.

Consumer is strengthening its marketing mix to better its performance in a market space that has become increasingly challenging for both voice and broadband. The immediate focus is to defend TM's customer base with better service offerings. In particular, effort is being made to design and aggressively promote double play flat-tariff offers with voice pricing schemes that match those for mobile-to-mobile.

In the middle term, Consumer seeks to redefine its product portfolio around simple bundles and some a-la-carte value-add services (VAS) while abiding by the principle of selling access, not simply voice or broadband.

Facts at a Glance

1.5%

increase in net sales

19.3%

increase in total number of broadband subscribers



To achieve its goals, Consumer seeks to restore a level playing field that will allow TM to compete on equal terms with mobile operators. This would require a revisit of all interconnection charges for services such as off-net on-net, fixed-mobile and IDD wholesale-retail. At the same time, Consumer is pushing sales of higher-speed packages.

FINANCIAL PERFORMANCE

In the financial year ended 31 December 2010, Consumer recorded net sales of RM2,219.8 million, an improvement of 1.5% over its 2009 performance. The increase in revenue of 1.5% was achieved mainly due to strong growth in broadband as well as mitigated decline in voice. Despite the challenging environment, the total number of broadband subscribers grew to 19.3%, equivalent of 1.4 million customers by end 2010. UniFi was taken up by 29,000 customers by year end, contributing RM15.1 million in revenue. Moving forward, internet will continue to drive Consumer's growth.

KEY INITIATIVES

A number of campaigns were rolled out to drive the internet and voice business.

Streamyx-Netbook Combos

TM launched two Streamyx-netbook packages in 2010 to support the Government's National Broadband Initiative (NBI). On 30 January, TM introduced Streamyx Cool UNI Pack for first and second-year university students, which includes broadband internet access and a free netbook for just RM50 a month for a period of 24 months. The price was later revised to RM38 a month. It is available to students from families that earn less than RM3,000 a month.

On 28 May, Consumer launched the same deal for lower-income households. The Low-Income BBPC (Komputer 1Malaysia) targets rural families earning less than RM3,000 a month and urban families earning less than RM5,000 a month. Like the student deal, the netbook and Streamyx access costs only RM38 per month and is valid for 24 months.

Blockbuster Deals

March 2010 saw the roll-out of Streamyx Blockbuster Deals offering broadband service with built-in voice call plans for speeds of 512 kbps to 4 Mbps. These included a WiFi modem and free digital enhanced cordless telecommunications (DECT) phone. The plans boast free fixed-to-fixed calls nationwide, and cheaper fixed-to-mobile rates. TM also introduced its latest Voice Deal Package, which offers TM Homeline subscribers zero TM Homeline rental, free calls to TM fixed lines, free minutes for calls to mobile numbers (depending on the package), as well as low call rates to mobiles and other fixed line networks.

HSBB

TM launched its HSBB brand, UniFi, on 24 March 2010 with attractive triple-play packages of video (IPTV), high-speed internet and phone, offering speeds of 5 Mbps, 10 Mbps and 20 Mbps. The IPTV service is delivered via an exclusive 8

Mbps connection in addition to the data speeds subscribed to by the customer. With IPTV, customers enjoy 22 linear channels, Video-On-Demand (VOD) and interactive services such as games and tourism information.

PROSPECTS

The Consumer's voice and broadband marketplace will continue to be competitive, but Consumer is confident of maintaining a leading edge with its range of products and services, which have been aligned to a new business direction.



SMALL AND MEDIUM ENTERPRISE

Facts at a Glance

113.1 %

increase in Revenue from recoverable work orders (RWO), maintenance and smart partnership solutions for property development

10 TMpoint outlets with SME Corners to provide personalised consultation for walk-in customers



Launch of Office in A Box on 6 March 2010 at Sunway Pyramid.

OVERVIEW

In 2010, TM's Small Medium Enterprise (SME) segment continued to strengthen its leading edge by providing Next Generation Network services to boost SMEs. TM SME aspires to be the preferred communications partner for SMEs in Malaysia and a key pillar of growth for TM. Our solutions enable SMEs to move up the value chain with the right combination of voice, business broadband, data and value-added services (VAS).

FINANCIAL PERFORMANCE

TM SME recorded net sales of RM1,772.2 million, marking an improvement of 1.7% over its 2009 performance. The increase in revenue was largely driven by internet and multimedia, data and other value-added telecommunications related services.

Voice remain the key revenue generator in 2010, contributing 66.6% of total revenue. This, however, was 3.3% less than its revenue contribution in 2009 due to continuing migration to mobile and internet-based communications.

In line with industry trends reflecting customer preference for internet and multimedia services, revenue from this segment posted a strong year-on-year growth of 7.7% contributing to 29.2% of the total operating revenue as compared to 27.5% in 2009.

Revenue from data services, comprising mainly leased and Private Network services, increased by 50.3% from RM28.8 million in 2009. Data contributed 2.4% of TM SME's operating revenue as compared to 1.7% in the preceding financial year.

Revenue from other value-added telecommunications related services, including recoverable work orders (RWO), maintenance and

Smart partnership solutions for property development, increased by 113.1% to RM30.9 million from RM14.5 million in 2009. This sector contributed to 1.7% of TM SME's total operating revenue, up from 0.8% in 2009.

KEY INITIATIVES

Key priorities in 2010 were to drive sustainable growth, defend the baseline and grow TM SME's share of the wallet by improving its value proposition and Go-To-Market (GTM) channels to reach SMEs. Product portfolio rationalisation was achieved via segment-based bundling which included offering cost effective VAS that would enable businesses to operate more efficiently and reach more customers. TM SME also realigned its GTM model and strengthened key channels to improve the customer experience. To manage churn, TM SME proactively monitors high-risk customers and launched several customer experience improvement initiatives. Meanwhile, a number of strategic partnerships were sealed with key property developers to equip new developments with state-of-the-art telecommunications infrastructure and services.

OPERATIONS

In 2010, TM SME focused on specific segments of the wide-ranging SME market to provide a comprehensive yet affordable suite of solutions for their needs. Customers were identified based on their business profile and telecommunications needs. TM SME also expanded and strengthened its GTM channels to reach more customers. Key channels included direct sales, resellers, telemarketing, online and TMpoint outlets with SME Corners and consultants.

Internet/Business Broadband Services

Office in a Box™ (OIAB) is a complete and simple communications solution designed to provide operational affordability to SOHOs and SMEs as well as convenience to start-up businesses. Launched on 6 March 2010, OIAB offers exceptional value with attractive call rates and unlimited access to business broadband. This package consists of voice, broadband, email domain and value add-ons, all in a box. Enhanced OIAB Plus was launched on 26 April 2010. In collaboration with Manchester United (MU), TM SME came up with a Limited Edition OIAB featuring a visual of MU on the box, along with the chance for OIAB and OIAB Plus subscribers to win a Matchday Ticket to Old Trafford. Another 'hero product' in 2010 was business-grade UniFi which



Shanti Jusnita Johari, Executive Vice President of TM SME, explaining the smart partnership model to YAB Dato' Haji Abdul Ghani Othman, Chief Minister of Johor.

enables SMEs to maximise the use of Next-Generation online applications and services at affordable price points.

Voice Services

Simple Voice call plans were introduced on 1 March 2010, offering free monthly rental for business lines, low commitment fee with free minutes for local calls and STD, attractive call rates and free cordless telephone sets. This plan also links customers to the Broadband Gateway, further enhancing SMEs' businesses online. In August 2010, TM SME launched Volume Xcess, an attractive call plan with free rental targeted at customers with heavy voice usage. This plan comes with value add-ons such as the Yellow Pages, domain, Toll-Free and IDD.

Data

TM SME offers affordable IP networking solutions such as IPVPN Lite, IPVPN Value and

IPVPN Classic to SME customers. IPVPN is a virtual private connection which acts as a medium to transport packets of data from one location to another. Customers can connect their branches easily using Multi Protocol Label Switching (MPLS) technology. TM IPVPN saves the customer from having to invest in additional equipment. For premium packages, TM SME also provides managed services which include equipment loans (routers).

SALES AND MARKETING

In 2010, TM SME concentrated on meeting the needs of the three sub-segments of SOHO/micro, small and medium enterprises. This segmented approach allows for better reach to serve SMEs in Malaysia. TM SME also intensified its educational initiatives through events such as the quarterly TM SME Biznet seminar, and went one

step further to organise smaller-scale events to better understand the needs of medium business customers. Collaboration with government agencies, corporations and associations to assist Malaysian SMEs also continued. Besides ground events, SME Corners were set up at selected TMpoints in 10 states, offering personalised consultation to walk-in customers seeking information on TM SME products and services. SME customers can also access product information and industry-relevant articles from the online portal, TMSME.biz.

PROSPECTS

TM SME is expected to grow further in 2011, driven by the acquisition of customers through services such as UniFi and the introduction of value-added services. It will seek to strengthen its leading edge in this market segment by offering beyond telecommunications access services such as hosted applications and basic ICT services, and position itself as the preferred partner for SMEs.

ENTERPRISE

Facts at a Glance

RM1,758.9 million

revenue increase of 5.4%

11.6% growth

– Demand for Data & Internet/
Business Broadband services

OVERVIEW

As the business community's requirements for Information and Communications Technology (ICT) grow in complexity, TM continues to move up the value chain to provide cost-effective and innovative solutions, combining value offerings across its Connectivity Services, Managed ICT and Business Process Outsourcing (BPO) Services.

Together with the Group's ICT arm, VADS Berhad and its subsidiaries, TM Enterprise has developed a range of seamless solutions that provide business clients with enabling technologies and processes to further drive their growth. TM Enterprise serves the enterprise market across four vertical industries, namely financial services and insurance, energy and utilities, ICT and retail as well as the broadcast and media industry.

FINANCIAL PERFORMANCE

TM Enterprise posted RM1,758.9 million in revenue, marking an increase of 5.4% from 2009. TM Enterprise leads in Data and Internet



Sharing the latest technology and trends while enhancing rapport with our key customers at the BPO Summit 2010.



TM Board of Directors' visit to VADS Data Centre in Cyberjaya.

services and continues to gain momentum for its ICT and BPO business.

PRODUCTS & SERVICES

VOICE

Retention of revenue and offering competitive call rates remained as key focus areas in voice services. Customised call plans such as Smartcall and Flexi Destina were used to manage voice churn as well as to satisfy customers' need for cost effectiveness.

DATA & INTERNET/BUSINESS BROADBAND

Demand for Data and Internet/Business Broadband services increased across all vertical industries, growing 11.6% from the previous year. It is envisioned that Data and Internet will continue to grow as customers leverage more intensely on connectivity and internet platforms to run their business operations.

ICT SERVICES

VADS continues to enhance and strengthen its Managed ICT Service offerings by bringing together people, processes and technology. By delivering innovative solutions, Managed ICT Services add

value and reduce complexity for organisations, empowering them to be more efficient and productive.

Leveraging on the highly secured, ISO 27001 certified infrastructure of 17 data centres equipped with multi-gigabit connectivity nationwide, combined with carrier neutrality offerings, VADS is confident of accelerated demand for its Managed Data Centre services to support the requirements for managed data services, hosting as well as disaster recovery services.

TM Enterprise places constant emphasis on innovation in its services such as Managed Security Services, Managed Unified Communications, Managed LAN and Managed WAN Accelerator Services. The launch of Managed Visibility Services in April 2010 provides full convergence transparency of bandwidth utilisation, enabling clients to monitor their Wide Area Network and optimise its utilisation.

BPO SERVICES

Business Process Outsourcing (BPO) continued to gain a stronger foothold in both the

domestic and regional markets. Through VADS Business Process Sdn Bhd, there has been marked improvement and innovation in the areas of BPO Customer Care, Receivables Management, Customer Retention, Revenue Generation, Technical Helpdesk Support and Telemarketing. Supporting customers in both the Enterprise and Government segments, BPO offers a suite of services for customer relationship management.

People development continued to be a priority, and several initiatives were undertaken to develop highly competent customer service representatives with the right blend of soft and technical skills to provide better service.

PROSPECTS

In line with the Government's Economic Transformation Plan, TM foresees that demand for Data/Internet Services, Data Centres, ICT and BPO will increase, further boosted by heightened business confidence. Hence, it is expected that TM Enterprise will continue to grow in 2011.



GOVERNMENT



Serendah Community Broadband Centre launch.



"Ops Sikap" road safety campaign flag off.

Facts at a Glance

ISO certified

GITN – ISO 27001:2005 Information Security Management System (ISMS)
and ISO 9001:2008 Quality Management Systems (QMS)
MERS 999 – ISO 9001:2008 Quality Management Systems (QMS)

85 TRI*M index

Increase in Customer Satisfaction Index (CSI) from 82 in 2009

OVERVIEW

Government segment aspires to position TM as the trusted partner to the Government of Malaysia (GoM) in providing premier solutions and state-of-the-art networking services, complemented by superior customer service.

Emphasising service quality, a customer-centric lab was built together with the Product and Network teams to pursue operational excellence and quality in the three critical areas of customer handling, service fulfillment and service assurance. As a result, the Customer Satisfaction Index (CSI) improved from 82 to 85 TRI*M Index in 2010.

FINANCIAL PERFORMANCE

Despite stiff competition, the Government segment continued to record positive growth in 2010, with net sales

of RM1,316.8 million, the main contributor being data service. Government segment consistently implemented its well placed strategy of winning back and winning over new accounts as well as growing existing accounts.

OPERATIONS

Voice Services – In tandem with the general trend, revenue from fixed voice continued to decline. Nevertheless, fixed voice remained the preferred mode of communication for making calls from the office. Over the year, two cost-effective plans were offered: Flexi Destina and Privilege Plans.

Data Services – Data services continued to be the segment's core product. Together with its wholly-owned subsidiary, GITN Sdn Bhd (GITN), the segment continued to command a significant share of the

Government's managed IPVPN market. It also secured contracts with institutions of higher learning for services such as MYREN 2 research centre network, and high-speed Metro-E & DOME for universities throughout Malaysia. A Hotzone@WiFi service has been packaged with Value Added Services (VAS) to increase broadband penetration among university students.

Internet Services – Government segment offers both managed and unmanaged Internet services. Managed Internet service is offered via its Internet Gateways or at the customers' premises. This flexible solution allows the Government segment to customise its solutions according to the customers' needs and provides TM the opportunity to offer hosting, security and other related solutions. In support of the GoM mission to make

broadband connectivity accessible to all, Government segment has embarked on wireless city projects such as 1NS Wireless City, which provides free Internet facilities in public areas in Negri Sembilan.

ICT Projects – Government segment employs the latest ICT in developing customised solutions to help customers manage their multifaceted needs. GITN continuously expands its VAS business and network-related products such as Managed Security Services (MSS) and System Integrator (SI). MSS is an outsourcing approach in which customers benefit from 24X7 monitoring. This includes their ICT security related devices and appliances. Hosting Services, Bandwidth Management Services and Public Key Infrastructure are also offered to customers.

Government segment is also the main provider of MSAFE services, an extension of the Safe Cities Programme which integrates crime prevention in

the development plans of a particular area. MSAFE integrates CCTVs located at strategic places – such as at public transport stops, walkways, housing areas, commercial complexes and the city centre – with the Malaysian Emergency Response Service (MERS 999) system operated by TM. In August 2010, the second MSAFE service was installed in Putrajaya. MSAFE Putrajaya is a joint effort between TM, the Ministry of Information, Communication and Culture, Ministry of Home Affairs, the police and Putrajaya Corporation. The CCTVs are linked to the district police office to ensure faster response when incidents occur. The service is being extended to other states.

The segment also supports State Government ICT initiatives. In 1NS*Net and MelakaNet, various Internet networks used by the State Governments are integrated through TM Metro-E services. These enable the sharing of

data by all State Government departments and agencies. As technology advances, efforts to bridge the digital divide are intensifying. Under the Universal Service Provision (USP) project, under-served areas shall enjoy telecommunications services and Internet access at affordable rates. Government segment has also developed special connections for use in the remotest parts of the country. This is to equip rural communities with basic tools to increase their ICT usage.

In all its activities, Government segment ensures the highest quality in accordance with international standards. MERS999 is ISO 9001:2008 certified for Quality Management Systems – Requirements and GITN has acquired ISO 27001:2005 Information Security Management System for the Security Operation Centre and ISO 9001:2008 for Quality Management Systems encompassing the provisioning of Managed Network and

Value Added Services in Relating to Product Delivery and also Provisioning of Operation and Maintenance End to End Managed Services.

PROSPECTS

As the nation continues to develop, the GoM is planning for a higher quality of service delivery which can only be met with a wide range of networks, higher bandwidth and extensive use of ICT products. TM is in the best position to provide these needs to the GoM as it already has an extensive infrastructure of fibre optic networks to support for higher bandwidth as well as a wide range of ICT offerings which have either been developed internally or through partnerships.

GITN acquired ISO 27001:2005 ISMS and ISO 9001:2008 QMS.



Ministry of Education Open Source Software Day 2010.



MERS999 is ISO 9001:2008 QMS certified.





wholesale business

Facts at a Glance

IP data revenue increased by **RM55.0** million

Operating cost reduced by **RM91.0** million

EBIT increased by **12.3%** to **RM212.4** million

OVERVIEW

Wholesale Business, which includes TM Wholesale (TMW), Fiberail Sdn Bhd (Fiberail) and Fibrecomm Network (M) Sdn Bhd (Fibrecomm), is TM's business and marketing arm for telecommunications infrastructure. TMW provides a wide range of telecommunications facilities and services to all licensed network operators nationwide. Fiberail is a joint venture between TM, Keretapi Tanah Melayu Berhad (KTMB) and Petrofibre Network Sdn Bhd, while Fibrecomm was incorporated as a joint venture with Celcom and Tenaga Nasional Berhad (TNB) in 1997, and subsequently became a subsidiary of TM. These collaborations enable TM's Wholesale Business to access both KTMB's and Petronas Gas' corridors, as well as TNB's high voltage transmission lines, providing extensive fibre optics network coverage from north to south and along the East Coast of Peninsular Malaysia. Fibrecomm has further extended its reach into East Malaysia through a collaboration with Sacofa Sdn Bhd.

Together, Wholesale Business offers a comprehensive range of wholesale products and services to all domestic network operators licensed by the Malaysian Communications and Multimedia Commission (MCMC). These include Network Facilities Providers (NFPs), Network Service Providers (NSPs) and Application Service Providers (ASPs). TM's neutral stance in collaborating with these licensed network operators supports the regulator's aspiration of nurturing a robust, self-regulated industry that is at once competitive and

liberalised. Such open access eventually benefits the end user who stands to gain from better and more cost-effective ICT services.

The industry is set to grow, driven by strong demand not only for broadband connectivity and mobile online access, but also value-added applications and services such as Internet Protocol Television (IPTV) and video-on-demand. To ensure this demand is met, Wholesale Business is poised to act as a catalyst in transforming and further developing the nation's telecommunications industry.

FINANCIAL PERFORMANCE

Wholesale Business recorded a total revenue of RM1,096.8 million which marked a slight decrease of 6.0% from RM1,166.7 million in 2009, mainly due to the revised Mandatory Standard on Access Pricing (MSAP) effective July 2010. However, tremendous growth in IP data, which recorded an increase in revenue of RM55.0 million, managed to cushion the overall drop in revenue from voice services during the year. As a result of continuous and



Dato' Sri Zamzamzairani Mohd Isa, Group Chief Executive Officer, TM exchanging documents with Sandip Das, Chief Executive Officer, Maxis Berhad.

effective cost management, the operating cost reduced by 9.3% or RM91.0 million whilst EBIT increased by 12.3% to RM212.4 million.

OPERATIONS

Focusing on the domestic market, Wholesale Business provides a comprehensive range of telecommunications facilities and services to all licensed network operators. In line with the latest developments in technology, industry trends and consumer preference, Wholesale Business is focusing more on growing its Data and Access services portfolio, while retaining and protecting the base strength of its Voice services. Last but not least, Infra Services exemplify Wholesale Business' efforts to generate more revenue from its extensive telecommunications infrastructure.

DATA AND ACCESS SERVICES High Speed Broadband Services

TM has developed comprehensive sets of wholesale High Speed Broadband (HSBB) services: High Speed Broadband (Transmission) Service and High Speed Broadband (Access) Service, making these available to licensed network operators beginning from May 2009 and July 2010 respectively. These services

are being taken up by service providers who use Wholesale HSBB (Transmission) Service to achieve high-speed point-to-point connectivity supporting their backhaul requirements. As at December 2010, seven service providers had subscribed to this service.

With the infrastructure readily available, service providers need to focus only on delivering their high-speed applications and content to thousands of potential broadband users via Wholesale HSBB (Access) Service. The objective is to enable industry players to offer value-added services and applications, such as IPTV, video-on-demand and online gaming, thus growing their business and commercial opportunities.

To complete the HSBB portfolio, an HSBB (Connection) Service will be introduced to the industry in 2011, which will enable end users to experience service offerings from different service providers. Ultimately, these developments will bring the many benefits of a digital lifestyle to the end user, while further elevating Malaysia's global competitiveness.

Wholesale Ethernet

Wholesale Ethernet grew five times in 2010 from 2009, given the increase in demand for high-speed IP-based access services from Licensed

Network Operators seeking scalable networks to accommodate their mobile and broadband customers. This growth was supported by attractive prices for long-term commitments, plus an upgrade of TM's IP core network to accommodate higher capacity offerings, soon to be complemented by speeds of up to 10 Gbps. At the same time, the recent migration to a new business support system has led to a more efficient service fulfillment and billing process, making TM's Wholesale Ethernet the product of choice for operators with fast growing bandwidth requirements.

Domestic Bandwidth Services

Domestic Bandwidth Services offer transmission speeds of up to 10 Gbps, and have been described as the fastest point-to-point connection to tomorrow's world. Built on the foundations of an extensive nationwide network infrastructure, Domestic Bandwidth Services boasts an entire suite of high-speed circuit-based digital leased line services for various applications, giving service providers endless options to suit their business needs. Domestic Bandwidth maintained a strong showing in year 2010 to be the leading revenue contributor to Wholesale's data segment. Migration of analog bandwidth services to digital

also resulted in slight growth in the narrowband segment.

Digital Subscribers Line (DSL) Wholesale

In 2010, DSL Wholesale played a crucial role in enabling service providers to expand their broadband WiFi coverage in a fast and cost-efficient manner to further support the National Broadband Plan. DSL Wholesale allows Internet Service Providers (ISPs) to leverage on Wholesale's extensive DSL access network coverage while giving them control of their network layer, enabling them to introduce their own brand of broadband packages in the market.

Wholesale Internet Access

Wholesale Business constantly increases its network capacity to keep pace with internet traffic, which is growing at a rate of more than 60% annually. It offers Wholesale Internet Access as an IP transit service, both domestically and in 14 countries, providing upstream internet connectivity to the rest of the world. The service leverages on TM's international capacity of 364 Gbps via an extensive network of submarine cables, which is expected to expand even more in the future.



TM signed Partnership Agreements with five telecommunications tower operators.

Domestic Transit Access

Domestic Transit Access is a local IP transit service, providing domestic internet reachability at a lower cost to service providers. It is suitable for service providers who wish to provide local content to their end users, utilising TM's vast IP network coverage and capacity in Malaysia.

VOICE SERVICES

Interconnect Minutes

Interconnect Minutes physically connects the networks of Other Licensed Network Operators (OLNOs), be they fixed or mobile, to TM's PSTN network via a Point of Interconnect (POI). The interconnect arrangement enables end users from TM's network to communicate with end users from OLNOs' networks. Additionally, OLNOs users are able to connect to Toll Free Services, TM's Freephone 1800, 999 and other operator assisted services. In 2010, the focus was on operational efficiency through the implementation of a new interconnect billing system.

VoIP

Wholesale VoIP service is offered to licensed Applications Service Providers (ASP) venturing into the VoIP business in Malaysia. These VoIP service providers stand to benefit from the use of TM's extensive network for the

transportation, origination and/or termination of calls, which allows them to expand their VoIP business quickly and at minimum cost. To counter intense competition from other Wholesale Voice providers, and in response to reduced interconnect rates in 2010, Wholesale Business is committed to increasing its VoIP traffic minutes with more attractive offerings and strategic partnerships with the operators.

INFRA SERVICES

Infra Services provide the opportunity for service providers to expand their network coverage by riding on Wholesale Business' vast telecommunications infrastructure nationwide. The basic offering includes towers, land, floor and rooftop space, as well as auxiliary services such as environmental control and fire management systems. In 2010, Wholesale Business was able to capitalise on the roll-out of mobile and WiMAX products by promoting its infra services as an enabler of data services.

PROSPECTS

When Wholesale Business signed its HSBB (Access) Service agreement with Maxis in December 2010, it marked a turning point in telecommunications in the

country. It was the first time a mobile telco was buying into TM's HSBB network, underlying Wholesale Business' pivotal role as an industry developer and collaborator. HSBB (Access) Service will reduce network duplication among industry players while enabling them to offer integrated IP-based solutions, bandwidth-hungry applications and resourceful solutions to subscribers. Wholesale Business will continue to secure more partnerships with industry players in upholding its promise to promote open access.


Since HSBB (Access) Services were made available in July 2010, HSBB service coverage has expanded to 22 exchanges, encompassing the central, southern and northern regions. As of November 2010, the service covered a total of 26 exchange areas, seven of which are in industrial zones in Johor, Penang, Kedah and Selangor. TM has so far exceeded its target of passing 700,000 premises by end 2010 and is determined to achieve the target of 1.3 million premises passed by end 2012.

Wholesale Business has also formed strategic alliances with tower operators so as to expand its existing network

and provide more data services to Network Service Providers. To date, it has sealed agreements with eight tower operators in Selangor, Johor, Kelantan, Perak, Perlis, Kedah, Negeri Sembilan and Penang.

In view of increasing demand for video and multimedia communication among broadband users, TM will be introducing HSBB (Connection) Services in 2011 to enable seamless connectivity among end users from different network providers. HSBB (Connection) Service will also allow for multimedia rich interconnection services, and promote the early adoption of a new digital lifestyle in the nation.

In addition, Wholesale Business is collaborating with selected service providers to expand its wireless coverage nationwide, as a value-add offered through existing fixed broadband coverage and payphone services. In October 2010, TM signed an agreement with Perneq Corporation Berhad for the expansion of its WiFi coverage, and has since extended the same arrangement with three more service providers.



connect
communicate
collaborate

global business

Facts at a Glance

9 extensive submarine cables systems owned

466 Gbps total international bandwidth capacity

Covers over **200** destinations globally and 105 bilateral partners

OVERVIEW

In 2010, TM Global (TMG) continued to maintain its strength by leveraging on its technology infrastructure of international submarine cable systems, backhaul and point-of-presence. It achieved positive revenue growth by enhancing its operational excellence while managing costs more efficiently. Following greater demand for higher quality solutions from international carriers and enterprises, Global developed and extended its existing line of products in voice, data, internet and bandwidth services. This further supports its goal to evolve from a telco provider into a truly global solutions service provider.

INTRODUCTION

Global seeks to establish itself as a regional market leader, and has positioned itself strategically in the Asia-Pacific market where there is great potential for market penetration. At the same time, it continues to maintain its existing markets by flooding these with upgraded infrastructure and technology.

During CommunicAsia 2010, Global launched its Global Ethernet Services (GES), which provide private and secure connectivity over international links, allowing customers to experience better connections with clients across boundaries. Last year, Global also launched the Jakarta IP Hub, designed specifically to cater for traffic network in the ASEAN region.

Global currently owns nine extensive submarine cable systems, namely the AAG, APCN2, CUSCN, JUSCN, SMW3, SMW4, DMCS, SAFE and SAT3/WASC, which connect Malaysia with the rest

of the world. The recently upgraded APCN2 and SMW4 cables have brought TM's total international bandwidth capacity to 466 Gbps.

To further expand its cable network, TM has invested in new international cable system ventures such as the Asia Submarine Express (ASE) cable system, which will be ready for service in the second quarter of 2012. With TM's initial lit capacity of over 500 Gbps, this 40G per wavelength cable system will use Dense Wavelength Division Multiplexing (DWDM) technology to provide connectivity between Malaysia, Hong Kong and Japan. TM has also engaged in a new international cable system linking Malaysia and Indonesia Batam-Dumai-Melaka Cable System (BDM) which will come into service in the fourth quarter of 2011. This cable system will add further capacity and resilience while increasing goodwill between the two countries.

FINANCIAL PERFORMANCE

In the midst of a global economic recovery, TM Global has seen an increase in total revenue from RM1,132.3 million in 2009 to RM1,145.8 million in 2010. Data and voice services contributed 43.0% and 54.5% respectively to TM Global's 2010 revenue.

Based on sales performance in 2010, the South Asia region contributed the most with 33.5% of Global's revenue. Global will continue to leverage on the South Asia market and establish TM's footprint by increasing its market penetration. Global will also continue to enhance its presence in the European region, based on its positive growth in 2010.

BUSINESS OPERATIONS

GLOBAL SALES OFFICE & PRODUCT HOUSE

Global is headquartered at Menara TM, Kuala Lumpur, and has four regional offices in Singapore (Telekom Malaysia (S) Pte Ltd), the United Kingdom (Telekom Malaysia (UK) Limited), USA (Telekom Malaysia (USA) Inc) and Hong Kong (Telekom Malaysia (Hong Kong) Limited) as well as representative offices in Prague and Taiwan to support the emerging markets of Eastern Europe and China.

It has dedicated account executives focusing on customers in the regions of North & South Asia, Europe, Oceania, the Americas and the Middle East & Africa. Its reach is stretched further via

business alliances with telcos in Singapore, the Philippines, Brunei, Indonesia, Thailand, Myanmar, Cambodia, Laos and Vietnam. Global has established global IP nodes in Singapore, Hong Kong, the UK, the US and several other countries.

GLOBAL PRODUCTS & SERVICES

Global's extensive products and services are managed by the Global Data Marketing and Global Voice Marketing teams that provide customised solutions based on specific requirements. This personalised touch is extended to after-sales and technical services. The objective of the end-to-end services is to provide greater value to customers and their businesses.

Voice Services

Bilateral Voice. TM provides the local loop and last mile for fixed-line networks in Malaysia via bilateral arrangements with foreign telecommunications partners. The inter-carrier connection – via submarine cables, satellites and microwaves – ensures that TM is capable of terminating Malaysian traffic with the highest quality and clarity.

Wholesale Voice. TM provides termination services to international voice service providers, covering more than 200 destinations around the world that are directly or indirectly connected with TM's 105 bilateral partners. The traffic termination service is offered on two platforms:



SIRIM certification handover to Global Customer Service Management, TM Global.



i. Voice Over Internet Protocol (VoIP)

Based on a centralised managed solution, VoIP allows service providers to establish and operate phone-to-phone voice and fax services, as well as create value-added applications to grow their IP portfolios. Through this service, Global offers a mixed portfolio of national and international traffic terminations and enhanced applications.

ii. Public Switched Telephone Network (PSTN)

PSTN is a reliable connection due to its unparalleled communication quality and audio clarity. With over 200 international destinations, termination is made possible via direct and transit arrangements, utilising submarine cables, satellite links and terrestrial connectivity.

International Value-Added Services

Value-Added Services (VAS) are non-core services provided by Global to broaden subscribers' options in fulfilling their business communication requirements.

i. Global Voice Solutions
Global Voice Solutions is a platform for carriers around the world to connect to TM's network via either VoIP or Time-Division Multiplexing (TDM). It has been implemented in Global's regional centres of New York, London, Hong Kong and Singapore. Carriers based around these locations are able to enjoy the benefits of near-end reachability at a lower cost.

ii. ISDN Hubbing
ISDN Hubbing is an extension of the existing bilateral ISDN product, through which TM is able to offer ISDN services on a transit basis, not just to terminations in Malaysia but

also to third country ISDN destinations and selected Rest of the World (ROW) destinations.

iii. International Freephone Services via VoIP

International Freephone Service (IFS) via VoIP allows customers to make cheaper calls using TM's reliable and efficient VoIP networks.

**Data Services
Global Ethernet Services (GES)**

i. Global Ethernet Virtual Private Line (EVPL)

EVPL provides secure point-to-point or point-to-multipoint Ethernet bandwidth connectivity developed over TM's private global MPLS-IP based network. Using standard Ethernet interfaces, customers can set up secure, private bandwidth connectivity to global business partners/suppliers or the Internet. The service enables a more flexible and cost-effective solution than WAN solutions such as private lines, ATM or frame relay – at higher, scalable speeds. With global Ethernet, customers can buy just the amount of bandwidth needed, and easily add bandwidth as desired.

ii. International Ethernet Private Line (IEPL)

IEPL is an end-to-end bandwidth solution that provides dedicated, point-to-point, cross-border connectivity over a reliable platform at

high speed, with the option of scalable upgrades utilising Ethernet over SDH technology.

International Bandwidth Services

International Bandwidth Services capitalise on TM's extensive terrestrial and submarine fibre optics as well as satellite international networks to enable contact beyond Malaysian shores. Accentuating One Stop Shopping (OSS) and Full Channel Service (FCS), it links Malaysia to major communication hubs around the globe.

i. International Private Leased Circuit (IPLC)

IPLC is a dedicated point-to-point connectivity via international submarine cable or terrestrial links or satellite from both ends terminating outside Malaysia.

ii. Bandwidth Transit

TM's Bandwidth Transit is a dedicated end-to-end connectivity originating and terminating in a foreign country but transiting via Malaysia.

iii. Bandwidth Backhaul

Bandwidth Backhaul is a dedicated capacity between cable landing stations or border stations in Malaysia where the customer has its own capacity in international submarine cable or terrestrial facilities.



iv. Bandwidth Interconnection

It is an interconnection between two submarine cable systems owned by a customer or TM itself at TM's cable landing station.

v. Global VSAT

A satellite-based Single Channel Per Carrier (SCPC) technology, Global VSAT refers to TM's provision of Very Small Aperture Terminal (VSAT) services, which cover the lease and installation of VSAT equipment inclusive of the space segment from one customer premise in Malaysia to another foreign location outside Malaysia.

IP Services

Delivered over TM's international network infrastructure with Points of Service located worldwide, TM's IP Network Capacity (AS4788) stands at more than 200 Gbps in the near future.

i. IP Transit

TM's IP Transit is designed for internet service providers, content service providers, corporations and businesses to access the internet, and is customisable to suit particular needs. TM is the provider to the largest subscriber base in Malaysia and is recognised as one of the leading carriers in the region. Customers are able to subscribe to the service via several types of access options such as IPLC,

Satellite, Metro Ethernet, MPLS and In Building cross connect, with speeds ranging from 2 Mbps to 10 Gbps via TM Global Point of Presence (PoP) in Asia, the US and Europe.

Global VPN Services

A Virtual Private Network (VPN) tunnels through another network, linking remote offices or individual users to their organisation's network. It is widely used by businesses to create Wide Area Networks (WANs) across large geographical areas, providing site-on-site connections to branch offices. A VPN provides the same capabilities as an extensive system of owned or leased lines that can be used by only one organisation, but at a much lower cost.

i. Global IPVPN

TM's Global IPVPN is a fully-managed end-to-end virtual private networking solution that is simple, secure and scalable. It offers four service classes which enable customers to integrate video, voice, data and other business applications via single extensive any-to-any private network connectivity. TM has established its own nodes in

Bahrain, Egypt, Sri Lanka, Indonesia, Singapore, Hong Kong, the US (Los Angeles and New York) and Malaysia. It has also expanded its connectivity to more than 80 countries through global partnering.

PROSPECTS

Global aims to continue to evolve from a telco provider to a one-stop solutions service provider operating on a global scale. It has devised a strategic roadmap comprising four tactical pillars and two foundations to retain existing customers and capture new ones by providing more value for their businesses.

The Four Tactical Pillars:

1. Increase share of customers' business with new value-added services, new cable systems and upgrades of existing cable systems.
2. Retain existing customers through higher service quality exceeding their expectations by improving infrastructure and back-end efficiency as well as developing new programmes.

3. Win back lost customers through proactive engagements and strategic alliances.
4. Sell to new customers by transforming the existing market potential, expanding into new markets, and attracting competitors' customers.

The Two Foundations:

1. Increase the service value proposition with aggressive customer offerings and end-to-end campaign management.
2. Aggressive Go-To-Market plan focusing on target areas, while enhancing execution capabilities and improving the Customer Management Policy.

Global also continues to participate in promotional activities to support the efforts of its sales force. It partners international event organisers as well as media houses for major brand exposure and increased market mindshare. Its marketing communication initiatives also act as strategic platforms for the sales force to showcase Global's offerings.





connect
communicate
collaborate

business functions

Facts at a Glance

RM2.9 million

saved on land lease rental

MMU is ranked as 'Excellent' at **Tier 5** of SETARA rating by MQA

11,887,168 visitors to-date to Menara Kuala Lumpur

OVERVIEW

Support Business comprises property Strategic Business Units (SBU) and non-core subsidiaries of the Group. Its principal role is to enhance shareholder value within the businesses under its purview and to ensure greater efficiency of the divisions within the Group. Support Business continues to streamline its portfolio in accordance with the Group's rationalisation programme.

SUPPORT BUSINESS

FINANCIAL PERFORMANCE

For the year ending 2010, Support Business recorded higher revenue of RM806.8 million from RM790.4 million in 2009, mainly due to higher maintenance services and space rental (to the Group) by Property Operations and Property Management respectively. EBITDA also increased by 39.2% from 2009.

Support Business' capital expenditure was RM114.0 million (2009: RM54.3 million), of which RM42.3 million went towards Property Management (PM) for the upgrade of buildings and network exchanges; RM39.0 million was channelled to Multimedia University (MMU) mainly for the development of Phase II of the Cyberjaya Campus; and RM30.3 million was allocated to the Central Office for the purchase of vehicles in support of the HSBB project implementation and vehicles replacement programme.

UNIVERSITI TELEKOM SDN BHD / MULTIMEDIA UNIVERSITY

As the first private university in Malaysia, MMU strives to be a world-class academic institution in its chosen fields of engineering, information

technology, management and multimedia technology. The year 2010 brought continued success in MMU's ongoing mission to position itself as a major international research institution. MMU's R&D Roadmap was updated to take into consideration changes that have taken place since its inception in 2008. In terms of publications, as measured both in the SciVerse Scopus database of abstracts and citations as well as the ISI Web of Science online academic citation index, MMU maintained its lead in the field, ahead of all other private institutions of higher learning in Malaysia.

Throughout the year, MMU engaged students and institutions within the Asia-Pacific, African and European regions across the full range of its responsibilities, including research, inter-institution cooperation, undergraduate and postgraduate education as well as in community service. MMU faculties stepped up their alliances with the best teaching resources in the world to offer compelling degree programmes, enriching the learning environment at

MMU and further enhancing the market value of graduates' degrees worldwide.

MMU graduates are renowned for the quality of their education, and the university consistently achieves a high employment rate within the industry. In the year under review, MMU produced a total of 400 diploma graduates, 2,572 bachelor's degree graduates, 241 master's degree graduates and 17 PhD graduates. Postgraduate student enrolment totalled 690. The number of MMU students in 2010 totalled 20,033, comprising 15,902 local students and 4,131 international students from 58 countries.

Under its Academic Quality Assurance, MMU is committed to guaranteeing the superiority of its academic programmes. In 2010, a new Master of Science in Bio-Informatics was approved by the Malaysian Qualifications Agency (MQA), bringing the total number of MMU programmes approved by the Ministry of Higher Education to 121. 110 of these are accredited by the MQA.



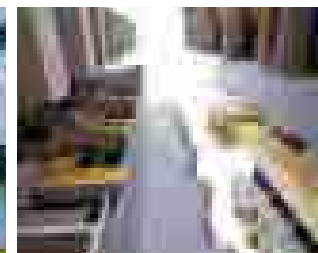
The Chancellery at MMU's Cyberjaya Campus.

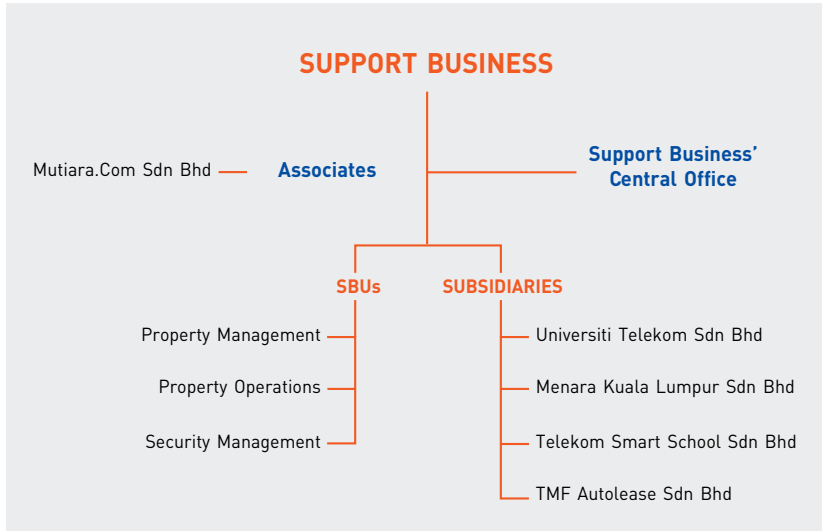
To further safeguard the quality of its courses, MMU's Quality Council, chaired by the President himself, actively monitors issues of quality. The Quality Council meets every quarter to discuss quality issues related to academic and administrative matters. Also part of the Quality Council's duty is to conduct regular internal audits on programmes, so as to ascertain those that need to be refreshed or updated. The university also performs pre-accreditation audits on programmes due for accreditation as an internal quality check exercise. A series of Outcome-Based Education Training sessions for MMU academics was organised and coordinated internally between MQA and the university.

The Student Centre at MMU Cyberjaya Campus.



The newly refurbished hostel at MMU Melaka Campus.





KL International Jump Malaysia.



MMU's quality assurance initiatives have brought substantial results. MQA ranked MMU as "Excellent" in its 2009 Rating System for Institutions of Higher Learning (SETARA), placing it in Tier-5 (the top tier) together with 17 other public and private Malaysian universities. In the QS Asian University Ranking, meanwhile, MMU ranks an impressive number 5 among all Asian universities on the International Student Review. In addition, SIRIM QAS International Sdn Bhd awarded the libraries and Examinations and Records Unit (ERU) in both the Cyberjaya and Melaka campuses the MS ISO 9001:2008 for the Provision of Library Services & Management of Students' Records.

With regards to commercialisation, 2010 was a challenging, but ultimately successful year for MMU CNergy, MMU's commercialisation arm. During the year, MMU signed its first academic license for an online MBA programme, to be offered in partnership with the International Campus of the Sharif University of Technology in the Kish Island of Iran. Financially, MMU CNergy recorded a healthy revenue growth of 11.6% as compared to 2009, with an EBITDA margin of 11.0%.

MMU's subsidiary, Multimedia College Sdn Bhd (MMC), extends MMU's academic reach in order to bring the highest quality education to those with limited qualifications. Established in 1948 to provide telecommunications expertise

to citizens of Malaya, the institute is well known across the country as the Telekom Training Centre. In 1995 the Centre was upgraded and accorded college status. Since then, MMC has held 14 Convocation ceremonies at which a total of 4,525 students have graduated. Currently, it has 2,295 students enrolled in eight diploma programmes. All of MMC's academic programmes at the main campus have been accredited by the MQA.

MENARA KUALA LUMPUR SDN BHD

Menara Kuala Lumpur (MKL), located at the top of Bukit Nanas at a breathtaking height of 421 metres above ground level, is the sixth tallest tower in the world. Blending seamlessly with lush tropical

greenery in the heart of Kuala Lumpur city, the tower has become a national landmark, a significant symbol that identifies Malaysia as a great tourist destination as well as a technologically advanced country.

The tower is managed by Menara Kuala Lumpur Sdn Bhd (MKLSB), which also oversees Menara Alor Setar and Muzium Telekom. The company is a member of the Malaysian Association of Tour and Travel Agents (MATTA), which puts the towers and museum under its jurisdiction on the tourist map. MKL is also notably a member of The World Federation of Great Towers, comprising 32 world renowned towers, and also the International Federation of Museums.

Since the opening of MKL in 1996, it has attracted a total of 11,887,168 visitors from India, the UK, Indonesia, Australia, America, Europe, Japan and others countries. A key factor that keeps visitors flocking to the tower is the unique blend of activities organised, which caters to all walks of life. These include signature events such as the KL Tower International Forest Towerthon Challenge, KL Tower International Jump Malaysia, KL Tower Indie Fest, and also Towerkidz. Captivating different age groups and demographics, the events ensure high participation rates and publicity mileage for MKL.

For the financial year ended 31 December 2010, MKLSB recorded total revenue of RM40.2 million compared to RM73.8 million in 2009. Meanwhile, its profit after tax stood at RM11.4 million, as compared to RM28.8 million in 2009. The lower revenue was mainly due to a lower lease rental chargeable under a concession arrangement with the Government.

The ISO 9001: 2000 certified MKL was awarded Best Tourism Attraction – Innovative Manmade Attraction 2008/2009 at the National Tourism Award by the Ministry of Tourism, Malaysia on 9 January 2010. It has also been chosen by the Estee Lauder Group to join other world-famous monuments such as Sydney

Opera House, the Empire State Building (New York) and Burj Al Dubai Hotel in the cosmetic giant's battle against cancer. During Estee Lauder's anti-breast cancer campaign, the tower was lit in fluorescent pink to remind Malaysian women to get themselves checked. 2010 was the third year MKL has taken part in this cause.

MKL is targeting an 8.6% increase in visitors in 2011, advertising itself as a destination for *Culture, Adventure and Nature*, with an exciting array of new events, products and packages. The tower is expected to attract a high number of domestic tourists still affected by the global economic downturn, and who seek to discover unique holiday experiences in the country. Continuous support from the Ministry of Tourism, Ministry of Information, Communications and Culture, key industry players and the Kuala Lumpur City Hall, coupled with the dedication of TM management and staff, will definitely contribute towards a successful 2011.

TELEKOM SMART SCHOOL SDN BHD

Telekom Smart School Sdn Bhd (TSS) was established to develop and implement the Malaysian Smart School pilot project in collaboration with the Ministry of Education (MOE) and Multimedia

Development Corporation (MDeC). Since the completion of the project in December 2002, the MSC Status Company has established several key businesses in e-learning, marketing multimedia courseware/content development services and web-based school applications such as School Management Systems and Learning Management Systems. The company is also a pioneer in Smart School solutions for schools and organisations in Malaysia.

In the financial year 2010, the company recorded revenue of RM4.5 million as compared to RM3.0 million in 2009. To further grow its business, TSS is targeting its e-education solutions for learning and education institutions to a larger segment of the local market.

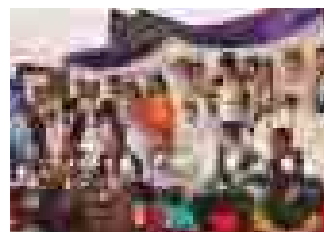
In 2010, TSS completed the *Pembestarian Sekolah Luar Bandar* (transforming Rural Schools into Smart Schools) project run in conjunction with the Ministry of Education and MDeC. It also launched a new, world-renowned authoring tool

software into the market. TSS is the sole distributor of an international product, LectureMAKER, which is ideal for developing multimedia content for rapid e-learning.

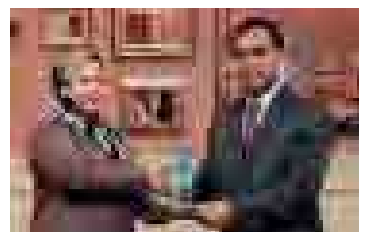
TMF AUTOLEASE SDN BHD

TMF Autolease Sdn Bhd (TMFA) oversees the management of TM Group's fleet of vehicles. Its key tasks are to ensure all vehicles are roadworthy, in compliance with Government regulations, utilised optimally and available at all times for the purpose of business operations and support. As at 31 December 2010, TMFA had a total of 5,350 vehicles of various makes and models ranging from utility vans and saloon cars, to four-wheel drives and lorries. Besides its fleet, TMFA manages seven zone offices and 28 service outlets nationwide.

Chinese Wedding at 1Malaysia Cultural Village in MKL.



LectureMAKER Awards 2010 was graced and witnessed by the VP of Support Business TM, Zam Ariffin Ismail.



TMFA's major customers are Network Development and Regional Network Operation which together lease 3,670 vehicles, representing 68.6% of the total. For the launch of UniFi, TMFA dedicated 287 vehicles to the team to ensure their mobility.

As part of TM's Performance Improvement Programme (PIP), in 2010, TMFA implemented a vehicle right-sizing programme to increase productivity by managing vehicles more effectively and efficiently. A total of 53 vehicles were returned and redeployed to other critical users, while 324 vehicles were disposed of since the vehicles are uneconomical or unsuitable for operational use. In pursuit of quality, TMFA conducted several programmes for its customers on safe and defensive driving as well as basic technical vehicle knowledge. It scored 88.9% in a Customer Satisfaction Index (CSI) survey completed in December 2010.

In 2010, TMFA registered revenue of RM48.7 million with operating costs of RM33.6 million and profit after tax (PAT) of RM11.9 million. Most of the revenue (78.0%) was derived from the Management and Maintenance Package (MMP) fee for TM vehicles.

In 2011, TMFA will continue to manage and optimise its operating cost while improving performance so as to record

positive growth in shareholder value. TMFA strives to continue to provide greater efficiency in its services to the TM Group.

PROPERTY MANAGEMENT

Property Management (PM) acts as TM's in-house land and building manager and adviser. PM contributes to TM's performance by unlocking its idle land and renting office space to both internal and external tenants. PM is also responsible for the property and land administration of all TM's real assets. Apart from creating value from the idle land bank, PM studies cost-saving options, especially in utilities consumption and property taxes.

In 2010, PM managed to unlock (via outright disposal) 10.3 acres of land in the Klang Valley and Alor Setar, Kedah, with a total disposal price of RM47.3 million. Through its idle land rationalisation, it managed to save RM2.9 million of lease rental payment to the Federal Land Commissioner (FLC) over the year. PM also managed to

reduce its land premium by RM1.2 million by making prompt payments to the Land Office. Additional savings were obtained from the return of the Jalan Tandang TM Warehouse site to FLC.

Most of the major projects undertaken by PM in 2010 were ongoing from previous years. This included the conversion of the Menara TM auditorium into four levels of office space, a training centre with a 150-seat mini theatre and a 1,500 pax exhibition centre. Completion is targeted by Q2 2011. PM is also maximising office space in Menara TM using the open office concept, in the hope of freeing up a few floors that can be made available for tenancy.

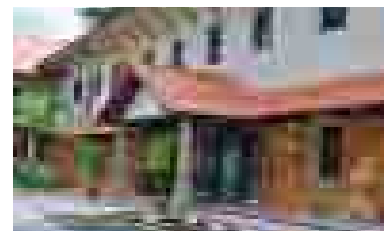
To date, PM has successfully unlocked over 2,228.6 acres of land, of which 72.5 acres were disposed off and the remaining jointly developed.

PROPERTY OPERATIONS

Property Operations (PO) is an in-house building maintenance contractor that has been certified with QMS ISO

9001:2000 and EMS ISO 14001 by SIRIM for quality and environmental initiatives respectively. PO is responsible for planned, preventive, corrective and emergency maintenance work on TM network and non-network buildings and has the primary role of ensuring all TM network equipment is powered by TNB supply, generator sets, batteries or rectifiers.

For the year 2010, PO registered operating revenue (inclusive of internal revenue) of RM125.6 million, of which 2.0% was generated from maintenance services to external parties. Against an operating cost of RM119.5 million, PO's EBIT stood at RM6.0 million (EBIT margin of 5.0%). The low operating cost was due to a downward review of the mechanical and electrical contract for the second half of 2010. PO also recorded a substantial saving of RM4.1 million from its Off





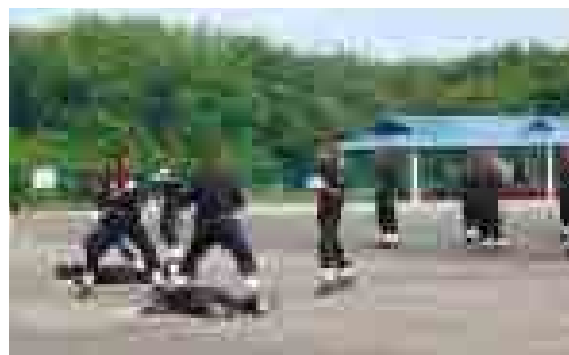
Peak Tariff Rate (OPTR) optimisation, lowering of temperature at selected cabins and the installation of energy-saving devices at selected buildings.

PO gained further ground in its customer service initiatives, including the launch of a web-based One-Stop Complaint Channel, resulting in an all-time customer service index (CSI) high of 90.57%. It also achieved 99.9999%, 99.9996% and 100.0% up-time for the Alternating Current (AC), Direct Current (DC) and air-conditioning systems respectively, generally meeting the targets imposed by the Malaysian Communications and Multimedia Commission. This is in tandem with PO's successful delivery of 97.0% of Scheduled Maintenance throughout 2010.

Responsible for network efficiency, PO in 2010 worked closely with Network on various initiatives such as nationwide Battery & Rectifier Replacement, Building Audit on Top 166 Critical Sites, and ERA Action Plans. As a result, there were fewer network breakdowns due to power outages.

Throughout 2010, PO also supported TM in its HSBB ambitions by converting 62 sites in the Klang Valley to the Next Generation Network (NGN). PO was responsible for ensuring the civil, mechanical and electrical infrastructure at these sites were ready to take on the new network. Altogether, RM22.6 million was incurred for the site preparation.

PO itself received ISO certification for its Sarawak office. PO continues to strive to see building maintenance addressed from the replacement of ageing equipment to finding the right outsourcing partners for maintenance activities.



SECURITY MANAGEMENT

The core of Security Management's (SM) business is to provide reliable and effective security services to safeguard TM's assets and personnel and minimise any disruption or loss to business operations. Its main functions cover the provision of a secure workplace, security of employees, asset protection, loss/crime prevention, security consultancy and representation in the National Crisis Management Committee.

In 2010, SM maintained its customer service index (CSI) at 85.0% while improving its Security Service Availability Index (SSAI) to 99.0% from 98.7% in 2009. Moving forward,

it is expected that the re-organisation at state level will further enhance the ability to monitor vendor performance. SM has also reduced the crime rate within TM premises from 37 in 2009 to 24 in 2010. However the number of cable thefts increased significantly in 2010 mainly due to higher copper prices as compared to 2009. SM will seek the cooperation of various government agencies to come up with new initiatives to address the cable theft issue.

SM seeks to ensure the Group's business security remains intact at all times.





Facts at a Glance

Over **760,000** premises passed (276,000 VDSL and 482,000 GPON FTTH)

33,000 UniFi customers

28,800 subscribers migrated to NGN platform

DRIVING INNOVATION THROUGH HSBB

IT and Network Technology (IT&NT) is the network operation and technical arm of TM responsible for planning, building, delivering, operating and maintaining telecommunications infrastructure to support the Company's current and future business needs. It encompasses 52.0% of the Company's total manpower.

In 2010, IT&NT launched a three-year transformation plan focusing on High Speed Broadband (HSBB) infrastructure deployment, Next Generation Network (NGN) migration, and network quality and performance improvement. Under the HSBB Programme, the IT&NT HSBB Team was instrumental in deploying the fibre access infrastructure, or homepasses, in the four exchange areas where UniFi was first made available, namely Taman Tun Dr Ismail, Subang Jaya, Bangsar and Shah Alam.

Following this, they proceeded to extend the fibre access to other HSBB areas as planned. By year end, HSSB had extended its reach to 48 exchange areas.

The year 2010 also marked the start of TM's transition from its legacy Public Switched Telephone Network (PSTN) network to an all IP-based NGN infrastructure. TM is currently building a new NGN core network infrastructure based on IP Multimedia Subsystem (IMS) which will be able to support a whole array of new and exciting multimedia services and value-add applications. Legacy PSTN switches will gradually be taken over by the NGN network, which will reduce network hierarchy and operational complexity, benefiting TM in terms of improved reliability, enhanced customer provisioning and greater service bundling. In addition, the new NGN will greatly reduce network procurement, operations and maintenance costs.

In order to improve operational performance and deliver customer service excellence, IT&NT launched project Towards Operational Perfection (TOP) which covers sales channels, customer service management as well as network operations. The project urges TM to re-think the way the organisation works, and subsequently to re-engineer its processes to be more efficient, focusing on end-to-end performance targets in service delivery and

quality while enhancing employee productivity.

TM remains steadfast in its belief that innovation plays a key role in supporting future business requirements as well as in solving pertinent operational issues. It has therefore been nurturing internal talents and has developed the right expertise in TM Research & Development (TM R&D) to realise further growth opportunities. TM R&D, which currently reports to the IT&NT division, was originally founded as an internally-focused division. It has grown to become a leading Malaysian innovation and technology centre in its own right.

TM R&D is located at the TM Innovation Centre in Cyberjaya, Malaysia's international hub of Information and Communications Technology (ICT) R&D and investment. It employs an 'open innovation' model, engaging with Malaysian and global resources by forming partnerships with universities, vendors, partners, clients and start-ups to complement its internal innovation initiatives.

PERFORMANCE

As of 31 December 2010, over 760,000 surpassing the target of 750,000 UniFi premises passed had been physically deployed as compared to 150,000 premises passed at the end of 2009. The premises passed can provide more than 276,000 Very High Bit rate Digital Subscriber Line (VDSL)

and 482,000 Gigabit Passive Optical Network (GPON) FTTH access infrastructure to selected residential and industrial areas within the Klang Valley. To date, 33,000 customers are connected to, and enjoying, the UniFi service.

TM has also deployed a new integrated end-to-end operation support system/business support system (OSS/BSS) for HSBB, called NOVA. At the end of 2010, a total of five system releases had been launched to support the UniFi triple play service, fault management and Metro-E provisioning.

On NGN migration, as of 31 December 2010, TM had successfully migrated around 28,800 existing subscribers from the legacy PSTN to the NGN network at three sites, namely Wangsa Maju (Kuala Lumpur), Sungai Long (Selangor) and Masjid Tanah (Melaka). The migration will continue in 2011 until PSTN is completely phased out from the network.

Project TOP focuses on service assurance and fulfillment to the end user. By implementing lean operating principles, the project has improved the mean time to restore (MTTR) and the mean time to install (MTTI) for voice service by 50.0% and 35.0% respectively. This has resulted a 20 percentage points increase in the proportion of faults resolved and number of installations within TM's target, which is set to meet the top quartile of telcos globally.

